UNCLASSIFIED

Date Printed: 26-Nov-2001

DOC NBR: 1991BUDAPE08516

CHANNEL: n/RELEASED I

HANDLING: EXDIS

<<<<.>>>>

BUDAPE 08516 01 OF 04 051344Z PAGE 01

ACTION SS-01

INFO LOG-00 ADS-00 SSO-00 /001W

-----79F58B 051345Z /38 O 051153Z JUL 91 ZDK RUFHRF AND OTHERS

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC IMMEDIATE 0000

INFO EUROPEAN POLITICAL COLLECTIVE

AMEMBASSY TOKYO

AMEMBASSY CANBERRA

SECTION 01 OF 04 BUDAPEST 08516

DECAPTIONED EXDIS

DEPT. FOR EUR, AID, EB AND D/EEA

BRUSSELS ALSO FOR USEC - NILES

E.O. 12356: DECL: OADR TAGS: PREL, EAID, AL, US

SUBJECT: ALBANIA STOPS DEBT PAYMENTS, FOOD CRISIS LOOMS

- L ENTIRE TEXT.
- 2. FOLLOWING IS TEXT OF USOFFICE TIRANA 090, DATED 7/4/91, BEING TRANSMITTED FROM BUDAPEST FOR CLASSIFIED PROTECTION.



BUDAPE 08516 01 OF 04 051344Z PAGE 02 3. SUMMARY: ALBANIAN DEPUTY PRIME MINISTER (AND CHIEF ECONOMIC REFORM OFFICIAL) GRAMOZ PASHKO RECEIVED EUR DAS CURTIS KAMMAN ON JULY 4 IN TIRANA. HIS KEY POINTS:

- -- ALBANIA IS FACING MAJOR FOOD CRISIS.
- -- COOKING OIL SUPPLIES WILL LAST UNTIL 7/15.
- -- AVERAGE DIET IS HOVERING AROUND 1500 CAL/DAY.

Page - 19

UNITED STATES DEPARTMENT OF STATE **REVIEW AUTHORITY: WILLIAM J. GEHRON** DATE/CASE ID: 14 JAN 2002 200100839

UNCLASSIFIED

CONFIDENCE

Date Printed: 26-Nov-2001

DOC NBR: 1991BUDAPE08516

CHANNEL: n/a
HANDLING: EXDIS

- -- CEREAL PRODUCTION THIS YEAR WILL BE ABOUT ONE-FOURTH
- AN AVERAGE YEAR, DESPITE FAVORABLE WEATHER; NORMAL
- IMPORTS ARE 150K TONS PER YEAR; NEED 450K TONS
- THIS YEAR.
- -- PASHKO HAS PLACE GOVERNMENT WAREHOUSES UNDER MILITARY
- CONTROL TO PROTECT THEM AND THEIR CONTENTS.
- -- ALBANIA, ON PASHKO'S ORDERS, HAS SUSPENDED PAYMENTS
- ON FOREIGN DEBT, SINCE ALBANIA DOESN'T HAVE RESERVES
- TO PAY THOSE DEBTS (OWED TO COMMERCIAL BANKS).
- -- ALBANIA CONCERNED ABOUT SITUATION IN YUGOSLAVIA,
- AND FEARS POSSIBLE GENOCIDE AND A POTENTIAL MASSIVE
- REFUGEE FLOW IF THE SERBS SHOULD START BLOODSHED
- IN KOSOVO. END SUMMARY.
- 4. ALBANIA IS EXPERIENCING A CATASTROPHIC SITUATION, PASHKO SAID: FOOD SUPPLIES ARE EXTREMELY LOW, WITH COOKING OIL DUE TO BE EXHAUSTED ON JULY 15 AND

COMPLEMENTAL DE

PAGE 03 BUDAPE 08516 01 OF 04 051344Z
OTHER FOODSTUFFS BY THE END OF THE MONTH. THERE ARE
NO RESERVES; IT IS NOT A QUESTION OF DISTRIBUTION,
THERE JUST ISN'T ANY MORE. ALTHOUGH THE AVERAGE
DIET NOW IS HOVERING AROUND 1500 CALORIES PER DAY,
WHICH IS BY NO MEANS GOOD, THERE IS THE PROSPECT OF
REAL HUNGER BY THE END OF JULY.

