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EUROPE, SOUTH AND EAST: REDEFINING THE AMERICAN INTEREST

REPORT OF A STUDY MISSION TO
PORTUGAL, GREECE, YUGOSLAVIA,
AND HUNGARY FROM
JANUARY 1-12, 1975

PURSUANT TO

H. Res. 267

AUTHORIZING THE COMMITTEE ON FOREIGN AFFAIRS TO
CONDUCT THOROUGH STUDIES AND INVESTIGATIONS OF
ALL MATTERS COMING WITHIN THE JURISDICTION OF
THE COMMITTEE



MARCH 1975

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FOREWORD

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D.C., March 30, 1975.

This report has been submitted to the Committee on Foreign Affairs by a special study mission to Portugal, Greece, Yugoslavia, and Hungary which visited these countries between January 1-12, 1975.

The findings in this report are those of the special study mission and do not necessarily reflect the views of the membership of the full Committee on Foreign Affairs.

THOMAS E. MORGAN, *Chairman.*

(III)

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FOREWORD

This report was prepared by the
Committee on Foreign Affairs
of the Kansas State University
and is intended to provide information
to the public regarding the
activities of the Committee on Foreign Affairs
of the Kansas State University.
The Committee on Foreign Affairs
of the Kansas State University
was organized in 1945 and has since that time
been actively engaged in the study of
international relations and the
activities of the United Nations.
The Committee on Foreign Affairs
of the Kansas State University
has been very fortunate in having
as its members some of the
leading authorities in the field of
international relations and the
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THOMAS L. BROWN, Chairman

LETTER OF TRANSMITTAL

WASHINGTON, D.C., *March 30, 1975.*

HON. THOMAS E. MORGAN,
*Chairman, Committee on Foreign Affairs, U.S. House of Representatives,
Washington, D.C.*

DEAR MR. CHAIRMAN: I enclose a report of the special study mission to Portugal, Greece, Yugoslavia, and Hungary which I conducted from January 1-12, 1975, accompanied by Congressman Jack Edwards of Alabama, a member of the Appropriations Committee; Congressman Marvin L. Esch of Michigan, Science and Technology Committee; Congressman William Clay of Missouri, Post Office and Civil Service Committee; Congressman Paul S. Sarbanes of Maryland, Judiciary Committee; and Clifford Hackett, staff consultant to the Subcommittee on Europe. This study mission was conducted at the request of Congressman Benjamin S. Rosenthal, chairman of the Subcommittee on Europe.

We hope this report will be useful to Members of Congress and to all persons concerned about U.S. relations to southern and eastern Europe.

While the findings and recommendations of this report represent a consensus of the members of the study mission, each member is at liberty to agree or disagree with specific observations and conclusions in the report.

Your comments and those of any of our colleagues on the full committee will be most welcome.

Respectfully submitted,

CHARLES WILSON.

LETTER OF TRANSMITTAL

Washington, D.C., March 10, 1955.

Dear Mr. E. M. Mott:

I am pleased to have the honor to transmit to you the report of the Committee on the Study of the Causes of the Mental Defects of the Negro.

The Committee was organized in 1947, and its members have been working steadily to bring about a better understanding of the causes of the mental defects of the Negro. The Committee has held many public hearings and has received many suggestions from the public. It has also conducted extensive research into the causes of the mental defects of the Negro. The results of this research are set forth in the report which I am transmitting to you.

The report is a comprehensive study of the causes of the mental defects of the Negro. It covers the physical, psychological, and social factors which may contribute to the development of mental defects. It also discusses the methods of diagnosis and treatment of these defects.

While the findings of this report are preliminary, they are of great importance. They show that the causes of the mental defects of the Negro are complex and that they are not always the result of heredity. They also show that the mental defects of the Negro can be treated and that the results of treatment can be improved by the use of proper methods.

I am confident that the report will be of great value to you and to the public. It is a valuable contribution to the study of the causes of the mental defects of the Negro and it is a valuable contribution to the knowledge of the human mind.

Very truly yours,

Charles W. Johnson

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SUMMARY AND CONCLUSIONS

I. PORTUGAL, GREECE, AND SOUTHERN EUROPE

These two countries display, in varying stages, certain major political developments of the southern European area. These changes are also evident in Spain and Turkey although the report which follows deals only indirectly with those two countries. The United States and Western Europe have great interests in these developments which include:

The extent and kind of political social and economic integration they will have in Western Europe in the next quarter century;

Whether these countries will continue to have any defense relations with the NATO alliance; and

The degree of American concern for, and influence on, their democratic developments.

CONCLUSIONS

The conclusions of the study mission for these respective areas of American concern are:

(1) American influence over the political systems in these countries will decline in coming years. The urgencies of the Cold War are no longer present for either these countries or for the United States. With this decline in strong mutual defense interests, expressed in close military cooperation with our country, we expect closer ties for these still-developing countries with the movement for political and economic integration in Western Europe. The United States should welcome this development by encouraging their closer cooperation with and eventual membership in the European Community.

The possibility of cooperation in the defense field among the Community countries, while still not feasible under the Community's Treaty of Rome, should be treated as an open question by the United States even though such cooperation might eventually mean a relative decline in direct American military influence.

The replacement of NATO by a form of European defense cooperation in which these four countries might also find a proper place should likewise be approached with openness by our country. The peculiar antagonisms toward an American-directed NATO, which are now evident in Greece and Turkey, will probably appear eventually in Portugal and Spain, although for different reasons. It is in our long-term interest to recognize and to welcome a growing maturity in these defense arrangements even if the short-term costs—renegotiation of base rights or even their denial in some instances—might be inconvenient or even damaging.

(2) A European-planned and executed defense arrangement will have a close relation with American strategic interests under any foreseeable circumstances. These four countries will almost certainly be more comfortable politically under such an arrangement than under NATO, as

presently directed by the United States. Eventually such sentiments may well develop in a majority of NATO countries. With the self-assurance that the United States should possess in relating defense cooperation to the wider and deeper mutual interest of our country and Europe, we should encourage and help direct an extensive reexamination of mutual defense concepts with Europe. We should be especially concerned that these four countries find a proper place in this re-examination.

(3) Primary American interests in these countries, since the end of World War II, have been in narrow defense arrangements. Too often these military considerations outweighed, or even ignored, our interests in democratic development. Whether within NATO or outside it, and without regard for their eventual role in an integrated Europe, these countries deserve the fullest support and understanding from the United States as they traverse the coming difficult years of internal political realignment. The United States has paid ample attention in these countries in the past quarter century to the conservative, establishmentarian parties; a proportionate amount of American concern must be registered in coming years for the development of the democratic left.

CONCLUSIONS ON INDIVIDUAL COUNTRIES VISITED

PORTUGAL

There are strong elements in the center-right and center-left parties which seek American understanding. In April, the first elections in a half century will be held in Portugal for members of a constituent assembly. A new constitution will be drafted by those members. Strong American support for prompt and fair elections may not be decisive, even if combined with similar and appropriate expressions from the democracies of Europe. But such elections are the only hope for Portugal even if they produce difficult political arrangements in the near-term. A clear expression of American support before the April 25 vote is more likely to produce both short- and long-term benefits to our country and to Portugal than will extensive and intricate analyses afterwards.

GREECE

It is important to separate the long-term political developments in Greece from the painful post-Cyprus period which this country is enduring now. There is still a dangerous tendency in both Washington and in our Embassy in Athens to assume that close American-Greek ties can be resumed if only a satisfactory solution on Cyprus can be negotiated. A more likely prognosis is that a satisfactory Cyprus settlement (in Greek eyes) will be the best available basis for a broad reassessment of mutual relations which will occur in any case.

