

RADIO FREE EUROPE  
MUNICH

OUTGOING CIPHER MESSAGE

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URGENT  
MUN 57 21 FEB 66

TO: RICHARDSON INFO YARROW ROWSON DUNNING FISCHER E. SCHNEIDER  
FM: OTT INFO WALTER COLLINS COOK KINGSLEY DAVIS

211357 URGENT STRICTLY CONFIDENTIAL

FURTHER RE "NEPSZABADSAG" ARTICLE ON ARRESTS IN HUNGARY.  
"NEPSZABADSAG" TEXT HAS JUST ARRIVED HERE AND FIRST QUICK  
READING BY HUNGARIAN EVALUATION INDICATES FULL TEXT DOES NOT  
MATERIALLY DIFFER FROM MTI SUMMARY WE HAD RECEIVED ON SATURDAY.  
ARTICLE IS BEING TRANSLATED AS QUICKLY AS POSSIBLE AND WE WILL  
PUT TRANSLATION ON TELETYPE TO YOU AS SOON AS AVAILABLE.

MUCH OF THE INITIAL WESTERN PRESS REACTION HAS BEEN  
EXAGGERATED, DUE PRIMARILY TO THE OVERLY SENSATIONAL NATURE  
OF THE ORIGINAL AP STORY OUT OF BUDAPEST. WESTERN MEDIA HAVE  
BEEN MORE THAN USUALLY RECEPTIVE TO REPORTS OF TENSION IN HUNGARY  
SINCE SOME RESTLESSNESS BECAME EVIDENT IN THE COUNTRY FOLLOWING  
THE PRICE INCREASES. UPI HAS JUST REPORTED FROM BUDAPEST A  
HUNGARIAN FOREIGN MINISTRY SPOKESMAN STATEMENT THAT THE GOVERNMENT  
WILL SOON ISSUE A DENIAL OF WESTERN REPORTS EXAGGERATING THE  
MEANING OF THE "NEPSZABADSAG" ITEM.

IT IS CLEAR THAT "NEPSZABADSAG" WAS REFERRING TO THE  
SERIES OF ARRESTS WHICH HAVE BEEN TAKING PLACE FOR SOME MONTHS  
AND THAT THERE HAVE NOT BEEN NEW MASS ARRESTS OR ANY KIND OF  
BROAD CRACKDOWN. IN OUR VIEW, THE ARRESTS AND WARNINGS OF  
RECENT MONTHS ARE DESIGNED AS PREVENTIVE ACTION BY THE REGIME.  
THE SHARPNESS OF THE POPULATION'S REACTION TO PRICE INCREASES  
SEEMS TO HAVE CAUGHT THE REGIME BY SURPRISE. AS YOU KNOW, A  
GREAT DEAL OF TIME AND EFFORT WENT INTO REGIME ATTEMPTS TO  
EXPLAIN PRICE CHANGES ONCE THE BAD EFFECT OF THE ORIGINAL  
ANNOUNCEMENTS WAS UNDERSTOOD BY THE REGIME.

HOWEVER, IT IS NOT ENOUGH ONLY TO LOOK AT PRESENT DEVELOPMENTS  
IN TERMS OF THE PRICE INCREASE PROBLEM. FOR SOME TIME IT HAS  
BEEN EVIDENT THAT THE REGIME HAS BEEN PERPLEXED ABOUT WHAT TO  
DO IN RESOLVING INTERNAL DIFFICULTIES. HAVING GONE RELATIVELY  
FAR IN TERMS OF FREEDOM TO TRAVEL, ENCOURAGEMENT OF WESTERN  
TOURISM, CESSATION OF JAMMING AND OTHER MEASURES DESIGNED AT  
LEAST TO GIVE THE APPEARANCE OF POSITIVE EVOLUTION WITHIN

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HUNGARY, KADAR HAS HAD TO FACE UP TO THE RESULTS OF THESE  
POLICIES. AS USUAL, THE APPETITE OF THE POPULATION FOR CONCESSIONS  
HAS GROWN, WHILE AT THE SAME TIME MANY HUNGARIANS SEEM TO HAVE  
HAD AN INCREASING FEAR THAT THE REGIME WOULD DECIDE THAT THE  
TIME HAD COME TO MOVE FROM A POLICY OF CONCESSIONS TO ONE OF  
CONTAINMENT. ALTHOUGH WE CANNOT DOCUMENT IT, WE CAN BE SURE  
THAT HUNGARIAN LEADERSHIP ELEMENTS HAVE THEMSELVES BEEN DIVIDED  
OVER WHAT TO DO TO KEEP CONCESSIONS WITHIN THE BOUNDS OF CONTROL.