- 5. IN ADDITION, THERE IS A MONETARY CRISIS; ALBANIA DOESN'T HAVE THE MONEY TO MAKE PAYMENTS AND HE HAS ORDERED THE SUSPENSION OF PAYMENTS TO FOREIGN CREDITORS.
- 6. PASHKO EXPLAINED THAT THE PREVIOUS GOVERNMENT HAD RUN UP THE DEBT ENORMOUSLY IN THE LAST PERIOD OF ITS STAY IN POWER, IN PART IN AN ATTEMPT TO BUY THE ELECTION. BY ITS WAVERING AGRICULTURAL POLICY, THE COMMUNIST PARTY HAD ALSO CONFUSED THE PEASANTS AND THE NET RESULT IS A SIGNIFICANT DECREASE IN THE TOTAL LIVESTOCK HERDS AND IN THE EXPECTED CROPS. THE COMMUNISTS TOLD THE PEASANTS BEFORE AND DURING THE ELECTION CAMPAIGN THAT THE DEMOCRATS WOULD BRING BACK THE LANDOWNERS; THE COMMUNISTS PROMISED TO DISMANTLE THE COOPERATIVES, BREAKING THEM INTO SMALLER ONES, AND DISTRIBUTED SOME OF THE LIVESTOCK. AFTER THE ELECTIONS, THEY TOOK BACK LIVESTOCK AND TRIED TO

CONFIDENCIAL

Date Printed: 26-Nov-2001

DOC NBR: 1991BUDAPE08516

CHANNEL: n/a
HANDLING: EXDIS

5

RETURN TO THE STATUS QUO ANTE. AS A RESULT, THE PEASANTS WERE CONFUSED, AND DECIDED IN MANY CASES TO KILL THE LIVESTOCK, OR TO FEED THEM ON GRAIN THAT WOULD OTHERWISE HAVE BECOME AVAILABLE FOR HUMAN CONSUMPTION (BREAD). THE NET RESULT IS THAT PRODUCTION OF CEREALS THIS YEAR WILL BE ABOUT ONE QUARTER OF NORMAL ANNUAL PRODUCTION, DESPITE THE



PAGE 04 BUDAPE 08516 01 OF 04 051344Z FAVORABLE WEATHER (THE DROUGHTS OF HE LAST FEW YEARS WERE BROKEN THIS SPRING).

- 7. LIVESTOCK HAS BEEN TAKEN BY MANY PEASANTS, AND IN MANY CASES SOLD "FOR PEANUTS," IN PART ACROSS THE GREEK AND YUGOSLAV BORDERS.
- 8. IN RESPONSE TO KAMMAN'S QUESTION ON HOW FOOD AID COULD BE STORED AND SAFEGUARDED, PASHKO SAID HE, AS ACTING PRIME MINISTER (THE PRIME MINISTER IS IN

NNNN

COMPLETE TO THE PARTY OF THE PA

PAGE 01 BUDAPE 08516 02 OF 04 051208Z ACTION SS-01

INFO LOG-00 ADS-00 SSO-00 /001W

-----79ED06 051208Z /38

O 051153Z JUL 91 FM AMEMBASSY BUDAPEST TO SECSTATE WASHDC IMMEDIATE 9042 INFO EUROPEAN POLITICAL COLLECTIVE AMEMBASSY TOKYO AMEMBASSY CANBERRA

CONFIDENCE SECTION 02 OF 04 BUDAPEST 08516

EXDIS

DEPT. FOR EUR, AID, EB AND D/EEA

BRUSSELS ALSO FOR USEC - NILES

Page - 21

Date Printed: 26-Nov-2001

DOC NBR: 1991BUDAPE08516

CHANNEL: n/a

HANDLING: EXDIS

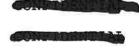
E.O. 12356: DECL: OADR TAGS: PREL, EAID, AL, US