The continued humiliation of Greece over Cyprus, a settlement without popular support, or no settlement (i.e. de facto partition) not only will increase bitterness toward the United States but also produce an irredentism regarding Cyprus which will fester until successfully exploited by extreme political tendencies of either right or left. Such a retrogression could restore the political isolation from which Greece has just escaped after a seven-year dictatorship. Equally

bad, a failure to settle Cyprus honorably or Turkish provocations in the Aegean could result in war with Turkey with tragic, if unforeseen, consequence for both countries.

Prime Minister Karamanlis is a competent, experienced and shrewd leader who wants to put Cyprus behind Greece which must face many other pressing economic and political questions. If he fails, he is likely to be succeeded by a much more difficult leader as far as the United States is concerned.

II. YUGOSLAVIA, HUNGARY, AND EASTERN EUROPE

The eastern European part of this study mission represents a continued interest by the Committee on Foreign Affairs in East-West relations including both *détente*,¹ as that term presently covers American-Soviet ties, and the broader question of how the United States deals with all of the communist countries of Eurasia.

CONCLUSIONS

These two countries are typical of the westernmost rim of this enormous land mass: both are more tied by geography, history and culture to their western neighbors than to their communist contemporaries. Each has sought, since World War II, to express these ties in internal political developments. Success has come in different degrees depending on the standards used and the time of assessment. In both countries, it is important to note, socialism as a form of economic organization has been applied and refined for nearly 30 years. Somewhat differing measures of private initiative pervade the economic structure in these countries but in both cases the level of such initiative is significantly higher than in other communist countries.

It is an untested (and untestable) assumption that political constraints alone keep these countries in their unique forms of communism. An equally tenable (and equally untestable) contention is that Hungary and Yugoslavia believe they have found the proper mix of economic control and freedom and that political development toward better democratic forms is clearly underway. How far and how well these developments proceed may be less a function of economics than of internal political differentiation and of the larger geographical and political environment in which both countries exist. There is a strong American interest in encouraging this differentiation by treating all communist countries individually. These two countries clearly merit such treatment. With its continuation and expansion, they can be expected to retain a Western perspective as they develop.

CONCLUSIONS ON INDIVIDUAL COUNTRIES VISITED

YUGOSLAVIA

American policy toward Yugoslavia has been quite successful since 1948. We have encouraged that country's independence from Soviet domination; we have maintained close economic and (during an earlier period) military ties with Yugoslavia.

¹ See hearings, "Détente," Subcommittee on Europe, GPO (Washington, 1974).

The Yugoslav desire for a strongly national form of communism has been echoed in several other eastern European countries. In two cases—Hungary in 1956 and Czechoslovakia in 1968—there have been tragic repressions of these desires. But whether or not repressed, those yearning for national identity under communism in eastern Europe look to Yugoslavia as a striking success story.

Finding an eventual successor to President Tito, when this enormously popular leader leaves, is a common matter for foreign speculation. Yugoslavs respond, quite confidently, that the country's collective presidency will operate well even without Tito's great personal prestige. They are also impatient with Western speculation about separatist movements and a breakdown of their federal structure.

Important opportunities exist for more comprehensive United States-Yugoslav relations, including a resumption of military cooperation. The continued existence of the healthy model of Yugoslavia should remain an important American goal in eastern Europe.

HUNGARY

The powerful Yugoslav example continues to affect Hungary despite its tragic experience with the Soviet intervention in 1956. The continuation of Soviet military forces in Hungary since then is a reminder of the limits of toleration in eastern Europe. Yet those limits today seem quite broad.

The economic reforms of 1968 have produced in Hungary the most liberal form of communism to be found anywhere outside Yugoslavia. The close historic ties of Hungary with the West will continue subject principally to the limits the West itself imposes.

Bilateral relations with the United States will improve when most-favored-nation status allows a normal trade pattern to develop. This development, now possibly under the 1974 Trade Reform Act, will probably be delayed until an MFN agreement is made with the Soviet Union.

The continued refusal of the United States to return the Crown of St. Stephen, the country's symbol of national unity, is the other major impediment to better relations. If another country refused to return our Liberty Bell after holding it a quarter-century, we would better appreciate how Hungarians feel about their revered symbol of national unity. The sooner the crown is returned, the better will be the posture of the United States in proceeding intelligently toward our avowed goal of better bilateral relations with Hungary. The power of this example will also help our country importantly in improving its relations with the other eastern European countries which want badly to be considered separately from the Soviet Union even if they cannot clearly express this desire.

INTRODUCTION

The study mission selected these four countries to examine these important developments in southern and eastern Europe: (1) The redefinition of military ties of several southern European countries which for a quarter-century have been closely associated with American and NATO defense programs; (2) the continued expressions of independence in economic planning (with some political consequences) in the eastern European countries; and (3) the renewed emphasis on national identities in both southern and eastern Europe with possible consequences for the existing economic and political alliance structures.

The selection of Portugal and Greece, and of Yugoslavia and Hungary, for the respective studies in southern and eastern Europe represents a concession to the time and other limitations imposed on the study mission. Ideally, Spain and Turkey should have been included for a better understanding of the political trends in the rapidly changing southern tier of Europe. Similarly, eastern Europe would have been more comprehensively seen if the study mission had been able to visit Poland and at least one other country, in addition to the two selected.

In the summary section we have tried to apply our understanding to both the four countries and to their neighbors.

One important instance of this application is the case of Turkey. This country is undergoing today a difficult political evolution which the Cyprus crisis tends to obscure. Turkey has much in common with Greece, Portugal and Spain in this evolution. Neither Cyprus nor the Turkish aid suspension it engendered should deflect the long-term American interest in Turkish democratic development.

The report will begin with a country by country account of the interviews and visits with the conclusions presented together in the summary section (pp. 1 to 4). A list of the individuals with whom the study mission met is included at the end of each country section.

PORTUGAL

The predominant political fact in Portugal today is that the dictatorship which began 48 years ago ended dramatically but peacefully in April 1974 with a coup planned and executed by middle-grade army officers. These officers, in an organization called the Armed Forces Movement (AFM), still govern the country. There have been, however, in the past 8 months abrupt changes in the AFM leadership itself, including the deposing of General Spínola, the movement's selection as Portugal's president, in September after 5 months in office. Deep economic and political cleavages within Portuguese society, which is trying to emerge from a half-century of authoritarian rule, make the future of the AFM difficult to predict. Portugal today resembles a country reacting to a sharp earth tremor with speculation dividing people into two groups: one, those who believe that the worst has passed, and that Portugal will continue on the present path of reconstructing its political and social life; the other group contends that the past year's political changes are a prelude and will be followed by more dramatic and decisive changes in the country's political system.

Not surprisingly, these two basic views of Portugal's immediate future coincide, respectively, with the center and the extreme political positions.

THE POLITICAL PARTIES

One of the difficulties in analyzing political fortunes in Portugal today is that the parties, except the Communist, have been in organized existence only since last April. Furthermore, there is no party or group of parties adequately representing the right. But there is no doubt that the past half-century of an authoritarian dictatorship favored certain political and economic elements and produced political adherents and beneficiaries who have not disappeared since April. The lack of representation of this economic power in the political spectrum (partly for reasons of fear) tends to distort the political views presented today within the country and thereby to misrepresent the actual political forces which operate or may operate in the country in the coming decisive months. It also contributes to the belief, pronounced with the extreme left, that Portugal's wealthy and powerful families await an opportunity to seize power again. As long as those conservative forces remain obscure, and until the conservative rural population enters the political process, any picture of political force structure of the country remains incomplete.

With this caution, we will review from right to left the present political parties and movements in Portugal with a brief description of their positions and programs:

(1) *The Center Social Democratic Party (CDS)*.—Although this party's program makes an appeal to the "Center Right and Center Left", in fact it is closest in ideology and leadership to the Christian

Democratic Parties of Western Europe with which it is formally affiliated. Both from an extensive interview with its Secretary General, and from the Party's official publications, it is clear that CDS is committed to a moderate nonrevolutionary reconstruction of the country's political and economic base.

