

EASTERN EUROPE AND THE COMMONWEALTH OF INDEPENDENT STATES 1992



First edition of a political and economic survey

Eastern Europe and the Commonwealth of Independent States 1992

FIRST EDITION

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Eastern Europe
and the Commonwealth
of Independent States
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FOREWORD

The first edition of *EASTERN EUROPE AND THE COMMONWEALTH OF INDEPENDENT STATES* was prepared during a year of dramatic changes, as the post-Communist order developed in the region. Albania finally introduced political and economic reforms. Bulgaria introduced a new Constitution. In Yugoslavia, divergent reform programmes and aspirations exacerbated ethnic tensions until civil war broke out over the secession of Croatia and Slovenia. An increasing variety of conflicts and problems emerged in the other Communist federation, and there too the military failed to preserve the Union. The coup attempt of August 1991 catalysed the dissolution of the Union of Soviet Socialist Republics, after almost 70 years of existence, forcing the recognition of Baltic independence and ending with the establishment of a new association of sovereign nations.

More than 30 specialist writers have contributed to this comprehensive description and analysis of the countries of the region, placing them in their international and historical context. The introductory essays provide a general background and assessment of a range of regional issues; most of them focus on the countries of Eastern Europe, covering the former USSR as a regional superpower. There is also an essay on the former East German state. The section remains an invaluable evaluation of many matters common to the whole region.

There are seven chapters on the countries of Eastern Europe, an area defined more by its political experience than its geography. In addition to a chronology for each country, there are political and economic narratives, and geographies, maps and detailed statistical and directory sections. These last include information on government and state institutions, religion, the media, finance and business, environmental organizations and culture, to list but a few. The original plan to include surveys of the constituent republics of the federal countries took on greater significance as the work progressed, not only in the former USSR and Yugoslavia, but also, less tumultuously, in Czechoslovakia. The book therefore contains valuable, and often unique, information on the history, governments and institutions of the newly independent countries.

In Part Three, on the USSR and its Successor States, there are 12 political and economic essays on the 15 former Soviet republics, as a group—despite their recent independence, they remain linked by their common history as a Union and by their interdependent economies. Among the essays is an account of the August coup attempt and its consequences. The series of economic essays consists of sectoral and regional surveys. The section includes the texts of the founding documents of the new Commonwealth and the most recent political developments, in the histories of the republics. The chapters on the 15 republics, like any country chapter, include accounts of the geography, history, and economy, statistics and a directory.

Part Four is an up-to-date Political Profiles section, with biographical outlines of more than 170 men and women prominent in the political life of the region.

The Editor is grateful to all the contributors for their articles and help and to the numerous governments and organizations which have returned questionnaires and provided statistical and other information.

January 1992

ACKNOWLEDGEMENTS

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We are most grateful for permission to make extensive use of material from the following sources: the United Nations' *Demographic Yearbook*, *Statistical*

Yearbook, *Yearbook of Industrial Statistics* and *Yearbook of National Accounts Statistics*; the Food and Agriculture Organization of the UN's *Yearbook of Fishery Statistics*, *Production Yearbook* and *Yearbook of Forestry Products*; UNESCO's *Statistical Yearbook*; and *The Military Balance, 1991-92*, published by the International Institute for Strategic Studies, 23 Tavistock Street, London WC2E 7NQ, United Kingdom.

The following publications have been of special use in providing regular coverage of the affairs of the region: *Summary of World Broadcasts: Part 1, USSR* (now *Part 1, former USSR*) and *Summary of World Broadcasts: Part 2, Eastern Europe*, from the BBC, Reading; and *Report on Eastern Europe* and *Report on the USSR*, now combined as *RFE/RL Research Report*, from Radio Free Europe/Radio Liberty Research Institute, Oettingenstraße 67, W-8000 Munich 22, Germany.