SUBJECT: ALBANIA STOPS DEBT PAYMENTS, FOOD CRISIS LOOMS

ITALY UNTIL LATER ON JULY 4), HAD GIVEN ORDERS TO THE MINISTRIES OF DEFENSE AND OF PUBLIC ORDER PUTTING GOVERNMENT WAREHOUSES UNDER MILITARY PROTECTION AND MILITARY CONTROL. HE WAS AWARE OF THE PROBLEMS WHICH HAVE EXISTED FOR THE RED CROSS AND MOTHER THERESA'S ORGANIZATIONS, AND SAID SOME 20 PERSONS HAVE BEEN

PAGE UZ BUDAPE 08516 02 OF 04 051208Z
ARRESTED FOR THEIR PART IN THE LOOTING, INCLUDING SOME POLICEMEN. PASHKO SAID THAT HE COULD ASSURE THAT THE WAREHOUSES WOULD BE PROTECTED NOW.

- DURING A DISCUSSION OF HOW TO SAFEGUARD ANY DISTRIBUTION OF FOOD OR OTHER AID, KAMMAN MENTIONED THE IDEA THAT WAS USED IN NORTHERN IRAQ: GIVE FOOD ONLY TO CHILDREN OR TO WOMEN. PASHKO SAID THAT WAS A GOOD IDEA, BUT POINTED OUT THAT THERE THE U.S. HAD DIRECT CONTROL OVER THAT. PUSHKO, THE LEADING DEMOCRATIC PARTY FIGURE IN THE GOVERNMENT, FELT THAT THE STATE DISTRIBUTION NETWORK COULD AND SHOULD BE USED SINCE ONLY IT COULD GUARANTEE DELIVERY TO INTENDED RECIPIENTS - USING THE EXISTING RATIONING SYSTEM. WORKERS IN THE NORTH HAD TOLD HIM TWO DAYS AGO THAT IF HE MADE PERSONS RESPONSIBLE AND ACCOUNTABLE FOR THESE SUPPLIES THAT THE SYSTEM WOULD WORK. HE ASSURED KAMMAN THAT THE SYSTEM COULD BE MADE TO WORK EFFECTIVELY.
- KAMMAN MENTIONED THAT WE DO HAVE SOME FOOD SUPPLIES AVAILABLE UNDER PL 480 PROGRAMS, BUT THAT IN THE NEAR TERM IT WAS PROBABLY BEST TO LOOK TO THE EC TO MEET THE COOKING OIL NEED. PASHKO MENTIONED THAT HE HAD PURHASED SOME 2,000 TONS OF MEAT IN FRANCE (WHICH WAS ARRIVING TODAY WITHOUT INCIDENT AT THE PORT OF DURRES) AT 9 PERCENT INTEREST - JUST TO HAVE MEAT ON THE MARKET.
- 11. KAMMAN MENTIONED THAT UNDER THE DIFFERING PROGRAMS OF PL 480, THERE WERE POSSIBILITIES FOR FOOD TO BE



UNCLASSIFIED



Date Printed: 26-Nov-2001

DOC NBR: 1991BUDAPE08516

CHANNEL: n/a
HANDLING: EXDIS

PAGE 03 BUDAPE 08516 02 OF 04 051208Z
OBTAINED GRATIS, FOR PURCHASE WITH USG CREDITS, AND
FOR PURCHASE WITH THE USG GUARANTEEING THE LION'S
SHARE OF THE CREDIT. PROCEEDS FOR SALE OF THOSE
GOODS FOR LOCAL CURRENCY COULD THEN BE USED FOR
MUTUALLY AGREED PURPOSES. PASHKO SUGGESTED IMMEDIATELY
USING SUCH FUNDS FOR SOCIAL ASSISTANCE, SINCE LARGE
NUMBERS OF PEOPLE WILL BE PUT OUT OF WORK WHEN THE
ECONOMIC REFORMS BEGIN TO TAKE HOLD AND FACTORIES
CLOSE.