Yet CDS is seen by its opponents as the defender of the system under which the Salazar-Caetano dictatorship ruled. Violent demonstrations against CDS headquarters have occurred twice in recent months, and the ability of the party to compete in the electoral process is under serious question.

CDS, which was founded in July, anticipates that much of its strength in the coming election (see above, p. 2) will come from the rural population which, this party believes, is basically conservative.

"Portugal, unlike many Latin American countries, lacks either a well-explored political body, or a rural proletariat," according to Adelino Amaro da Costa, Secretary-General of CDS with whom the study mission met. CDS, he said, could get from 15% to 50% of the vote in the March elections, depending on the participation of the rural population.

CDS is strongly pro-Europe and pro-NATO. Its party platform calls for a mixed economy, for cooperation in a coalition government and for adherence to the "ideals" of the Armed Forces Movement. (This fidelity to the AFM, found in all party platforms, is the functional equivalent to our faith in the Founding Fathers.)

(2) *The Popular Democratic Party (PPD)*.—This party represents the center-left in approximately the distance from the center as CD stands on the right side.

The principal PPD spokesman at our meeting was Francisco Balsemao, who is also principal owner and chief editor of the independent weekly "Expresso". PPD, he said, differs from the Socialist Party of Portugal (PSP) (see below) in that PPD is a "genuine West European social democratic party" and not a conglomerate of different, but predominantly Marxist views. PPD is also an unhappy party because the Socialists, not PPD, have been accepted by the Socialist International as the Portuguese member party. While PPD will seek an equivalent status in the International, the latter's rules exclude two-party representation unless both agree to it. PPD would accept this equality of status but the Socialist Party will probably veto PPD's participation in the International which is not only a matter of prestige for a European party but which brings with it closer ties (and possibly, funds) from the other social democratic parties.

Balsemao believes that parliamentary ties are very important for the new political parties of Portugal. PPD also supports Portuguese membership in the European Community and continued membership in NATO. It also supports prompt self-determination for the African colonies.¹

(3) *Socialist Party of Portugal (PSP)*.—The Socialist Party existed as a club before the April 1974 revolution. Its best known leader is Mario Soares, foreign minister of Portugal, a spokesman for the party's moderate wing.

¹ The meeting with PPD representatives included a deeply expressed concern by the party members that American oil interests might favor independence for Cabinda, which has been always treated as part of Angola. Cabinda has important oil deposits. The study mission tried, with apparent success, to dissuade PPD members that such a narrow economic interest could determine American policies toward either Portugal or the independence of its former colonies.

The party is deeply divided between social democrats, similar in ideology to those of Western Europe (and of the PPD) and more radical socialists ("Chilean" socialists) and Marxists.

Although Foreign Minister Soares was out of the country during our visit (he travels so tirelessly that he is called the Kissinger of Portugal), the study mission did meet with Jorge Campinos, Under Secretary of the Foreign Ministry and socialist party leader, who said:

—During the Cold War, close United States-Portuguese relations, especially in the defense field, came at the price of the appearance of American support for the dictatorship. During this period, the U.S. Embassy avoided contacts with the opposition elements of the country.

—NATO became identified falsely within Portugal and elsewhere in Europe as an instrument of the country's colonial wars.

—The Portuguese need close ties with both the United States and with Western Europe. Political support in building a democratic and pluralistic society is more important than economic aid. At present there are dangers to Portuguese political development from both the left and right.

—The dictatorship's neglect of the economy and its effect in isolating Portugal in Western Europe aggravate the immediate economic problems of unemployment, inflation and the lack of investment. Political stresses are already showing from these very serious economic pressures.

(4) *Communist Party of Portugal (PCP)*.—The Communists are the only Portuguese political party which existed before the April 1974 coup. Although illegal before that date, the Party was well-organized and financed from outside the country. The party's expectations that it would capture a large percentage of the vote in April for the constituent assembly are now subdued. Polls indicate that the PCP has attracted only about 10–15 percent of the population. An additional segment, perhaps constituting another 10 percent, would support the Communist front party, the Portuguese Democratic Movement (PDM). The PDM was originally a coalition of Communist and Socialist forces but the withdrawal of socialists (PSP and PPD) leaves this movement a communist arm which is especially active in the conservative rural areas where the Communist Party itself would be suspect.

THE STRUCTURE OF GOVERNMENT

I. The organs of government² in the present transitional period between the coup and the April elections for a constituent assembly are:

- (1) The President, Francisco da Costa Gomes;
- (2) The National Salvation Junta, the formal leadership of the Armed Forces Movement;
- (3) The Council of State, composed of seven members each of the Junta, the AFM and representatives of the public chosen by the President; and
- (4) The Provisional government, now headed by Premier Vasco dos Santos Goncalves.

² Certain changes in this structure were made in mid-March after an abortive coup against the provisional government. The most important was the creation of a 24-man Revolutionary Council as the supreme organ of the AFM. It is impossible to predict the future role of this Council or the other organs of government at present.

II. The real ideological and political power in Portugal today, resides in the 200-man assembly of the Armed Forces Movement and in its Coordinating Committee. This committee of 12 was enlarged in November to become the Council of State (see above).

III. The military leadership under the General Chief of Staff, although under the control of the AFM, is still an important factor in governing the country.

U.S. POLICY BEFORE AND SINCE THE COUP

Portugal was an original member of NATO. Its principal contribution to the alliance has been allowing American use of defense facilities in the Azores Islands, both as an Atlantic refueling point and as an important anti-submarine warfare station. (The Azores were extremely important to the United States during the October 1973 Middle East War when Portugal alone among the European NATO countries allowed free use of its airfield in the mid-Atlantic for resupplying Israel.)

The 5-year Azores base agreement with the United States expired in 1974 and was being renegotiated when the April coup occurred in Portugal. A principal American interest today in the confused political situation in Portugal concerns the continued U.S. access to Azores under whatever government emerges from this year's scheduled elections. The renegotiations, however, are effectively suspended until the April voting.

A CHANGE OF AMBASSADORS

This concern was manifested in 1974 in the strange change of American ambassadors. Stuart N. Scott arrived in Lisbon in January, 1974 as a result of the changed administration of the Department of State several months earlier. Scott, a prominent New York lawyer, was the choice of Secretary of State Rogers in mid-1973 to become the Department's Legal Adviser. By the time Scott arrived in Washington, Henry Kissinger had replaced Rogers. Scott was sent instead to Lisbon, apparently to solve the embarrassing personnel problem caused by a new Secretary of State who wanted his own team in the State Department. Of course, no hint of a dramatic change in the Lisbon government was detected when this move went into effect in January 1974.

Three months later, Scott was in the center of Washington's attention as a NATO partner's government, to which he was accredited, collapsed in a bloodless military coup. Washington's concern intensified when a strong leftist trend became apparent among some of the coup's leaders.

Ambassador Scott responded to the governmental changes in Portugal with a calm display of good judgment. He was the first ambassador to visit the head of the new government and to offer the good wishes of the United States.

In the succeeding months, as the AFM leadership assembled a provisional government (ultimately including a communist minister without portfolio) and undertook negotiations to end African military operations, Ambassador Scott recommended to Washington that the new government be supported in the difficult period it was enter-

ing. The Embassy's political section endorsed this recommendation fully.

A DIFFERENT VIEW FROM WASHINGTON

In Washington, however, the developments in Portugal were seen somewhat differently. The State Department, and especially the Secretary himself, were receiving other reports about the dangers of communist influence in the country. Indeed a shower of repressed political activity did burst upon Portugal in mid-1974. Posters of a dozen political parties, including the communists, covered every downtown building. Several prominent retired Americans living in Portugal, who had direct channels back to Washington and the Secretary of State, sent worried reports contradicting the calm reassurances from the Embassy.

In mid-October, a special State Department mission was sent to make an independent judgment. Its report to the Secretary essentially confirmed the Ambassador's reporting, yet 1 month later Scott was replaced. He was in his last days in Lisbon during our study mission's visit.

