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THE SITUATION IN THE SOVIET UNION AND EASTERN EUROPE

Note by the Secretary General

The attached report on "The Situation in the Soviet Union and Eastern Europe" has been forwarded to me by the Chairman of the Expert Working Group, which met at NATO Headquarters from 21st to 24th October 1980.

2. This report will be placed on the Council Agenda during the latter half of November 1980.

(Signed) Joseph M.A.H. LUNS

NATO,
1110 Brussels.

N A T O C O N F I D E N T I A L

THE SITUATION IN THE SOVIET UNION AND EASTERN EUROPE

Note by the Chairman of the Expert Working Group

1. Experts from Belgium, Canada, Denmark, France, Germany, Greece, Italy, the Netherlands, Norway, Turkey, the United Kingdom and the United States met at NATO Headquarters from 21st to 24th October 1980 to prepare the attached report.

2. This report covers the period from 15th March to 24th October 1980.

(Signed) M. LEVEQUE

THE SITUATION IN THE SOVIET UNION AND EASTERN EUROPE

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THE SITUATION IN THE SOVIET UNION AND EASTERN EUROPE

Report by the Expert Working Group

PART I: GENERAL TRENDS AND MAIN EVENTS

1. East-West relations were subjected to considerable strain in the period under review. The West continued to focus on the repercussions of the Soviet invasion of Afghanistan and to curtail relations with the Soviet Union. Denial measures were on a differentiated basis aimed at deterring the Soviets from further aggressive acts and at making them pay a price for their Afghan venture. After a period of interruption, a limited political dialogue resumed at a high level between the Soviets and Western leaders.

2. The USSR for its part appeared to feel an intensified sense of encirclement combined with a siege mentality and growing global competition with the US. Determined not to be seen to yield to pressure of any kind, the Soviets attempted to isolate in Europe the framework of détente and the political dialogue from reaction to the Afghan intervention. At the same time, they have attempted to move out of a posture that has been defensive in the wake of Afghanistan.

3. Although limited contacts have resumed, the Soviets are not exhibiting a particularly conciliatory mood either in bilateral relations with Europeans or in multilateral negotiations and appear prepared to wait out a shift in the international climate until events better suit their purposes. They seem willing to make tactical adjustments but on many issues of substance to stand pat. Hence their approach in the CSCE preparatory talks has offered little promise of positive results and remain basically stagnant in the MBFR negotiations in Vienna. They made a shift in their position on talks in theatre nuclear forces in Europe only after it became apparent to them that NATO was not prepared to suspend TNF modernization.

4. A new danger for East-West relations arose with the possibility of Soviet intervention in Poland.

5. The Iran-Iraq conflict gave rise to another possible source of East-West contention. The Soviets have professed neutrality in the conflict and have called for its cessation. However, they might attempt to increase their presence in the area if they believed the conflict were leading to direct US intervention to protect oil sources or reinforce the US position to the detriment of the Soviet Union.

6. In Afghanistan the Soviets have been unsuccessful in stabilizing the country either politically or militarily, nor have they been able to bring about an acceptable political solution on the international arena. However, their commitment remains unchanged.

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7. The ever-present Soviet obsession with China produced new warnings against anti-Soviet collusion vis-à-vis Beijing in the part of the US, Japan and other Western countries. Moscow continued to buttress its position in the region with new arms aid to Vietnam and India.

8. On the eve of the new Soviet Five-Year Plan and the impending 26th CPSU Congress the Soviet leadership projected an image of stability and policy continuity, well-exemplified by the succession of Mr. Tikhonov to Mr. Kosygin. Against a background of what appears to be a very poor harvest and continued slow economic growth, the leadership has demonstrated awareness of the need to respond to growing consumer concerns on the domestic front, possibly also with the Polish experience in mind.

9. In Poland, the whole institutional structure of socialism is undergoing a profound change. The workers have clearly won a success. Their strikes have led to a change of party leadership, important political concessions, and what appears to be a fundamental shift in economic policy in favour of the consumer. But as the crisis atmosphere continues there is no assurance that a solution can be found which will resolve basic economic problems and prevent the collapse of the present régime in Poland.