- 12. PASHKO EXPECTS TO SEE REAL AGRICULTURAL GAINS FROM THE PRIVATIZATION OF LAND WITHIN ONE YEAR. KAMMAN AGREED THIS COULD WELL HAPPEN, AND WOULD BE GOOD, BUT IT DOESN'T SOLVE THE IMMEDIATE FOOD CRISIS. WE MAY BE ABLE TO HELP, BUT DOUBTFULLY BEFORE THE END OF JULY. WE WILL BE HAVING EXPERTS FROM AID IN NEXT WEEK (INCLUDING ONE USDA PERSON), BUT THEY WILL BE LOOKING AT A WIDE RANGE OF PROJECTS, NOT AN IMMEDIATE FOOD CRISIS SOLUTION. THERE ARE ALSO PROBLEMS BECAUSE OUR LAWS REQUIRE IN SOME CASES THAT GOODS BE SHIPPED ON AMERICAN SHIPS OR TRANSPORT COSTS MUST BE PAID BY RECIPIENT COUNTRIES. MOREOVER, THERE WERE SEVERAL LEGAL AND BUREAUCRATIC STEPS REQUIRED BEFORE ALBANIA WOULD BE ELIGIBLE FOR PL 480.
- 13. KAMMAN NOTED THAT THE POLES HAD RAISED A SIMILAR ALARM IN SEPTEMBER 1989, FEARING HUNGER AS WINTER APPROACHED. THERE, FREEING OF THE MARKET PRODUCED THE FOOD: FARMERS DECIDED THEY WOULD SELL. IT WAS DIFFERENT HERE, PASHKO REPEATED, SINCE AGRICULTURE WAS NOT PRIVATE AND THERE SIMPLY WEREN'T STOCKS OF

PAGE 04 BUDAPE 08516 02 OF 04 051208Z FOOD LINGERING UNMARKETED IN THE COUNTRYSIDE. AGREEING THAT THIS WAS THE CASE, KAMMAN POINTED OUT NEVERTHELESS THAT THE PLEA FOR HELP TO THE U.S. AND WESTERN EUROPE WILL BE TO PARTIES WITH THE POLISH EXAMPLE IN THE BACKS OF THEIR MINDS.

医性的影机是罗瑟

14. TO POINT UP THE DIFFERENCE, PASHKO CITED THAT POLISH MEAT CONSUMPTION HAD DIPPED FROM 35 KG/PERSON/YEAR TO 30, ONE OF THE LOWEST PER CAPITA CONSUMPTION FIGURES



UNCLASSIFIED

COMPADENTAL

Date Printed: 26-Nov-2001

DOC NBR: 1991BUDAPE08516

CHANNEL: n/a
HANDLING: EXDIS

5

NNNN

COMPTHEN DIAG

PAGE 01 BUDAPE 08516 03 OF 04 051211Z

ACTION SS-01

INFO LOG-00 ADS-00 SSO-00 /001W

-----79ED46 051211Z /38

O 051153Z JUL 91 FM AMEMBASSY BUDAPEST TO SECSTATE WASHDC IMMEDIATE 9043 INFO EUROPEAN POLITICAL COLLECTIVE AMEMBASSY TOKYO AMEMBASSY CANBERRA

SECTION 03 OF 04 BUDAPEST 08516

EXDIS

DEPT. FOR EUR, AID, EB AND D/EEA

BRUSSELS ALSO FOR USEC - NILES

E.O. 12356: DECL: OADR
TAGS: PREL, EAID, AL, US
SUBJECT: ALBANIA STOPS DEBT PAYMENTS, FOOD CRISIS LOOMS

IN THE EASTERN EUROPEAN AREA. BY CONTRAST, THE ALBANIAN CONSUMPTION WAS NOW 6 (SIX) KG/PERSON/YEAR, AND THE AVERAGE CALORIC INTAKE IS ABOUT 1,500 PER PERSON/DAY. THE FOOD SIMPLY ISN'T AVAILABLE; IT IS NOT PRINCIPALLY A MATTER OF MALDISTRIBUTION - IT DOESN'T EXIST.

CONBEDENCE LAIL

PAGE 02 BUDAPE 08516 03 OF 04 051211Z

15. PASHKO SAID THE EC HAD GRANTED HIM SOME
500 THOUSAND ECU TO PURCHASE EMERGENCY FOOD SUPPLIES.
THIS AMOUNTS TO ABOUT A WEEKS' WORTH OF OOOKING OIL
FOR THE COUNTRY, HE SAID. KAMMAN SAID THAT THE U.S.
WASN'T RUNNING THE SURPLUSES IT ONCE DID IN AGRICULTURE,
AND THAT IT WAS DOUBTFUL THAT COOKING OIL WOULD BE
AVAILABLE, BUT HE UNDERTOOK TO EXPLORE WHAT WE CAN DO.
WE DON'T HAVE MEAT SURPLUSES; WOULD ALBANIA NEED

CONFIDENCIA

Date Printed: 26-Nov-2001

DOC_NBR: 1991BUDAPE08516

CHANNEL: n/a
HANDLING: EXDIS

5

WHEAT? YES, PASHKO REPLIED.