Scott's replacement by a younger career diplomat who speaks Portuguese (which Scott did not) is not surprising. But Washington still did not act on the Embassy's recommendation to make a gesture of support for the new Portuguese government even after its own special team supported this recommendation. The dismissal of Scott after 10 months was the only response in Washington to his apparently correct judgment.

U.S. AID RESTORATION ADVOCATED

In late November after the Ambassador's dismissal became public, Senator Edward Kennedy visited Portugal briefly. He publicly recommended a modest restoration of economic assistance to Portugal and its African territories which the new Lisbon government was now committed to free. Apparently not by coincidence, the State Department announced shortly thereafter that it would support a small amount of economic aid to Portugal. The final amount in the fiscal year 1975 aid authorization bill was \$20 million in credit and \$5 in grant assistance, all for economic purposes.

Military assistance, except for limited training programs, has been under a U.S. embargo since 1961 because of Portugal's military operations against rebels in the African territories. The embassy has recommended a modest resumption of military assistance. This restoration would be actually another small gesture of support since Portugal's bloated military budget under the dictatorship (50% of the national budget) is now being sharply reduced.

From a period of hesitation on how to react to events in Portugal, the State Department has now moved to cautious hope that the country will survive the first elections in nearly 50 years without violence or political chaos. Since the return of the study mission, however, even these modest hopes may be questioned.

Important elements in the provisional government (including Foreign Minister Soares), badly want to keep good relations with the United States. The new American Ambassador is now in Lisbon which is a much more important place for the United States than when his predecessor arrived only 12 months earlier.

Portugal remains poised for important and possibly even dramatic changes as the revolution approaches its first anniversary. For the United States, which was Portugal's principal military and diplomatic ally during the last 20 years of its dictatorship, the next year may be crucial also in determining the political directions not only in Portugal but in neighboring Spain as well.

ANTICIPATION IN SPAIN

For what Portugal today endures, Spain anticipates. The Spanish dictatorship of Franco is as rigid as the Salazar-Caetano rule in Portugal was last April. Events in Portugal are followed closely in Spain where the succession to the aged Franco is the most popular and perhaps the only important political issue.

The American interest in both countries is important enough to justify more attention than Washington has allotted in recent years to problems on the Iberian peninsula. Both countries are economically fragile and politically weak; strong elements in both countries want close association with both the United States and Western Europe. Because of their past defense ties to the United States, both Spain and Portugal also harbor important political elements suspicious of American policies which emphasized tangible military cooperation (in both cases tied to base rights) and seemed to ignore the dictatorships ruling the countries.

Portugal, through its incomplete revolution, precedes Spain through the difficult process of political development. How Portugal succeeds will be watched not only in Spain but in Western Europe in whose political and economic community both countries aspire to membership.

The study mission appointments in Lisbon included: President Costa Gomes; Prime Minister Goncalves; Under Secretary of the Foreign Ministry Jorge Campinos; senior officials of the Center Social Democratic Party, the Popular Democratic Party and the Socialist Party of Portugal; officials of the Confederation of Portuguese Industry; Portuguese and foreign journalists; and U.S. Ambassador Stuart Scott and members of his country team.

GREECE

Greece, like Portugal and Spain, maintained close defense cooperation with the United States for over twenty years. Greece entered NATO (with Turkey) in 1952, two years after the alliance was established. From the 1947 Truman Doctrine, designed to prevent the victory of communists in the Greek Civil War, the United States replaced Britain as Greece's principal protector.

A 1953 base agreement confirmed the status of a number of American air, naval and communications bases in the country. These bases form, with those in Turkey, an important American military presence in the eastern Mediterranean.

Yet in January 1975, when the study mission arrived in Athens, the level of Greek-American cooperation had reached the lowest point in the entire post World War II period. Even more important, it seems likely that these relations will soon be redefined in a significantly different way. There are two principal causes of this sharp change in relations: the Greek dictatorship of 1967-74 and the aftermath of the Cyprus crisis of July 1974 which marked the end of that dictatorship.

The study mission concentrated in its interviews on the sharp deterioration in relations with Greece since the Cyprus crisis began last summer. But that crisis, and the prospects for Greek-American relations, cannot be understood without examination of the preceding seven years.

EARLIER POLITICAL DEVELOPMENT

After the Greek Civil War and before 1967, the relationship between Greece and the United States had stabilized. The basis was Greek economic prosperity, the superior military force of the United States (as expressed in NATO) and the interwoven mutual interests in the eastern Mediterranean.

Beneath this somewhat complacent veneer, serious political problems were developing in Greece. Prosperity was bringing pressures for political as well as economic development. An antiquated and paternalistic political tradition could not meet this demand.

The United States, preoccupied elsewhere in the world, was not concerned about these problems. The United States viewed Greek political developments with a condescension which, although perhaps understandable for a superpower, was ill-advised in the case of Greece. The waning of the more rigid period of the Cold War gave Greek political leaders, for the first time since the second World War, an opportunity to view the country's relations with the United States with detachment.

EC MEMBERSHIP SOUGHT

Greece's commitment, in 1961, to become a full member of the European Community, was one manifestation of this new ability of

Greece to view itself with interests separate from (although not necessarily antagonistic to) those of the United States. For the first time, political leaders, other than the Communists, could question whether that kind of Greek dependence on NATO and Washington was necessarily in the best Greek national interests.

In 1964 a liberal government under George Papandreou won a solid majority in Greece. He represented a new kind of Greek political leader; some of these leaders questioned the conservative economic system, others the security arrangements and still others the traditional Greek political party structure and even the King.

Those closely involved with the military cooperation between the two countries slowly became aware of these changes. A tendency developed, especially in higher U.S. political-military circles, which emphasized the tangible security cooperation and which tended to be disdainful of Greek political problems. No matter what happened, we could count on the Greeks, Washington seemed to say.

An acute political crisis arose on July 15, 1965 when Prime Minister Papandreou was forced to resign by King Constantine. After a prolonged political deterioration, a caretaker government was named pending new elections. The strength of the democratic left was now viewed by certain Greek leaders as a threat to the traditional economic and political society. The fear which animated ultra-conservative political leaders, including many of the King's supporters, was pronounced among the Greek military whose loyalty to the royal family was still unquestioned.

A SHARPENING DIVISION

The American reaction was to draw closer to these conservative forces. As the elections of May 1967 approached, predictions of another massive victory by the liberal Center Union Party brought ultra-conservative forces, supported implicitly by the United States, to the brink of panic. The strong possibility of a coup by the King's military supporters to avoid the election dominated the political world.

Instead, a group of senior field grade military intelligence officers worked steadily to execute a coup which they designed many years before. Animated by an obsession with Communism dating from the Civil War and with a hatred of politicians who had somehow allowed Greek society to deteriorate, these colonels plotted their own solution. On April 21, 1967, shortly after midnight, they struck. By dawn, most political leaders were arrested, the King, and his generals isolated, the May election canceled, all civil rights suspended and martial law proclaimed.

The American reaction was guarded. While the Johnson Administration announced that "heavy" arms assistance would stop pending clarification of the colonels' intentions, other military cooperation continued. Small arms and ammunitions continued to arrive. The American bases continued to operate. Normal diplomatic and alliance relations continued, even to planning the stationing of an American carrier task force near Athens.

Was the United States involved in the coup? If by "involved," one means did the United States actively plan and execute the end of Greek democracy, one would have to say "no" based on available evidence.

A GOAL OF "STABILITY"

If the question means, however, did many American military and civilian leaders see the coup as a restoration of "stability" which guaranteed U.S. base rights, the answer is regrettably "yes."

But the actual American role in the spring of 1967 is not the true measure of United States policy for the past 10 years. More significant, in Greek eyes, is the policy followed since those terrible days. For seven years, two American administrations passively watched the choking of Greek democracy by U.S. trained officers who imprisoned political leaders and editors, debased and degraded the armed forces, tortured resisters and attacked students.

