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Brezhnev's Visit Reassures Hungary

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BUDAPEST—"You cannot imagine how happy we are that Mr. Brezhnev has finally come," said a Hungarian this past week.

For politically sensitive Hungarians like that one, last week's five-day official visit of the Soviet Communist Party leader helped dispel a sense of uncertainty about the future. Delays in the visit (reportedly at Soviet request), numerous comings and goings of officials between Budapest and Moscow, and public admissions here that some flaws had developed in Hungary's pragmatic, decentralizing economic reforms of 1968 caused the uneasiness.

As the country that has gone farthest of any in the Soviet bloc in introducing modified market forces in the economy, freeing prices and permitting cultural freedom, Hungary today has become the test of how much leeway the Soviet Union will allow in Eastern European experimentation.

Hungarian sources say that before the visit the Soviet regime expressed concern—including ideological concern—about some of the trends in Hungary. But Brezhnev's five days here were a good example of the growing sophistication and restraint of Soviet policy toward its East European allies.

[An official communique at

the end of Brezhnev's visit Saturday gave broad backing to Hungary's economic reforms by asserting that "progress in the Hungarian economy . . . provides a firm basis for meeting the material and mental demands of the working people." Both sides also expressed readiness to study and apply each other's economic experiences, UPI reported.]

News Analysis

"The Soviet Union has plenty of ways of applying pressure without resorting to theatrics," said a Hungarian. "One word will do."

Yet during his visit here Brezhnev said nothing in public that could have been seized on by opponents of the reform. To the man whom most Hungarians see as the personal embodiment of the programatic reform policy, party leader Janos Kadar, Brezhnev awarded the Order of Lenin.

In doing so, he called him a leader "filled with the majestic feeling of responsibility toward your people." Any change in the top leadership, knowledgeable Hungarians believe, would cause a wave of public uncertainty and would probably be followed by policy changes as well.

After Brezhnev's visit, the 60-year-old Kadar still seems to be firmly at the helm.

Brezhnev appeared to go out of his way to avoid any impression of Soviet pressure. He did not come to Hungary until the Communist Party Central Committee in Budapest had itself dealt with some of the problems arising from the reform, by issuing a long directive endorsing the old policy but calling for certain correctives. The absence of top Soviet economic officials may have been intended to reassure people that the reform itself was not on the agenda of the talks.

In public, Brezhnev himself was robust, hearty and amiable, chatting with foreign diplomats—including U.S. Ambassador Alfred Puhan—at a reception, and talking with workers.

More significantly, he said in a speech to factory workers that there was room for diverse approaches to problem-solving in the Soviet bloc, within the larger framework of unity and common goals.

The shift from high-pressure tactics to diplomacy in Soviet policy toward Eastern Europe has been noticeable since the 1970 shipyard riots in Poland. Since then, Moscow has exhibited restraint and even encouraged innovation, in the interest of the stability it badly wants in Eastern Europe. Moscow continues to tolerate the Hungarian economic reforms, the innovations in Polish economic and political management, and the opening of the East German border between Poland and Czechoslovakia to travelers without visas.

In its approach to Hungary, the Soviet Union appears to hold the view that practical problems—not ideological deviation—are still the major issue, at this stage of the reform.

The first of these practical problems involve trade and long-term joint planning.

Hungary gets about four-fifths of its basic raw materials (including fuel oil and metal ores) from the Soviet Union, but the Soviet Union is reluctant to make the kind of long-term commitments of these materials to Hungary that it once did. Western diplomats believe that Moscow's enormous needs for Western (and particularly American) technology help explain this.

Moscow seems reluctant to pledge increased quantities of raw materials to its allies, perhaps thinking that it will need to sell them elsewhere for foreign exchange. Also, ore-extraction costs are rising rapidly in the Soviet Union, and Moscow officials claim that their raw-material sales to Eastern Europe are underpriced.

The other new element in Hungarian-Soviet economic relations is the rapidly increasing demand in the Soviet Union for consumer goods.

At a time when Hungary and the other East European countries are trying to make "convertible products" that could be sold in the West, the Soviet appetite for East European finished goods (which are not paid for in foreign exchange) is rising. Hungary hopes to increase its sales to the West to raise foreign currency that can be used to finance modernization. But the Soviet Union wants to shop in Eastern Europe for consumer goods, and there is some evidence that Moscow has adopted a tougher, John

Connally-style economic policy toward its allies in getting what it wants: more consumer products and more and better-quality consumer products.

Long before Brezhnev's visit here, the Hungarians had publicly faced up to difficulties in their decentralizing reform of 1968. The freer prices and market influences resulted in a heating of the economy, some inflation, a trade deficit, unfinished investment projects and dissatisfaction among workers who felt they were losing out to farmers and factory managers.

Perhaps the most disturbing aspect to Communist hardliners and ideological purists were signs of an emerging "new middle class" very similar to the kind that is now under fire by President Tito in Yugoslavia for having a "consumer psychology" and bourgeois instincts.

The correctives announced a week ago, after more than six months of study, combine a mild recentralization with a package of concessions to workers and low-income families. These steps are clearly based on political, rather than economic, reasoning.

Hungary's reform is not taking place in a vacuum. Yugoslavia's present difficulties with widening differences between rich and poor, and Poland's bitter experience with the 1970 price reform (which led directly to the worker riots) tend to show that economic reform cannot be successful in an atmosphere of social frictions and workers discontent.

The new Hungarian directives call for a package of new social-welfare benefits, apparently to offset the impact of a market-oriented 44 per cent increase in milk and dairy products in 1973.

Other concessions to public opinion include automatic wage increases ranging from 4 to 12 per cent programmed for 1973 and a freeze on meat prices through 1975—which means that the state, rather than consumers, will pick up the tab for rapidly rising meat costs. The point of the wage measure is to equalize pay in industrial branches while keeping incentive payhigh for skilled, highly productive workers within those branches.

The rationale behind these measures is clearly to avoid really dangerous social unrest. But Hungarian progressives wonder if the regime might put the brakes on the reform too sharply.

"You are bound to have social tension during economic refom," said a knowledgeable Hungarian. "Either you have the reform or you have a society without any social tensions—get what I mean?"

Informed officials concede that goals such as currency convertibility and a decentralization of the banking systems have had to be postponed well into the future. Indirect controls have also been placed on imports and investments.

These controls have achieved results. First-quarter investments rose 36 per cent over the previous year, second-quarter investments rose only 3 per cent, and third-quarter investments actually decreased 4 per cent from 1971.

The only really new departure in the directives is their creation of a powerful new state planning committee. Economists say the committee won't try to "command" the economy, or interfere in the relations between Hungarian enterprises and their domestic suppliers. They say that the body will only set more rational priorities and will deliberately undercut the political interest groups and pressure centers in the Budapest central ministries. These centers are said to be so strong that they can lobby for inefficient investments and cause deformities in the Hungarian budget.