16. TURNING TO YUGOSLAVIA, PASHKO SAID THERE WERE TWO FEARS: GENOCIDE, AND A POSSIBLE MASSIVE REFUGEE FLOW. THERE HAS BEEN PRESSURE FOR ALBANIA TO OPEN ITS BORDERS. THE BORDERS ARE CLOSED. ALBANIA HAS INSTRUCTED ITS DELEGATION IN PRAGUE TO SUPPORT THE IDEA OF A COMMISSION TO INVESTIGATE THE SITUATION IN KOSOVO - BUT NOT FOR ALBANIA TO BE A MEMBER OF THE COMMISSION. KAMMAN COMMENDED HIM FOR THIS DECISION, INASMUCH AS ALBANIA IS A PARTY AT INTEREST.

- 17. PASHKO DESCRIBED GENERALLY WHAT HIS ECONOMIC PLANS WERE, AND SAID HE HAD EXPLAINED TO THE WORKERS THAT THERE WOULD BE NO POINT IN GIVING THEM MUCH MORE MONEY IF THERE WAS NOTHING TO BUY. HE HAS RECEIVED MANY PETITIONS FROM THE OFFICIAL (COMMUNIST) UNIONS SAYING THEY DON'T WANT SHOCK THERAPY. KAMMAN SAID THAT WITH UNIONS IN GENERAL, THE VISIT OF MR. FREEMAN MAY HELP.
- 18. PASHKO SAID THE GOVERNMENT HAS PREPARED A LAW



PAGE 03 BUDAPE 08516 03 OF 04 051211Z ON A GENERAL AMNESTY FOR ALL BUT COMMON CRIMINALS, IE., FOR ALL POLITICAL AND ECONOMIC CRIMES. THE LAW WILL BE PRESENTED TO THE ASSEMBLY NEXT WEEK. ON THE 15TH, THE GOVERNMENT EXPECTS TO PRESENT A PACKAGE OF LAWS TO LIBERALIZE THE ECONOMY; NOT PRICES AT THIS POINT, THAT IS TOO MUCH IN THE CURRENT CRISIS.

- 19. THE GENERAL POSSIBILITIES OF MILITARY CONTACTS WERE DISCUSSED, AND KAMMAN EXPLAINED THE GRADUAL PROCESS OF MAKING THIS COME ABOUT.
- 20. PASHKO CONFIRMED THAT THE DEFENSE MINISTER, MR. TETA, IS A CIVILIAN; KAMMAN SAID THIS IS ONLY THE SECOND ONE IN A FORMER COMMUNIST COUNTRY THIS IS A CIVILIAN.
- 21. A VISIT BY THE DEFENSE MINISTER, BECAUSE OF GENERL BUREAUCRATIC AND PROTOCOL CONSIDERATIONS, WOULD PROBABLY TAKE AT LEAST SIX MONTHS TO LAY ON. IN THE MEANTIME, HOWEVER, WE WILL PLAN TO SEND SOME PERSONS FOR PRELIMINARY TALKS-

Page - 25

CONFEDENTIAL

Date Printed: 26-Nov-2001

DOC NBR: 1991BUDAPE08516

CHANNEL: n/a HANDLING: EXDIS

5

22. PASHKO SAID ALBANIA WAS INTERESTED IN RECEIVING SURPLUS U.S. MILITARY EQUIPMENT - TRUCKS AND EARTHMOVING/ROADBUILDING EQUIPMENT - FOR EXAMPLE. KAMMAN SAID WE WOULD LOOK INTO THIS, PERHAPS WHEN THE DOD PEOPLE COME HERE THE QUESTION SHOULD BE ON THE AGENDA.