When European countries questioned American and NATO policy during this period, the United States sought quiescence; when American congressional critics wondered what had happened to the alliance of democracy which NATO was intended to be, senior American officials testified that such concerns had to be balanced by military base considerations.

The present disaster in Cyprus is an excellent illustration of how American policy went wrong. Many Greeks see in Cyprus the fruition of 7 years of American neglect of the true interests of Greece as a democracy and as a defense partner.

The misadventure of the Greek colonels in Cyprus in July 1974 would probably never have occurred if the United States had assessed more carefully its own national interests with Greece since 1967. The Athens junta was led to believe by the implicit American support they received that anything would be tolerated as long as American military bases were continued. When the dictator Papadopoulos ruthlessly suppressed student and worker demonstrations and scores of young men and women were killed in November, 1973 with tanks and machine guns (supplied by the United States), there was not a word of protest from Washington.

PAPADOPOULOS FALLS FROM POWER

When Papadopoulos fell from power as a reaction to this popular uprising, he was replaced by an even more oppressive dictator. Still the United States did not react. It was clear long before the Cyprus crisis that Greece was on a downward political spiral which would only end with the repudiation not only of its government but of any country which appeared to cooperate with that government. Yet the United States continued in early 1974 to think that stationing an aircraft carrier and the operation of its other air and naval base complex would continue without interruption no matter what happened to the dictatorship.

CYPRUS 1974

The dictatorship ended not with American support or encouragement but with a madness of the Greek dictators themselves who sought to install on Cyprus an export version of their own junta. The violent Turkish reaction to this attempt caused both the new Cypriot government and the Greek junta to fall. The self-exiled conservative leader, Constantine Karamanlis, was called back from Paris to form the government whose policies have already taken Greece out of the NATO

military structure and which will soon have to accommodate the strong political pressures for a revision of the American base agreements.

The paradox for American policymakers is that the American bases for which so much was sacrificed during the dark years of the dictatorship are likely to be the first casualty in the reassessment by the new civilian government in Greece of the American relationship.

Already the idea of basing an American aircraft carrier in Greece has been abandoned, partly because anti-American feeling is so high in Greece today that the safety of U.S. servicemen can not be assured. The study mission visited one of the homeporting sites near Athens where six destroyers are stationed. The officers and their crews, while recognizing the political tensions in Greece today, seemed to accept their assignment in the country with the same range of emotion, from detached interest to boredom, which servicemen elsewhere exhibit toward the foreign country in which they are assigned. Morale, in brief, did not seem to suffer from the immediate political crisis.

American insensitivity to chaos in Greece was seen during the crucial week of July 15, 1974. Hesitation and caution was all that the Secretary of State and his spokesmen could express. Yet in that week the opportunity to repudiate the Greek dictatorship evaporated for the United States. Official Washington was not inclined to help Cypriot President Makarios. The initiative was left to Turkey which invaded the island and occupied a strong beachhead. The United States stood by apparently unable to act and to judge its own interests in both restoring democracy to Greece and in preventing a Turkish occupation force on Cyprus.

When the Turks sensed weakness in the American position and a military inability on the part of Greece to respond, they enlarged their occupation area on Cyprus in August to cover nearly 40 percent of the island. Over 200,000 Greek Cypriot refugees were created. In the intervening 6 months, the Turks have solidified their occupation. Their military leaders preside over a stalemate both in Ankara and in Cyprus. The American policy of seeking to protect its military bases has now produced a threat to those bases in both Greece and Turkey.

LONG-TERM POLITICAL PROSPECTS

It is almost impossible today to get either Greeks or Americans to concentrate on intermediate and long-term political developments in Greece. The specter of Cyprus, its meaning in humiliation for Greece, the stubborn arrogance of Turkey (as seen from Athens) and the role of the United States in these events crowd into every conversation on Greek politics.

But the modernization trend in Greek economics and politics which began in the late 1950s and early 1960s, while interrupted by the dictatorship, is bound to resume. The form of its continuation is also bound to be affected by both the reign of the colonels and their inglorious exit in the Cyprus debacle.

The end of the monarchy, for example, which was voted in the December 1974 referendum, is a step in this modernization. The export of Greek workers, which continued throughout the dictatorship, will eventually prove, we believe, a further prod to change as these workers come back to Greece with higher expectations, of both

economic and political kinds, from their years in Germany, France, Switzerland and the other European countries.

ONE MILLION NEW VOTERS

Another impetus to modernization will come from the nearly one million young Greeks who reached the age of 21 during the dictatorship. The denial of any legitimate form of political activity distilled an alienation and bitterness in many of these young citizens. A few risked arrest, imprisonment and torture for daring illegal activities under the colonels. Most tried to lead more conventional lives as students and young workers. But everywhere the lack of political expression (in an intensely political country) oppressed especially the young. Their generation's 40 or 50 remaining years of political activity will be marked by the dramatic years of the late 1960s and early 1970s. Sadly, the culmination of those years in the humiliating episode of Cyprus will undoubtedly produce a special bitterness toward Turkey and the United States which will not disappear until their generations pass.

These impressions of Greece in January 1975 come from the many thoughtful Greeks of varying professions and interests with whom the study mission met. One of the older leaders we saw who is particularly impressed with the effects of the dictatorship on the young people of Greece is former prime minister Panayotis Kannellopoulos, now over 70 years of age. Kannellopoulos was head of the caretaker government in spring, 1967 when the colonels struck. He was one of the first people arrested and imprisoned. After many months of forced exile in a remote village, he was allowed to return to his home in Athens, although he was followed constantly by the secret police throughout the dictatorship. Kannellopoulos said that of all the experiences under the colonels, the killing of the students at the Polytechnikon school in November, 1973 was the most dreadful for him. He predicted that a new generation, more mature but also somewhat bitter, would arise from Greece in the post-dictator period.

The effects of this new generation were not yet felt in Greece in the November 1974 elections. The 54% vote share received by conservative leader Constantine Karamanlis reflects many things but it does not show the strengths of new voters, many of whom were not able to register under Greek law in time for the country's first election in 10 years. When the young voters can register this year they will add a sizable strength to left-center and left parties. The next elections, according to several political leaders we saw, will show a larger vote for the left and a lesser one for the right, subject always to the possibility of another crisis with Turkey over Cyprus or, even more likely, over oil discoveries in the Aegean Sea.

AEGEAN OIL

The Greek Government, under the Greek-Turkish boundary drawn up in 1923, has international law on its side in claiming jurisdiction over most of the Aegean Sea, including its many islands.

Turkey claims that its continental shelf, extending into the Aegean, gives it a right separate from the boundary treaty to share in the sea's subsurface mineral rights. This legal claim, while weak, is enforced by the sense of euphoria which has animated Turkey since its

military victory and occupation on Cyprus last summer. The most worried of the serious Greek leaders we met predicted war with Turkey over the Aegean where oil is known to exist.

There is little doubt that Karamanlis, a very shrewd political leader, struck the right political and military balance last September when he said that the Greek armed forces could not and should not attempt to fight over Cyprus. The island is 400 miles from Greece whose armed forces were badly demoralized during the dictatorship. Besides Turkey is four times as large as Greece, with much stronger land forces, and its mainland is only 40 miles from Cyprus. But Karamanlis would have immense popular support (and indeed, irresistible pressure) to fight Turkey over any attempt to claim parts of the Aegean Sea or its islands. Such a unilateral claim cannot be ruled out by Turkey at this time.

PRESENT RELATIONS WITH THE UNITED STATES

The present stage of Greek-American relations will depend directly on the progress toward a Cyprus solution which is politically feasible to the Karamanlis government. It seems extremely unlikely that such a solution can develop without considerable pressure on Turkey from its only real ally, the United States. The dispute between the Congress and the administration is on how to apply that pressure most effectively and on whether Turkey's invasion and occupation on Cyprus violated American law on the use of U.S. military assistance.