EXPLANATORY NOTE ON THE DIRECTORY SECTION

The Directory section of each chapter is arranged under the following headings, where they apply:

THE CONSTITUTION

THE GOVERNMENT

HEAD OF STATE

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LEGISLATURE

LOCAL GOVERNMENT

POLITICAL ORGANIZATIONS

DIPLOMATIC REPRESENTATION

JUDICIAL SYSTEM

RELIGION

THE PRESS

PUBLISHERS

RADIO AND TELEVISION

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CENTRAL BANK

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FOREIGN BANKS

STOCK EXCHANGE

INSURANCE

TRADE AND INDUSTRY

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SOCIAL WELFARE

NATIONAL AGENCIES

HEALTH AND WELFARE ORGANIZATIONS

ENVIRONMENT

GOVERNMENT/REPUBLICAN ORGANIZATIONS

ACADEMIC INSTITUTIONS

NON-GOVERNMENTAL ORGANIZATIONS

REGIONAL ORGANIZATIONS

DEFENCE

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ABBREVIATIONS

Acad.	Academician; Academy	E	East; Eastern
Adm.	Admiral	EBRD	European Bank for Reconstruction and Development
admin.	administration	EC	European Communities
a.i.	ad interim	ECE	(United Nations) Economic Commission for Europe
AID	(US) Agency for International Development	Econ.	Economist; Economics
AIDS	Acquired Immunodeficiency Syndrome	ECOSOC	(United Nations) Economic and Social Council
Al.	Aleja (Alley, Avenue)	edn	edition
AL	Alabama	EEC	European Economic Community
Alt.	Alternate	EFTA	European Free Trade Association
AM	Amplitude Modulation	e.g.	exempli gratia (for example)
amalg.	amalgamated	eKv	electron kilovolt
AO	Autonomous Oblast	eMv	electron megavolt
AOk	Autonomous Okrug	Eng.	Engineer; Engineering
approx.	approximately	est.	established; estimate; estimated
ASEAN	Association of South East Asian Nations	etc.	etcetera
assen	association	excl.	excluding
assoc.	associate	exec.	executive
ASSR	Autonomous Soviet Socialist Republic		
asst	assistant	F	Fahrenheit
Aug.	August	f.	founded
auth.	authorized	FAO	Food and Agriculture Organization
Ave	Avenue	Feb.	February
		FM	frequency modulation
b.	born	fmrly	formerly
Bd	Board	f.o.b.	free on board
Bd.	Bulevardi	Fr	Father
b/d	barrels per day	FRG	Federal Republic of Germany
Bldg	Building	Fri.	Friday
br.(s)	branch(es)	ft	foot (feet)
Brig.	Brigadier		
bul.	bulvar (boulevard)	g	gram(s)
		GATT	General Agreement on Tariffs and Trade
C	Centigrade	GDP	gross domestic product
c.	circa	GDR	German Democratic Republic
cap.	capital	Gen.	General
Capt.	Captain	GNP	gross national product
Cdre	Commodore	Gov.	Governor
Cen.	Central	Govt	Government
CEO	Chief Executive Officer	grt	gross registered tons
CFE	Conventional Forces in Europe	GWh	gigawatt hours
Chair.	Chairman/woman		
c.i.f.	cost, insurance and freight	ha	hectares
CIS	Commonwealth of Independent States	HE	His (or Her) Eminence; His (or Her) Excellency
C-in-C	Commander-in-Chief	hl	hectolitre(s)
circ.	circulation	HM	His (or Her) Majesty
cm	centimetre(s)	Hon.	Honorary (or Honourable)
CMEA	Council for Mutual Economic Assistance	hp	horsepower
Co	Company; County	HQ	Headquarters
Col	Colonel	HRH	His (or Her) Royal Highness
Commdr	Commander		
Commdt	Commandant	IAEA	International Atomic Energy Agency
Commr	Commissioner	IBRD	International Bank for Reconstruction and Development (World Bank)
Corpn	Corporation	ICC	International Chamber of Commerce
CP	Communist Party	ICFTU	International Confederation of Free Trade Unions
CPSU	Communist Party of the Soviet Union	IDA	International Development Association
CSCE	Conference on Security and Co-operation in Europe	i.e.	id est (that is to say)
		ILO	International Labour Organisation/Office
Cttee	Committee	IMF	International Monetary Fund
cu	cubic	in (ins)	inch (inches)
cwt	hundredweight	Inc, Incorp.,	
		Incd	Incorporated
DDR	Deutsche Demokratische Republik (German Democratic Republic)	incl.	including
Dec.	December	Ind.	Independent
Dep.	Deputy	INF	Intermediate-range Nuclear Forces
dep.	deposits	Ing.	Engineer
Dept	Department	Insp.	Inspector
devt	development	Int.	International
Dir	Director	IRF	International Road Federation
DM	Deutsche Mark	irreg.	irregular
Dr	Doctor	Is	Islands
dwt	dead weight tons	IUCN	International Union for the Conservation of Nature and Natural Reserves