10. Although popular unrest has not spread to other East European countries, the leaderships have reacted with varying manifestations of concern: the GDR and Czechoslovakia have instituted some pre-emptive measures while their leaders have made threatening allusions to Poland; Hungary has made visible gestures on public consumption and trade union policy; and even Romania has offered improvements in the standard of living.

11. In Yugoslavia post-Tito arrangements have proven stable for the moment, with no acute external or internal threats despite growing economic problems.

PART II: SOVIET UNION

(a) The internal situation

Leadership

12. The Soviet leadership's main problem is still the health of its members. Whereas Mr. Brezhnev is seemingly experiencing a protracted remission of his illness and has thus been able to fulfil his commitments (visits to other countries and to the provinces), some of his Politburo colleagues are having varying fortunes:

- Kosygin resigned at the last Plenum for health reasons, which had been known for several months;

- owing to illness, Ustinov and Andropov had to absent themselves at times over the same period.

13. However, it has to be recognized that the Soviet leadership's ability to take and implement decisions has apparently been unimpaired by these lapses and that, on the eve of the 26th Congress, no real succession seems to be emerging. In this connection, it seems significant that Kosygin has been replaced by his deputy, Tikhonov, who had in fact been performing his duties for many months. Kirilenko also continues to play an important part in domestic affairs and still seems likely to succeed Mr. Brezhnev should he resign in the near future. It is also clear from high-level contacts that Gromyko is exercising stronger control over Soviet foreign policy-making.

14. A noteworthy feature, however, is the continuing rise of Gorbachev, responsible for the difficult question of Soviet agriculture, who was appointed a full member of the Politburo at the October Plenum. Also, following the recent death of Macherov, Kisseliev has succeeded him as Belorussian First Secretary and candidate member of the Politburo. Despite his "youth" in Politburo terms (he is under 50), Gorbachev's appointment does not come as a surprise. Moreover, it was tempered by the appointment of Kisseliev, who has been a behind-the-scenes figure for many years.

15. These changes once again demonstrate that despite the replacement of successive members, the seeming leadership is not becoming progressively younger. However, it is backed by a team of advisers who ensure the true continuity of power.

Dissidence

16. The campaign to repress organized dissent has continued after the Moscow Summer Olympics. Moreover, notwithstanding the CSCE Review Conference at Madrid, the Soviet authorities have virtually eradicated the various human rights committees. This has been followed up with stern warnings to the Soviet public against contacts with foreigners which may be seen as part of an effort further to isolate and demoralize the dissident movement.

17. In addition to harassment and prison sentences, Soviet authorities have again turned to expulsion as they did in the case of Solzhenitsyn in 1974. There have also been cases where religious dissidents repudiated their previous activities. This broader range of means employed against dissidents indicates a more systematic campaign aimed at preventing any future resurgence of dissidence.

Emigration

18. The steady decline in the monthly rate of Jewish emigration, reflecting the deterioration in United States-USSR relations, continues. The total numbers of visas issued for

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the period January through August is less than half than that for the comparable period in 1979 which was a record year of more than 50,000. The same is basically true for German emigration, which in any case proceeds on a much lower scale and will probably attain the total of only 6,000 this year.

Religious and nationality issues

19. Although some local Soviet authorities have indicated concern, the Islamic revival spillover from Iran and the Moslem resistance in Afghanistan have so far been kept to a minimum.

20. Occasional outbursts of nationalist unrest in the Baltic Republics continue. The demonstrations which reportedly took place recently in Tallinn - although on a small scale, nevertheless important because of the involvement of youth - would seem to reflect a continued opposition to the russification process.

(b) Economic Situation

21. In the first nine months of 1980 Soviet industry recovered somewhat from the setbacks of 1979, but the situation in agriculture deteriorated further. Total growth in National Income will be 2-3% this year, somewhat better than last year.