The Greek government officials with whom we met clearly hope pressure will be applied to Turkey and that it will work. Whether Congress or Secretary Kissinger prevails in the American political dispute over military aid to Turkey is less important to the Greeks than that the Turks are somehow restrained, both on Cyprus and in the Aegean. The past interest of the Congress, however, in criticizing American policies during the 7-year dictatorship has impressed the present Greek government and its opposition parties as well. The good will that today exists toward the United States in Greece is almost entirely due to the role of Congress since 1967.

As one American newspaper correspondent told us, "Congress alone has made life bearable in Athens for the American community living here."

NO EASY ANSWERS

Today it is important for both the Congress and the Executive Branch to realize that there will be no easy answers in the near future to the problems of our relations with both Greece and Turkey.

Greece has shown considerable maturity since last July under the firm and experienced hand of Prime Minister Karamanlis. Confidence in popular government has been restored; political repression ended, and a clearer understanding of the country's economic problems developed. But as Cyprus broods over the entire Eastern Mediterranean, several other problems face Greece (and American interests there as well) in the next few years:

- Political developments will cause increasing problems for the conservative elements in Greek society, on whom the United States has consistently relied for support.
- The maintenance of U.S. military base rights will become an increasing burden for any Greek government, including the conservative one of Karamanlis now in power.

CENTER OF POLITICAL GRAVITY

- A left-of-center government is likely to be more representative of the country's politics than the present conservative government which obtained its 54% majority for reasons peculiar to the political situation in the immediate post-dictatorship period. Such a left-center government will be even more inclined to yield to the widespread anti-American feeling than is the present government which relies greatly on the personal prestige of Karamanlis to blunt these sentiments.
- Economic relations between Greece and the United States will probably stabilize with U.S. investment forming a smaller percentage of total future foreign investment. This change will result less from narrow political reasons and more as a consequence of greater concentration of European and, possibly, Arab capital. But American influence will correspondingly decline.
- The early entrance of Greece into the European Community is a publicly proclaimed goal of both the Karamanlis "New Democracy" Party and the leading opposition party, "Center Union—New Forces" under George Mavros.
- Even assuming a settlement of present Greek-Turkish problems on Cyprus and in the Aegean, the relations of these NATO partners have been weakened seriously for the foreseeable future. To the extent this damage endures, the ability of the United States to rely on these countries for either alliance purposes or for American interests in the Middle East is proportionally weakened.

A FOOTNOTE ON TURKEY

The dispute between the U.S. congressional and executive branches is less important for Greece or Turkey than the realization that the United States must set limits on its commitments to any country when two allies are in dispute. When this realization is fully registered in the presently unstable Turkish political situation, there are two possible reactions:

- Turkey will put more faith in its European relations, trying to modernize both its economic and social systems with parallel effects toward political modernization as well.
- Alternately, Turkey will emphasize its Moslem traditions and culture, assessing its advantages to be greater with an increasingly close affiliation with the ascending influence of the Moslem Arab countries.

The first alternative is clearly the choice of Bulent Ecevit, the social democratic prime minister of Turkey whose great popularity from the decision to invade Cyprus last July has paradoxically (but probably temporarily) removed him from office.

The second alternative appeals to several minor Moslem parties whose influence could grow if Turkish isolation from the United States were increased and were matched by a similar alienation from Western Europe. This possibility, remote at present, must be watched by Washington as the present military aid ban takes political effect in Turkey.

One of the ironies of today's eastern Mediterranean is that Greece and Turkey have many common points in their past histories and, even more important, in their present social, economic and political characters. Their present antagonisms should not obscure these similarities: (1) Together with Portugal and Spain, they are among the least developed countries economically of Europe; (2) both are experiencing political realignments which will affect their international relations; (3) both countries are important to the United States, both from their present military capabilities but also because their strategic location has provided, historically, a temptation for their northern neighbors, including Russia.

The study mission appointments in Greece included: Prime Minister Constantine Karamanlis, Defense Minister Evangelos Averoff; former Prime Minister Panayotis Kannellopoulos; Under Secretary to the Prime Minister Panayotis Lambrias; Leader of the Opposition and head of the Center Union-New Forces Party, George Mavros; John Pasmazoglu, former deputy director of the Bank of Greece; Lt. Gen. (ret) C. Coniotakis, former Chief, Greek Tactical Air Force; George Mangakis, civil rights lawyer; Alexandros Mankakis, university professor; Jean Siotis, professor at University of Geneva and former advisor to Mavros while he was foreign minister; former Ambassador Alexander Xydis; former Minister of Commerce Emmanuel Kothris; Greek and foreign journalists and U.S. Ambassador Jack Kubisch and members of his country team.

YUGOSLAVIA

The Soviet Union pays so much attention to Yugoslavia because they see us as a virus infecting all of Eastern Europe. It is a strange view, we find, since our only intention is to defend our independence

—a senior Yugoslav official
speaking to the study mission.

It has been the fate of Yugoslavia, as this quotation indicates, to serve for over 25 years as the unintentional virus threatening the health of communist Eastern Europe. It has also been the role of Yugoslavia—which did not even exist as a country until after World War I—to become since 1945 the most prominent example of vigorous nationalism in eastern Europe; a nationalism which has been successfully translated into resistance to Soviet pressures to conform to Moscow's dictates. Others have tried but Yugoslavia, almost alone, has succeeded in this effort.

American relations to Yugoslavia since 1945 have prospered or declined in direct proportion to our perception of the country's independence from Moscow. After the proclamation, in January 1946, of a people's republic, under a constitution similar to that of the Soviet Union, Yugoslavia was treated coolly by Washington. When the Yugoslav-Soviet break came in 1948 on the question of what degree of independence a communist country might have from the Cominform, the United States made clear that economic and political advantages were available if that independence were preserved.

Between 1951 and 1959, grant military assistance of about \$700 million was given to Yugoslavia by the United States. Economic assistance from 1950 to 1967 reached about \$2 billion in grants, loans and concessional sales. Most-favored-nation tariff treatment was never lost by Yugoslavia, as happened to most communist governments in 1952; it is the only communist country besides Poland to have MFN status.

Although military and economic aid from the United States ended in the late 1960s, American policy has continued to support Yugoslavia's independence through close bilateral ties. Since 1968, when Yugoslav law allowed joint ventures with foreign capital (up to 49% of equity) 17 American firms, out of a total of 100 foreign firms, have entered joint venture agreements with Yugoslav state enterprises. Actual American investment volume is even higher: about 50% of total foreign investment is American. But the Yugoslavs would like more joint ventures with American firms and more U.S. investment, the study mission was told.

TWO CURRENT QUESTIONS

Two immediate concerns dominate the visitor's impressions of Yugoslavia: Who will succeed Tito? And can the country's federal system withstand the economic and political pressures which appear to endanger the unity of six republics and two autonomous provinces?

To Yugoslavs, these are false questions. Theirs is not a one-man rule, Yugoslavs say, although the 82-year-old leader is clearly above criticism by popular acclaim. And the unity of the country, they add, is also beyond discussion, except by foreigners interested in creating problems where none exist.

The extreme sensitivity of the Yugoslavs to outside speculation about the country's survival is striking. In the study mission's first meeting, a senior Yugoslav official of the Federal Assembly who was also a senior diplomat, questioned the study mission about "untrue and damaging" stories in the American press on the danger of Yugoslavia breaking apart when Tito dies. This sensitivity, it must be noted, does not extend to discussions of the succession of Tito. Officials freely describe the collective presidency and how it will survive. Rather this sensitivity on the unity of the country reflects what some Yugoslavs see as a Western propensity to dwell on the exile movements outside the country as an indication that the country is endangered by separatism. Behind this tendency, they believe, stand the representatives of these groups who want Yugoslavia to disintegrate so that the Slovenes, Croats and other nationalities can again have the independence which ended for them when Yugoslavia was united 60 years ago.