ABBREVIATIONS

Jan.	January	q.v.	quod vide (to which refer)
Jr	Junior		
Jt	Joint		
kg	kilogram(s)	Rd	Road
kHz	kilohertz	reg., regd	register; registered
km	kilometre(s)	reorg.	reorganized
kv.	kvartira (apartment)	res	reserve(s)
kW	kilowatt(s)	retd	retired
kWh	kilowatt hours	Rev.	Reverend
		RSFSR	Russian Soviet Federative Socialist Republic
lb	pound(s)		
Lt, Lieut	Lieutenant	S	South; Southern; San
Ltd	Limited	SDR(s)	Special Drawing Right(s)
m	metre(s)	Sec.	Secretary
m.	million	Secr.	Secretariat
Maj.	Major	Sen.	Senior
Man.	Manager; managing	Sept.	September
mem.	member	SFRY	Socialist Federal Republic of Yugoslavia
MEV	mega electron volts	Soc.	Society
mfrs	manufacturers	Sq.	Square
Mgr	Monseigneur; Monsignor	sq	square (in measurements)
MHz	megahertz	SSR	Soviet Socialist Republic
Mil.	Military	St	Saint; Street
mm	millimetre(s)	START	Strategic Arms' Reduction Treaty
Mon.	Monday	Str.	Strada (street)
MP	Member of Parliament	Sun.	Sunday
MSS	Manuscripts	Supt	Superintendent
MW	megawatt(s); medium wave		
MWh	megawatt hour(s)	tech., techn.	technical
N	North; Northern	tel.	telephone
n.a.	not available	Thurs.	Thursday
nab.	naberezhnaya (embankment, quai)	Tr	trida (avenue)
nam.	nameŝti (square)	Treas.	Treasurer
Nat.	National	Tues.	Tuesday
NATO	North Atlantic Treaty Organization	TV	television
NCO	Non-Commissioned Officer		
NMP	net material product	u.	utca (street)
no.	number	u/a	unit of account
Nov.	November	UK	United Kingdom
nr	near	ul.	ulitsa, ulica (street)
nrt	net registered tons	UN	United Nations
		UNCTAD	United Nations Conference on Trade and Development
Obl.	Oblast (region)	UNDP	United Nations Development Programme
Oct.	October	UNESCO	United Nations Educational, Scientific and Cultural Organization
OECD	Organisation for Economic Co-operation and Development	UNHCR	United Nations High Commissioner for Refugees
OIC	Organization of the Islamic Conference	Univ.	University
Ok	okrug (district)	USA	United States of America
OPEC	Organization of Petroleum Exporting Countries	USAID	United States Agency for International Development
opp.	opposite	USSR	Union of Soviet Socialist Republics
Org.	Organization		
p.	page	VAT	Value Added Tax
p.a.	per annum	Ven.	Venerable
Parl.	Parliament(ary)	VHF	Very High Frequency
per.	pereulok (lane, alley)	viz.	videlicet (namely)
Perm. Rep.	Permanent Representative	vol.(s)	volume(s)
pl.	ploshchad (square)	Vul.	vulitsa (street)
PLC	Public Limited Company		
PLO	Palestine Liberation Organization	W	West; Western
POB	Post Office Box	WCL	World Confederation of Labour
pr.	prospekt, prasppekt (avenue)	Wed.	Wednesday
Pres.	President	WFTU	World Federation of Trade Unions
Prin.	Principal	WHO	World Health Organization
Prof.	Professor		
Pte	Private		
p.u.	paid up		
publ.	publication; published	yr	year
Publr	Publisher		