22. A 3.9% growth in industrial production is reported for the first nine months, but output in a number of key industrial branches (steel, building materials, transport equipment) tend to stagnate or increase only slowly. There was a net drop in coal production. Natural gas output continues its rapid growth. Oil output is almost up to plan, but official plan figures for 1981 foresee only a modest increase over the expected 1980 output of 606 million tons.

23. Information now available suggests that the grain harvest could be around 180 million tons in 1980, repeating last year's low output. Meat production already 5% down on 1979, is bound to decrease further in 1981. The US grain embargo will have increased effect, although the Soviet Union may succeed in importing around 15 million tons from other grain exporters.

24. Total foreign trade increased by 22% in the first half of 1980, reflecting mainly price increases on the world market and in intra-CMEA trade. With oil prices remaining at the present level, and imports of grain and Western machinery decreasing slightly, the Soviet Union may for some years expect a surplus in hard currency trade. Negotiations on constructing a new gas pipeline to Western Europe have gained momentum. If realized already in the mid-eighties, the project will partly compensate for the expected decline in Soviet oil exports, improving also long-term prospects for hard currency earnings.

25. The full details of the 1981-1985 plan are not likely to be known until the Party Congress in February 1981. The Soviets are still working on long-term programmes for agriculture, energy, transport and development of Siberia, but they will have to decide which programme to give priority to. Brezhnev's speech at the 21st October Central Committee Plenum and the general sensitivity to events in Poland point in the direction of a higher priority for agriculture and consumer goods production - at least in the short run. However, if the party leaders want to maintain a modest but politically important increase in living standards and the present 4-5% annual increase in real terms in defence spending, they will have to decide on a reduction in costly investment projects - e.g., Siberian investments. In any event, an expected annual growth of 3% or less over the next five-year period sets narrow limits for improvements even in high priority areas.

PART III: SOVIET FOREIGN POLICY

(a) General trends

26. The period under review was characterized by a relative lack of new Soviet initiatives or major shifts of policy. Apart from the decision to drop their pre-conditions for the start of talks with the United States on theatre nuclear forces, it appears that no new policies have been seen as either necessary or likely to be effective. Thus, there has been no movement over Afghanistan; a carefully neutral posture in regard to the conflict between Iraq and Iran; and no willingness to make significant concessions to secure agreement to a conference on military détente and disarmament in Europe.

27. Underlying this generally negative attitude is a Soviet feeling that they are in a period of increased competition with the United States, and a sense that the encirclement which they traditionally fear may be drawing closer, in particular as Sino-Western relations develop. In addition, the Soviet unwillingness to back down in the face of international pressure has induced them to present a more aggressive and inflexible face in East-West relations.

28. It seems clear from their general attitude, and from the actions and statements of their Warsaw Pact allies, that the Soviet leaders expect few benefits from détente, including arms control, in the immediate future. They no doubt realize that an armed intervention in Poland would bring a further serious deterioration in East-West relations and damage to the international standing of the Soviet Union. Their uncompromising posture may therefore be partly intended to demonstrate to the West that these considerations will not stand in the way of decisive action in Poland should this be considered necessary.

(b) Relations with the United States

29. Relations between the USSR and the United States, which had been worsening since 1975 (Angola), reached their lowest ebb in 1980 after the Soviet invasion of Afghanistan.

30. In face of the sanctions imposed by the United States following this invasion, Moscow's reaction was both unyielding and practical:

- unyielding
 - Soviet propaganda counter-offensive alleging that the United States was responsible for the crisis in international relations (cf. in particular Gromyko's recent speech to the United Nations General Assembly);
 - refusal to make any concession on Afghanistan.
- practical
 - absence of any Soviet bilateral reprisals of a similar nature against the United States;
 - continuance of relatively infrequent diplomatic contacts with Washington.

31. Thus, while consistently denouncing the United States' attitude towards it and declining to make any concessions on Afghanistan, the USSR has availed itself of any existing opportunities to maintain and, if possible, give new impetus to the dialogue with the United States.