23. KAMMAN MENTIONED THAT DEPUTY TREASURY SECRETARY

CONFIDENTIAL

PAGE 04 BUDAPE 08516 03 OF 04 051211Z
ROBSON WAS CONSIDERING COMING HERE, AND WE HAD HEARD
FROM THE MFA THAT A VISA HAD BEEN REQUESTED FOR HIM
TO ARRIVE HERE ON JULY 31. ALTHOUGH WE HAD NO
INDEPENDENT CONFIRMATION OF THE PROPOSED VISIT,
WE SUPPOSED IT WAS INDEED "ON." KAMMAN SUGGESTED
THAT IT WOULD BE PERHAPS MORE PRACTICAL IF PASHKO
COULD SEE ROBSON HERE BEFORE HE (PASHKO) COMES TO
WASHINGTON, ESPECIALLY IN VIEW OF THE TIMING. PASHKO
AGREED.

COMPTEN

NNNN

CONFIDENTIAL

PAGE 01 BUDAPE 08516 04 OF 04 051209Z ACTION SS-01

INFO LOG-00 ADS-00 SSO-00 /001W

-----79ED24 051209Z /38

O 051153Z JUL 91
FM AMEMBASSY BUDAPEST
TO SECSTATE WASHDC IMMEDIATE 9044
INFO EUROPEAN POLITICAL COLLECTIVE
AMEMBASSY TOKYO
AMEMBASSY CANBERRA

SECTION 04 OF 04 BUDAPEST 08516

EXDIS

DEPT. FOR EUR, AID, EB AND D/EEA

BRUSSELS ALSO FOR USEC - NILES

Page - 26

CONFIDENTIAL

Date Printed: 26-Nov-2001

DOC NBR: 1991BUDAPE08516

CHANNEL: n/a
HANDLING: EXDIS

5

E.O. 12356: DECL: OADR
TAGS: PREL, EAID, AL, US

SUBJECT: ALBANIA STOPS DEBT PAYMENTS, FOOD CRISIS LOOMS

24. KAMMAN RAISED WITH PASHKO OUR INTEREST IN TWO VILLAS FOR EMBASSY HOUSING. THE PROBLEM, PASHKO SAID, WAS THAT THERE WERE TENANTS IN THERE AT PRESENT. THOSE PEOPLE WILL BE INVESTIGATED, AND IF ANY CORRUPTION IS FOUND, THEY MIGHT BE EVICTED. OTHERWISE, IT WOULD BE VERY DIFFICULT. HE DID

CONF. DEN STEEL

PAGE 02 BUDAPE 08516 04 OF 04 051209Z PROMISE COOPERATION IN FINDING SOME SOLUTION TO HOUSING PROBLEMS.

25. COMMENT: PASHKO IS LITERALLY ENDURING SLEEPLESS NIGHTS BECAUSE OF THE PRECARIOUS STATE OF FOOD RESERVES. HE FEARS THAT HUNGER MAY DESTROY THE PROSPECTS FOR DEMOCRACY IN ALBANIA, ESPECIALLY NOW THAT THE DEMOCRATIC PARTY HAS ASSUMED A SHARE OF RESPONSIBILITY FOR THE NOMINALLY NONPARTISAN UNITY GOVERNMENT. GIVEN THE EXTENSIVE RATIONING SYSTEM, HE MAY BE RIGHT THAT DISTRIBUTION THROUGH STATE STORES IS BEST FOR ANY FOREIGN FOOD ASSISTANCE ON A LARGE SCALE. U.S. ASSISTANCE TEAMS COMING TO ALBANIA LATER THIS MONTH SHOULD DO AS MUCH AS POSSIBLE TO PREPARE A DECISION ON PL 480 ON AN URGENT BASIS. HUMANITARIAN ASSISTANCE DELIVERED VIA RED CROSS OR OTHER RELIEF ORGANIZATIONS TO SELECTED INSTITUTIONS WILL BE APPRECIATED BUT CANNOT ADDRESS THE LARGE-SCALE CRISIS DESCRIBED BY PASHKO. WE SHOULD ALSO CONVEY A SENSE OF URGENCY TO THE G-24 SURVEY MISSION DUE LATER IN JULY. END COMMENT. BALTIMORE

CONTINENTIAL

NNNN