LATE INFORMATION

Note: Following the dissolution of the USSR, in December 1991, the Russian Federation assumed control of all Soviet embassies and became the base country of the press agencies IAN and TASS. Any embassies or press agencies still designated as USSR should now read Russia.

ALBANIA (p. 88) **Interim Government** (December 1991)

An interim coalition composed of non-party members, intellectuals and specialists.

Chairman (Prime Minister): VILSON AHMETI.
Deputy Chairman and Minister of Mineral Resources and Energy: ABDYL XHAJA.
Deputy Chairman and Minister of Agriculture: ZYDI PEPA.
Minister of Foreign Affairs: ILIR BOCKA.
Minister of the Economy: GJERGJI KONDO.
Minister of Defence: ALFRED MOISIU.
Minister of Public Order: VLADIMIR HYSI.
Minister of Justice: KUDRET CELA.
Minister of Finance: ROBERT CEKU.
Minister of Light and Food Industry: ILIAZ MEHMETI.
Minister of Foreign Economic Relations: YLLI CABIRI.
Minister of Domestic Trade and Tourism: ROBERT GJINI.
Minister of Construction: LUIGJ ALEKSI.
Minister of Transport: ILIR MATAJ.
Minister of Education: ALFRED PEMA.
Minister of Culture, Youth and Sport: VATH KORRESHI.
Minister of Health: KRISTO PANO.
Chairman of the State Control Commission: YLLI MEMISHA.
Chairman of the Science and Technology Committee: PETRIT SKENDO.

BULGARIA (p. 119)

Presidential Elections (January 1992)

Dr ZHELIU ZHELEV was re-elected as President of the Republic, and BLAGA NIKOLOVA DIMITROVA as Vice-President, with 52.9% of the votes cast, in a second round of elections, on 19 January 1992.

Chairman of the National Assembly: STEFAN SAVOV.

YUGOSLAVIA (p. 342)

Montenegro—Government Changes (January 1992)

On 17 January 1992 the Montenegrin Assembly accepted the resignations of the Minister of Finance, BOŽIDAR GOZIVODA, and a Minister without Portfolio, BREDRAG GORANOVIĆ, and approved the appointments of four new ministers:

Minister of Energy, Mining and Industry: MIODRAG GOMILANOVIĆ.

Minister of Ecology: MIHAIL BURIĆ.

Ministers without Portfolio: BRANKO RADOVIĆ, MILADIN VUKOTIĆ.

POLITICAL PROFILES (p. 582)

New Estonian Prime Minister (January 1992)

VÄHI, Tiit: Prime Minister of Estonia. *Career:* he first joined the Government in 1989, as head of the transport committee, and became Minister of Transport and Communications under Edgar Savisaar (q.v.). He was considered politically unaffiliated and, in January 1992, was the surprising successor of Savisaar as Prime Minister. *Address:* Uus 28, 2001001 Tallinn, Estonia.