EMIGRÉS AND A STATUE

The existence of emigré groups, each recalling a separate identity in what is now a federation of republics, suggests the sharp differences which still separates these republics. The northern republics, for example—Croatia and Slovenia—are considerably more developed economically with a per capita GNP of \$1,400 and \$1,800 respectively, compared to \$900 for the country's average. Serbia, the largest republic is also somewhat above the national average while the three southern republics—Macedonia, Montenegro and Bosnia-Herzegovina—are the poorest. Extensive efforts by the national government to reduce these differences are having some success; until more progress is made, however, these differences have a political as well as economic character.

Another sensitive issue, with similar origins, is the proposal to erect a statue in the United States to General Mihajlovic, leader of Chetnik forces during the Second World War, and Tito's unsuccessful competitor for both Allied support and resistance leadership. Mihajlovic was executed as a traitor by Tito's forces in 1946. To build a monument to Mihajlovic, the Yugoslavs said, would be comparable to Yugoslavia honoring Benedict Arnold or Adolf Hitler with a statue. The political forces behind this idea are the emigré groups in the United States who seek a public monument to embarrass and to hinder Yugoslav-United States relations, the study mission was told.

It would be easy to dismiss these concerns about separatist activities and the press speculation they engender except for one fact: the Yugoslavs take very seriously any suggestion that the end of Tito's role might coincide with efforts from East or West to change the country's unique independent status.

If emigré activities in the United States arouse Yugoslav suspicion, their attitude toward possible Soviet "adventurism" is at least as staunch. Senior Soviet military leaders are regularly invited (as are Western military officers) to observe Yugoslav army maneuvers.

Military leaders described for the study mission the organization and function of the large and well-trained militia which has detailed plans to wage another resistance effort like that of the Second World War. Presumably other visitors, from East and West, are told the same story, which is impressive, especially to those who remember the effective Yugoslav resistance against Axis occupation forces 30 years ago.

YUGOSLAV FOREIGN POLICY

Two principal goals were expressed for Yugoslavia's foreign policy by the Prime Minister Djemal Bijedic, the Deputy Foreign Minister Lazar Mojsov and the senior officials of the Federal Assembly whom the study mission met:

- (1) Protecting and enhancing the country's independence;
- (2) Leading the other non-aligned countries in seeking a reduction of East-West tensions and a better distribution of the world's resources and wealth.

The first goal makes an activist foreign policy mandatory; on both parliamentary and diplomatic levels, the Yugoslavs are eager to develop and service as many contacts as possible.

In the last 5 months of 1974, there were 35 official visits to and from Yugoslavia at the levels of chiefs of state, chiefs of government or foreign ministers. An extensive parliamentary exchange program exists, with both Eastern and Western countries, with heavy emphasis on Europe. Behind these activities lies the strong conviction that Yugoslavia has an important story of independence to tell the world and that personal contacts are an important part of the dissemination. This conviction matches the suspicion that the country's international press coverage does a disservice which personal ties can help overcome.

These Yugoslav activities, especially in the country's Third World leadership aspirations, sometimes offend major powers, including the United States. The Yugoslav role at the United Nations, for example, is often against the American position. Considering the change in the U.N. from a device for major powers to confirm and demonstrate their world roles to a forum for the aspirations of smaller countries (a development not extended, of course, to the Security Council), such differences are not surprising.

Both our Ambassador to Yugoslavia, who is an expert on Eastern Europe, and the Yugoslav officials we met, insisted that, despite these small irritations our bilateral relations are without major problems and open to continued development.

There are signs that these relations are presently becoming more comprehensive. A recent visit by Assistant Secretary of Defense Robert Ellsworth to Belgrade was seen as quite important by the Yugoslav military leaders we met. One matter discussed was the resumption of American military sales which were discontinued 15 years ago. The Yugoslavs would like to develop alternatives to their presently heavy dependence on Soviet military equipment.

A further expansion of the American cultural program, most extensive in Eastern Europe, is now underway.

RELATIONS WITH THE WEST

Yugoslavia's principal export to Western Europe has been manpower. About one million Yugoslavs work in Europe, principally in the Federal Republic of Germany. The recent rise in FRG unemployment suggests that some of the Yugoslav workers may have to return home. This causes two problems: finding jobs for them and replacing the foreign earnings which in the past 10 years have formed an important element in the country's balance of payments. Workers' remittances totaled \$1.4 billion in 1973, were still growing in 1974, and will probably reach \$2 billion this year. But with virtually no new departures for Germany last year, the base of these remittances is not expanding and may soon decline.

Tourism remains an important element in foreign exchange earnings, especially when West European remittances are threatened.

The dependence on imported oil at inflated prices has put more inflationary pressures on the economy which already suffered about 15% average annual inflation before oil increased in price. Estimates indicate that the 21% inflation rate of 1973 will be matched and perhaps exceeded when the 1974 economic figures are complete.

An important economic problem which Yugoslavia faces concerns the decision of the European Community in mid-1974 to ban beef imports from outside the Community. The loss in such hard currency exports to EC countries (mostly to Italy), is over \$100 million annually but the political effect is at least as important. This unilateral act by a major Western trading bloc (40% of Yugoslavia's foreign trade is with the Community) has shaken Yugoslavia's faith about overdependence on a few foreign outlets for its products. There is a special irony in this blow to Yugoslav agriculture from the West since 85% of the arable land in the country is owned by small farmers whose hardships from the beef ban are much more direct than for the relatively large state farms.

Also behind the Yugoslav resentment over the EC action is the belief that its stage of economic development should allow special treatment as a developing country. The new U.S. Trade Reform Act, for example, allows such special consideration for which Yugoslavia will apply, the study mission was told. (See table p. 27.) The prospects are for continued extensive Yugoslav trade with the West as an expression of both the economic and political goals of the country.

In a summary view by a senior official of the Yugoslav Foreign Ministry, these points were made:

- Yugoslavia's unique relations with West and East Europe will remain essentially the same in the next 5–10 years;
- Yugoslavia will continue to serve as an attractive model (or a "virus", depending on the viewpoint), for other Eastern European countries;
- Hungary, especially, is experiencing a power struggle between those who want to follow the Yugoslav example of keeping open to Western ideas and those, under the strong influence of the Soviet Union, who want that influence reduced or ended.

While in Belgrade, the study mission met with Prime Minister Djemal Bijedic; Federal Assembly President Kiro Gligorov; Deputy Foreign Minister Lazar Mojsov; Mihajlo Javorski, President, Federal Assembly Committee for Foreign Policy; Bogdan Crnobrnja, former Yugoslav

Ambassador to the United States and President, Federal Assembly Committee for Social Planning and Development Policy; Boris Snuderl, President, Federal Assembly Committee for Economic Relations with Foreign Countries; Col. Gen. Milos Sumonja, Deputy Federal Secretary for National Defense; other foreign ministry officials from the Department of North American Affairs; officials of the Federal Assembly Committee for Foreign Policy; members of the workers council and other officials from the Ivo Lola Ribar machine works; and Ambassador Malcolm Toon and members of his country team.

HUNGARY

The ultimate political facts in Hungary are that 70,000 Soviet troops are still stationed here and that they were used in 1956 to stem a more liberal trend.

—A senior American Embassy official to the study mission.

If 1956 is the ultimate fact for Hungary, the ultimate foreign policy question nearly 20 years later is: How far can Hungary go today in maintaining and developing its ties to the West without risking Soviet displeasure. The tentative answer is, apparently, "quite far", in the minds of officials of the present Hungarian government.

Comparisons with Yugoslavia are a temptation in Hungary. Both countries are located on the western frontier of the communist bloc, facilitating trade and other contacts with the West; both have used that location since the early 1950s to exploit those contacts and in both countries these efforts have proven dangerous to the independence of the respective country; finally, both are moderately undeveloped countries by western industrial standards yet they compare quite well in economic development not only with the truly poor LDCs of the Third World but also with their communist neighbors to the East.