32. This is especially the case with theatre nuclear forces (visit by Mr. Schmidt on 30th June 1980 and meeting between Mr. Muskie and Mr. Gromyko on 25th September), on which talks began in Geneva in October. However, Moscow will probably wish to await at least the outcome of the United States elections and the decision on SALT II before showing a genuine desire to get results.

(c) Relations with European countries

33. The Soviet Union has continued its efforts to maintain the positions gained in Western Europe through the policy of détente. The Soviet Union probably believes that it has achieved some success in its efforts to contain the negative consequences of the deterioration of the international climate for its relations with Western Europe. Thus the USSR has made great efforts to ensure the continuation of activities in traditional fields of co-operations such as trade.

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34. The attitude of the Soviet Union towards Western countries has in many cases been contradictory or ambivalent, with on the one hand clear signals that the USSR wants to continue and develop relations in a number of fields and on the other hand, strong criticism of actions taken or attitudes adopted by these countries (e.g. boycott of the Olympic Games) which have been presented as being the result of pressures exercised by the United States.

35. Channels of communication were kept open at the highest level, thus enabling the European countries to present the Western case directly to the Soviet leadership. Although the USSR has certainly tried to present the meeting between President Giscard d'Estaing and Mr. Brezhnev, and the visit to Moscow by Federal Chancellor Schmidt, as proof that there are differences between the Western European countries and the United States as regards détente, they have not followed this up by concerted efforts to drive wedges into the Alliance.

36. At the CSCE preparatory meeting in Madrid, the main concern of the USSR seems to be to minimize the risks of a new Belgrade type of meeting. To obtain this, they have adopted a very restrictive attitude in the procedural discussion. It is probable that they will continue their efforts to promote their proposals in the disarmament field at the expense of other elements in the CSCE process, thereby trying to reduce the importance of elements that were more or less forced upon them by the Western countries, and revert to their original concept of what became the CSCE process.

37. The situation in and around Berlin has continued to remain calm and there is no evidence that the Berlin problem at the present stage has been brought into the ramifications of the Afghanistan crisis.

(d) Soviet policy and the Third World

Asia

38. There is no evidence of Soviet flexibility over the question of Afghanistan. Soviet policy appears directed at maintaining essential control within the country at minimal cost in terms of losses through consolidation of the Karmal régime. As illustrated by the recent visit of Mr. Karmal to the USSR, the Soviets continue to press for international acceptance of his government. The USSR has reaffirmed that the internal changes in Afghanistan are irreversible and that only the Afghan proposals of 14th May offer an acceptable basis for a political settlement of the situation.

39. The USSR seems determined not to withdraw from Afghanistan under pressure and the losses they have suffered on the ground have not yet had any evident impact on their resolve.

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If the Soviet leadership eventually judges a military withdrawal expedient, they may well seek to have this included as part of a package of regional security measures. At the moment, however, the USSR appears content to stand pat on Afghanistan while waiting the waning of international opposition to their actions there. Their efforts will be particularly directed at achieving acceptance of the Karmal régime by Pakistan and then more broadly by the Islamic and non-aligned states.

40. Elsewhere in Asia, there appears no prospect of any early improvement in Sino-Soviet reactions. The USSR has suggested better relations with Japan but placed the onus for concessions on the latter. The USSR is concerned at what it considers to be prospect of a USA/China/Japan coalition directed against its interests and at the isolation of Vietnam and the client régimes in Laos and Kampuchea. Although differences may exist between the USSR and Vietnam on policy in South-East Asia, the USSR remains wedded to the legitimization of the Heng Samrin régime, in spite of the setback it suffered on Kampuchea's credentials in the UN. The USSR would favour a political settlement which would achieve this objective and permit improved relations with the ASEAN states, reduce Soviet costs in supporting Vietnamese policy, and assist in isolating China.

41. Close relations with India form the most successful features of current Soviet policy in Asia. India's recognition of Heng Samrin and public restraint with regard to Soviet actions in Afghanistan have been valued by the USSR.