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PART ONE

Introductory Essays

POLITICAL PERSPECTIVES ON EASTERN EUROPE

JONATHAN EYAL

After the euphoria of 1989, the year of revolutions, Eastern Europe began the task of economic and political reconstruction. The removal of the Communist regimes exposed not only deep-seated ethnic and social divisions, it also delineated the two tiers of Eastern Europe. In the northern tier were the central European countries of Poland, Czechoslovakia and Hungary; in the south, were the peoples of the Balkans (including Romania). This division, which roughly coincides with the old division between the Austro-Hungarian and Ottoman territories, was reinforced by political and economic factors, and, after 1989, swiftly became very apparent. The Balkans witnessed bitterly-contested elections, massive social dislocation and great political strife. Poland, Czechoslovakia and Hungary, however, conducted fair elections, eschewed violence and produced governments which, initially, appeared very stable. In reality, of course, there are more nuances. In all three northern-tier states of Eastern Europe, deeper divisions are barely concealed. Disputes about the pace of economic reforms, state institutions, a new constitutional contract and a new foreign policy are coming to the fore. They may not prove as disruptive as in the Balkans; state institutions are functioning, well-organized parties do exist and venues for a peaceful political debate are present. However the potential for instability is clearly there.

POLITICAL STABILITY IN THE NORTHERN TIER Poland

In early 1990 Poland began its dramatic programme towards the creation of a market economy. The experiment was remarkable in two respects. At the time when other states in Eastern Europe were contemplating the merits of a sudden (or 'shock therapy') move to market mechanisms or a gradual transition, Poland's Government opted for an 'all-or-nothing' approach: the Minister of Finance, Leszek Balcerowicz, introduced a nearly-balanced budget, abolished most subsidies and price controls and devalued the zloty to a realistic rate of exchange. Real incomes fell by as much as one-third in the first four months of the reform and unemployment started to increase rapidly. In January 1990 inflation rose considerably, to a monthly rate of 80%, as producers passed on the increased costs to consumers. However, as most Polish families had to spend at least two-thirds of their incomes on food, potential customers could no longer afford to buy at any price and inflation slowed dramatically. Although unemployment continued to rise well beyond the Government's expectation, the reform succeeded: throughout 1990 the monthly inflation rate was less than 10%; and Poland developed a sizeable, and quite unexpected, trade surplus. Much to the surprise of many observers, the Poles appeared to bear the reform's privations patiently. There were no major demonstrations, and one strike on the railways was defused with the help of Lech Wałęsa, who, at that time, was still the unchallenged leader of Solidarność. A debt of US \$40,000m. provided more of a psychological than a real burden; there was immense international support for the Polish reforms, so most of the country's debts to foreign banks were rescheduled and those owed to foreign governments were cancelled. By mid-1990 a vast privatization programme was announced, offering workers the opportunity to buy up to

20% of the stock in their own factories, with the help of low-interest loans.

However, behind the encouraging statistics, the troubles of Poland remain: the division between the countryside and towns, and between intellectuals and workers. High prices and interest rates were making the cost of machinery and fertilizers prohibitively expensive, and the collapse of state-owned distribution systems caused even more hardship for the farmers. Solidarność's rural counterpart complained about the neglect of the rural sector by the central government, but was unable to impress its case on Balcerowicz's technocrats, who assumed that Poland's private-sector farmers did not require much immediate attention. More importantly, by mid-1990, there were obvious divisions between the intellectuals, who supported Prime Minister Tadeusz Mazowiecki, and the Solidarność activists behind Wałęsa. The conflict should not be viewed as one between 'left' and 'right', although Wałęsa supporters, described as right-wing by Mazowiecki, did emphasize the elimination of the Communist nomenklatura and the imperative of hastening political reforms. In essence, the split within Solidarność went much deeper. Wałęsa, the man responsible for Mazowiecki's appointment to the premiership, complained of a lack of consultation and of general neglect of workers' needs. Mazowiecki, in return, accused Wałęsa of mentioning populist ideas and betraying the Government at a critical moment. The conflict led to the dismissal of several prominent Solidarność leaders, such as Bujak, Michnik and Turowich and, ultimately, to an open split within Solidarność and Wałęsa's challenge for Poland's presidency.

