trade agreement with the European Community. The agreement went into effect on December 1, 1988, and included a three-stage lifting of all European Community quotas on Hungarian exports. In turn, the agreement requires increased Community access to the Hungarian market. Furthermore, Hungary has called for an increase in hard currency trade among CMEA partners.

Until 1989, Hungary's step-by-step economic reform was not accompanied by political reform. This failure to reform the political process has hindered the effort toward a freer economy. As Csaba Csaki has said, "Politics seeped into every cell of the economy and prevent efficient decision-making" (Greenhouse D1). The Communist government's bureaucratic meddling imposed upon the freedom of business leaders to make investment decisions. Also, the government refused to close down inefficient operations, particularly heavy industries, which hurt the overall economy.

The rejection of the Breshnev Doctrine of limited sovereignty by General Secretary Gorbachev in July 1989 paved the way for political reform in Hungary. On October 7, the Communist Party of Hungary voted to reorganize and change its name to the Socialist Party, signalling its break with the Soviet Union. Eleven days later, the Hungarian Parliament voted to change the Constitution of Hungary and to change the country's name to the Republic of Hungary. The next day, Parliament voted to legalize opposition parties.

On March 25 and April 8, 1990, Hungary held its first free elections in over forty years. The Hungarian Democratic Forum, led by Jozsef Antall, captured a plurality with 25 percent of the vote. The Democratic Forum is a center-right party which favors full transformation to a free-market economy, although at a slower pace than proposed by its main opposition, the Alliance of Free Democrats who won 21 percent of the vote. The