THERE IS ANOTHER FACTOR WHICH MUST BE PREYING ON THE MINDS OF  
REGIME LEADERS, NAMELY THE KNOWLEDGE THAT 1966 IS THE TENTH  
ANNIVERSARY OF THE REVOLUTION. THEY KNOW THAT THE WEST WILL  
DEVOTE GREAT ATTENTION TO THIS EVENT AND THAT THIS INTEREST  
WILL BE REFLECTED INTO HUNGARY BY VARIOUS MEANS. FACED WITH  
THESE DIFFICULT DILEMMAS, WE BELIEVE BUDAPEST IS TRYING TO KEEP  
THE LID ON WITHOUT GOING TOO FAR. THIS IS A DELICATE BALANCING  
ACT, AND TO DATE THE PERFORMANCE SEEMS TO HAVE BEEN RELATIVELY  
CLUMSY. SENSITIVITIES MAY BE EXPECTED TO GROW IN THE WEEKS  
AND MONTHS AHEAD. WE ANTICIPATE HEIGHTENED TENSIONS WITHIN HUNGARY  
AND MUST EXPECT THAT KADAR WILL BE UNDER CONFLICTING PRESSURES  
OF ADVICE ON HOW TO GET THROUGH A DIFFICULT PERIOD. THE URGENT  
NEED FOR ECONOMIC REFORM WHICH, IF IMPLEMENTED, IS GOING TO  
BRING FURTHER DISLOCATIONS AND TEMPORARY HARDSHIP TO THE  
PEOPLE SHARPENS THE REGIME DILEMMA.

TO DATE, HUNGARIAN BD HAS CARRIED MATERIAL ON THE "NEPSZABADSAG"  
ARTICLE IN NEWS AND THE BINDER "NEW YORK TIMES" ARTICLE OF 19  
FEBRUARY IN PRESS REVIEW. FIRST COMMENTARY WILL BE Aired TODAY  
AND WILL STRESS THE FOLLOWING POINTS: THAT WESTERN CONCERN  
WITH HUNGARIAN EVENTS IS VERY GREAT AND IS BOUND TO INCREASE  
IN THE YEAR MARKING THE TENTH ANNIVERSARY OF THE REVOLUTION;  
THAT THE REGIME HAS FAILED TO INFORM EITHER ITS OWN PEOPLE OR  
THE REST OF THE WORLD ADEQUATELY ON HUNGARIAN DEVELOPMENTS,  
THUS LEADING TO SPECULATION AND EXAGGERATION IN WESTERN  
REACTION TO PARTIALLY-KNOWN EVENTS; THAT WESTERN INTEREST IN HUNGARY  
MEANS THAT WHATEVER HAPPENS WILL BE IMMEDIATELY BROUGHT TO THE  
WORLD'S ATTENTION; AND THAT THE IMAGE OF THE NEW HUNGARY SO  
CAREFULLY NURTURED BY THE KADAR REGIME IS RAPIDLY FADING.  
HUNGARIAN BD WILL ALSO CALL FOR PUBLICATION OF CHARGES AGAINST  
THE ACCUSED AND FOR PUBLIC TRIALS.

GREAT CARE WILL BE USED IN REFLECTING WESTERN PRESS RESPONSE

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IN ORDER TO AVOID PRESENTATION OF THE SENSATIONAL AND SPECTACULAR.  
AT THE SAME TIME, WE CONSIDER THAT BOTH REGIME AND POPULACE  
MUST BE MADE AWARE OF THE ATTENTION PAID TO HUNGARIAN EVENTS  
AS PART OF OUR EFFORT TO PERSUADE THE REGIME TO PURSUE POLICIES  
OF MODERATION.

REGARDS

END MSG