The two rounds of voting for the presidential election, held in November and December 1990, revealed the entire array of Poland's existing and latent difficulties. The electoral campaign was not conducted by political parties (the development of which into cohesive forces is still in its infancy), but remained dominated by personalities. Furthermore, it was a campaign which blurred the allocation of powers in the state even further. Throughout his stewardship, Prime Minister Mazowiecki consolidated the parliamentary rule of the National Assembly. There was no other alternative: because of the peculiar process which brought Solidarność to power, President Jaruzelski remained a figure-head, a man who had little credibility. A direct election for the presidency would immediately raise the crucial question: was Poland a parliamentary or a presidential democracy? As a new constitution was drafted, Mazowiecki and many of the intellectuals wanted presidential elections postponed until late in 1991. Wałęsa's challenge precluded that.

Mazowiecki was then persuaded, against his better judgement, to confront Wałęsa. Neither candidate, however, had reckoned on the sudden appearance of Stanisław Tymiński, an emigré entrepreneur, who had made his money in Peru and Canada. Nobody knew much about this candidate whose political manifesto was contained in a book, which he had had published himself, entitled *Holy Dogs*. Many, however, were attracted to his promise that Poland should be 'transformed into America'. This was to occur within months, a feat which could be achieved through the attainment of 'spiritual, telepathic ability'. Tymiński also suggested that Poland should acquire a nuclear bomb, which he proposed

to call the 'Z-bomb', from *Zydzi*, the Polish word for Jews. The fact that such a character managed to defeat Mazowiecki in the first round of the presidential elections was ample proof of the frustration of many Poles and the volatile foundations of their politics. Lech Wałęsa, who called his unexpected opponent an 'accident of democracy', then went on to win the second round and to become Poland's first democratically-elected President for over 50 years.

The sheer shock of the electoral campaign had a sobering effect on all political groups. Mazowiecki tendered his resignation; Wałęsa appointed Jan Krzysztof Bielecki as his successor. Continuity was emphasized by the retention, for instance, of Balcerowicz in the Ministry of Finance (thereby appeasing international creditors and financial institutions). Wałęsa also proved himself to be a shrewd political operator: he intervened little in parliamentary affairs and allowed the cabinet, the Council of Ministers, to continue with most of its activities. Nevertheless, political conflicts were unavoidable.

The foremost conflict was between the institutions of the presidency and the parliament, a difficult issue in all Eastern European states. Secondly, Wałęsa's most trusted advisers were unlikely to remain silent for long. The President's extensive personal office duplicated many government responsibilities. Finally, Prime Minister Bielecki, himself an economist, was unlikely to allow Balcerowicz to continue deciding future reforms. Soon, all these disputes came to the fore. Poland's unrepresentative National Assembly clashed with the country's democratically-elected President, on the contents of the electoral law and the timing of the general election. With little regard to constitutional niceties, Wałęsa was quick to threaten the imposition of presidential rule and the dissolution of parliament. He was eventually persuaded against such a move, mainly because of its international repercussions. The election in October 1991 of a new, if fragmented, Sejm, and the subsequent appointment of a Government headed by Jan Olszewski, reduced the risk of presidential intervention.