DIFFERENCES ARE IMPORTANT

The differences between the two countries are also illuminating: Yugoslavia is relatively well-endowed with natural resources and a small population; it has a striking ethnic diversity, even for a Balkan country; composed of several formerly independent kingdoms, it has built a striking example of 20th century nationalism. Hungary, in contrast, is quite poor in raw materials and had a predominantly agricultural economy before World War II; its somewhat more dense population is relatively uniform, with only small German and Slovak minorities; history weighs heavily on the Hungarians, who, with Austria, formed a major 19th century alliance which ruled an important part of the world. With the collapse of the alliance in the rubble of World War I, Vienna and Budapest became the backwaters of Europe, imperial cities without an empire, imbued with a nostalgia which persists in Hungary despite the traumas of the past quarter century. Hungary remains a distinctly European country, whose intellectual force lines lead eastward to Vienna, Paris and Rome, whose architecture and music are neither Slavic nor Balkan, but Western European, and whose popular hopes and aspirations reside in a resurgence of its Western past and not in Eastern European communism.

The Soviet repression of Hungary's 1956 political liberalization coincided with deepening economic problems for the country. An attempt to pacify the population with more consumer goods after 1956 strained the rigid centrally planned economy. Raw material shortages could not be met through imports without improving exports failed to meet Western market needs.

The answer was the New Economic Mechanism (NEM) designed in the mid-1960s, to allow decentralized economic implementation of broad state goals. Meshing with the needs and the products of Western market economics was an important goal of the NEM. Yet the new plan was not a return to capitalism, the government warned.

Still, NEM is the most innovative response yet made by a communist economy (outside Yugoslavia) to the need to cooperate with Western economies. This is an economic, not a political, need and NEM has addressed it directly. State enterprises can produce what they believe can be sold; they buy goods where they want and can adjust workers' pay and sales prices to compete in the marketplace. Profitability has become the test of state enterprise.

If this sounds like heresy, the standards of orthodoxy are met amply elsewhere in Hungary which belongs to COMECON (Council for Mutual Economic Assistance), the Eastern European common market, and to the Warsaw Pact. Hungary participates in the European security conference (CSCE) in Geneva and in the force reduction talks (MBFR) in Vienna as an observer.

HUNGARY AND MBFR TALKS

The MBFR talks are very important to Hungary, according to both the political and military leaders to whom the study mission spoke. By mutual disagreement, Hungary was excluded in the preliminary Vienna talks from the central European area in which troop reduction would occur. This decision resulted when Western countries insisted that Hungary be included while the Warsaw Pact members countered that if Hungary, then Italy also. The United States recognized the stalemate by leading its NATO partners to accept, with reluctance, observer status for Hungary with the possibility reserved for reopening the question.

Hungary's assessment of MBFR is obviously tailored by its view of the 70,000 Soviet troops stationed there. If a Vienna agreement requires Soviet troops to leave the German Democratic Republic, Poland and Czechoslovakia (the eastern half of the agreed center region for reductions), will the displaced troops come to Hungary? At the other extreme, if Soviet troops leave Hungary will the country have to double its presently modest defense budget (4% of the national budget)? To increase and improve its present 100,000 man force (which is not, we were told, an impressive military unit) might be an undesirable consequence of a Soviet withdrawal.

Hungarian leaders insist that the Soviet troops (all of whom are stationed outside Budapest) are not needed for internal security reasons but rather because of the "international situation." Presumably this means the perceived threat of strong NATO forces in nearby Germany and Italy.

Soviet troops are apparently not popular in Hungary; there is little fraternization and the troops are seldom seen in Budapest, except on guided tours while on pass. The Soviet presence does not insure large-scale military equipment for the Hungarian forces who get only a "pittance" of Soviet equipment, the study mission heard.

Despite the special Hungarian view of MBFR and of the Soviet forces in the country, Hungary favors better U.S.-Soviet relations, its

senior Foreign Ministry officials said. Eventually, when these relations improve, there should be a removal of all foreign troops from European countries. But, these officials added, such force reductions will come only when a better SALT agreement is reached.

TRADE REFORM ACT

The passage of the American Trade Reform Act is a step backward in this process of détente, in the Hungarian view. Hungary, as a member of GATT, sees the U.S. conditions tying trade to emigration as contrary to accepted rules of international trade.

The Soviet renunciation of its 1972 trade agreement with the United States occurred after the study mission left Hungary. It was clear, however, that Hungarians we met felt that their country could not negotiate a trade agreement, including MFN, with the United States, until the Soviet Union did so. The purpose of this delay presumably would be to avoid embarrassment to the Soviet Union whose emigration policies were the principal objective of the restrictive American legislative provisions on MFN for communist countries. Hungary is probably the most liberal of the eastern bloc countries on emigration and, therefore, could be one of the first to sign an MFN agreement if it chose.

[The following table summarizes U.S. trade with Yugoslavia and Hungary:]

UNITED STATES TRADE WITH HUNGARY, YUGOSLAVIA, 1973-74

[In millions of dollars]

	U.S. exports	U.S. imports
Hungary:		
1973.....	32.8	16.4
1974.....	56.4	175.5
Yugoslavia:		
1973.....	235.7	166.8
1974.....	310.4	268.4

¹ The sharp increase in U.S. imports from Hungary is due primarily to sales of commemorative gold coins.

Source: Department of Commerce.

Note: All figures on FAS basis.

Improving United States-Hungarian trade would do much good for the United States, although not in purely economic terms since any amount of American exports to Hungary would remain a tiny fraction of our world trade. But the political advantages would be important for the United States if we truly judge that improved trade ties can help to keep political differences within bounds. Détente is the name of this process and it is the study mission's judgment that it should be pursued as vigorously with Eastern European countries like Hungary as with the Soviet Union.

CROWN OF SAINT STEPHEN

Another obstacle which separates Hungary and the United States is the Crown of Saint Stephen. This richly enameled and jeweled crown is a symbol of Hungarian national and religious unity. Dating from at least the 13th century, the crown has been shifted many times

between the various capitals of the political antecedents of the Hungarian republic. In October 1944 the crown was taken from Budapest by a representative of collapsed wartime government. It was turned over in Vienna to American military officials. It has been retained by our Government in special custody with the understanding that it would eventually be reunited with the Hungarian people.

Continued American possession of the crown is an embarrassment to both governments. Its return will cause some dismay among Hungarian emigré groups both here and in other countries. But it should be returned since, by definition, normal relations could not be restored between two countries when one of them possesses the symbol of national unity of the other.

OIL AND THE WEST

A senior Hungarian minister, who is also an important leader in the Hungarian Socialist Worker's Party, gave an interesting insight into Hungary's relations with the West. The topic was the price of oil and its consequences.

"As a communist, I am not happy about the economic disturbances these energy problems cause in the West. You may think that communists would be happy with your present predicament but I, for one, am not. People will suffer and so will the economic relations between the socialist and capitalist countries."

In reflecting on this statement, one can recall a comment by an American official in Budapest to the study mission. "In most ways", he said, "even the senior Hungarian officials are Hungarians first, and, much more distantly, communists."

In Budapest, the study mission met with Foreign Minister Frigyes Puja; Deputy Foreign Minister Janos Nagy; Vice Premier Istvan Huszar; Jozsef Bognar, Chairman, National Assembly Planning and Budget Committee; Acting Defense Minister Karoly Csemi; Istvan Sarlos, member of the National Assembly's Foreign Affairs Committee and member of Central Committee of the Hungarian Social Workers Party; other officials of the foreign ministry and of the national assembly, Jozsef Bognar, international economist and former minister of information, of trade, of foreign trade before 1956; and Ambassador Richard Pedersen and members of his country team.