Hungary

As expected, the one-party system dismantled itself gracefully in Hungary. In a fitting gesture, the Communist regime's last act was to rehabilitate the victims of 45 years of Party rule. In March 1990 no less than 60 parties contested the first round of the parliamentary elections, including one called the Winnie-the-Pooh Party. Only 10 were of political significance, and the divide was very similar to that in Poland or elsewhere in Eastern Europe, between intellectuals and populists. In Hungary's case, the populists were the Hungarian Democratic Forum (HDF), a centre-right alliance of politicians, who have been described in the West as social-democrats. They had worked with the Communists in the past. The HDF wanted economic reform to come more slowly than it would under 'shock therapy' and, especially, to avoid unemployment in the transition to a market economy. Most importantly, the HDF supported notions of 'Hungarianness', of the unity of the Hungarian (Magyar) nation wherever it resides. As such, the HDF's policies appeared threatening to neighbouring Czechoslovakia and Romania, two nations which incorporate, between them, no less than 3m. ethnic Hungarians. The HDF's most serious opponents were the liberal Alliance of Free Democrats (AFD), a party of intellectuals and students, many of them Budapest-based and, as the HDF told voters, of Jewish extraction. The AFD promised Hungary's 'return to Europe', a massive and immediate shift to a market economy and the removal of all Communist supporters from state affairs. Straddling between these two was the

Independent Smallholders' Party (ISP), a party with a glorious past but with no appealing solutions for Hungary's current problems. There were also the parties of the left (particularly the main successor of the old ruling Party, now called the Hungarian Socialist Party—HSP), who most commentators believed had few electoral prospects.

The campaign proceeded with great gusto and no significant disturbances; the authorities vigorously dealt with the slightest manifestation of anti-Semitism. The first round of the elections, held on 25 March 1990, produced no surprises: the HDF obtained 24.73% of the votes cast; the AFD 21.39%; the ISP 11.73%; and the HSP a relatively respectable 10.89%. In the second round of the elections, held on 8 April, the HDF won almost one-half of the votes and finally obtained 165 seats in the 386-seat parliament. Its main opponent, the AFD, ultimately obtained 92 seats, while the ISP and the HSP claimed 43 and 33 deputies respectively.

The great maturity of the political debate in Hungary was, indeed, striking. Out of the 60 parties which took part in the campaign, only seven major parties gained parliamentary representation. The fact that no party obtained an overall majority in the first free election since 1947 was hardly surprising. Nevertheless, some 78% of parliamentary seats were controlled by the three largest parties, thereby creating a sense of stability and allowing for the relatively swift creation of a coalition. Thus, although the HDF's leader, József Antall, excluded the possibility of any grand coalition with the AFD, an alliance with the ISP and other small parties assured him of a comfortable parliamentary majority. The political transition was smooth: the division of the parliamentary committees, the legislative timetable and many of the tasks of the new National Assembly were already decided after the first round of the election.

However, as the year progressed, economic difficulties created a state of tension within the ruling coalition. The first dispute related to the speed of economic reform: Prime Minister Antall promised a gradual transition to a market economy, but circumstances beyond his control (including an inflation rate of 30%) tended to force a more rapid pace of change. The next contentious issue was the privatization of agriculture and, especially, the restoration to the original owners of land confiscated by the Communists, a principle on which the ISP continued to insist. Both disputes were resolved in a classic Hungarian manner. State enterprises were either sold or privatized themselves, with the help of one of the most liberal foreign investment policies in Eastern Europe. The fact that a small free market, in the services and retail sectors, already existed helped the process and limited the growth in unemployment. As for the land distribution issue, it became the subject of various legal disputes, ultimately resulting in court rulings against the ISP. The appearance of calm and the obviously smooth transfer of power increased Hungary's reputation in the West. No less than two-thirds of all Western investment in Eastern Europe continued to prefer Hungary.

The apparent stability of the Government, however, does hide some serious and potentially disruptive factors. The first is Hungarian nationalism. The fate of the Hungarians abroad, in territories which fervent nationalists still call 'amputated Hungarian lands', has plagued all governments since 1920. Prime Minister Antall, himself a historian of these problems, passionately believed in his duty to defend all his co-nationals, wherever they may be. Although from mid-1991 there was some tension with Yugoslavia, over the Hungarians of Vojvodina (in the territory of Serbia), inevitably the most serious tension is with Romania, where more than 2m. ethnic Hungarians reside. No serious poli-