Middle East

42. The USSR has been intent on maintaining its links with the rejectionist front in order to obtain a rôle in a future settlement process in the area, to which they consider themselves legitimately entitled. They will continue to pursue this objective. Their attempts to broaden their influence in the area have been complicated by the Iraq/Iran conflict.

43. Because of their links with Iraq and their desire to cultivate Iran, the USSR has sought to display blanced neutrality in the conflict and has called for a negotiated settlement. Apart from their own interest in the area, the USSR is concerned that the conflict could result in reinforced US influence in the region. Preventing this and avoiding any escalation of the conflict are leading Soviet goals. The USSR can be expected to encourage mediation efforts but would only attempt such a rôle itself if success was virtually assured.

44. An early end to the conflict would reduce the opportunities for the USSR to benefit from the post-conflict arms requirement of the two sides and would obviate the

possibility of any internal breakdown in Iran which might benefit the USSR. A resolution of the American hostages situation and an improvement of US/Iran relations would undercut Soviet efforts to exploit Iranian grievances against the US.

45. Unless there are secret protocols, the recent Soviet-Syrian friendship treaty does little more than codify the present state of relations.

Africa

46. In Africa, the USSR has been disappointed by the successful conclusion of United States access agreements with Kenya and Somalia. Efforts to develop relations with Zimbabwe under Mugabe have floundered. The Soviets will, however, aim to consolidate their links with states like Ethiopia, Angola and Mozambique and to cultivate other states whose policies favour Soviet objectives, e.g. Madagascar's proposals for Indian Ocean demilitarization and Mauritius' claim to Diego Garcia. Arms shipment to areas of tension will continue to be a leading Soviet tool in its relations with African states, as exemplified by their recent deal with Zambia. Continuing Soviet support for SWAPO is to be expected.

PART IV: RELATIONS BETWEEN COMMUNIST COUNTRIES AND PARTIES

(a) Warsaw Pact

47. A Summit Meeting commemorating the 25th Anniversary of the Pact was held in Warsaw on 14th and 15th May. To secure unanimity, Moscow had to make concessions over the wording of the references to Afghanistan in the final declaration, most of which was given over to recalling the Soviet initiatives on disarmament.

48. A major military exercise, "COMRADES IN ARMS 1980", was held in the GDR from 8th to 12th September, with participants from all the Pact countries. (Romanian participation being confined, as usual, to Staff elements). The Western countries were not invited to send observers.

49. The Warsaw Pact Committee of Foreign Ministers met in Warsaw on 19th and 20th October in connection with preparations for the Madrid Conference. A noteworthy feature of the Communiqué is the pressing recommendation that consideration be given to the proposal for a CMBDE, although this is coupled with a warning to the West to refrain from any "actions capable of leading to a situation of political confrontation".

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(b) Inter-Party conferences

50. The CPSU-inspired meeting of European Communist Parties, convened in Paris on 28th and 29th April 1980 by the French Communist Party and the Polish United Workers' Party, proved a failure, having been boycotted on the one hand by Romania and Yugoslavia and, on the other, by Italy and Spain. It concluded with the adoption of an innocuous "Appeal to the peoples of Europe" urging support for the Soviet-proposed conference on military détente and disarmament in Europe.

51. From 20th to 24th October, an ideological conference was held in East Berlin, attended by 116 delegations from Communist Parties and national liberation movements, the theme being "the struggle against imperialism and for social progress". The conference took place under the auspices of the journal "Problems of Peace and Socialism", whose head office is in Prague, and was part of the follow-up to the Sofia meeting of December 1978, which was attended by 73 Parties.

(c) CMEA

52. The 34th Session of the Council for Mutual Economic Assistance was held in Prague from 17th to 19th June against a background of increased economic difficulties for member countries (energy, inflationary pressures, reduced growth). Although three agreements were signed (microinformatics, oil-refining and scientific and technological aid for Cuba), the USSR was unable for the time being to secure a change in the rule whereby the delivery prices of its products are fixed each year in relation to the average world market prices during the preceding five years. It was probably also agreed to intensify efforts to bring to a final conclusion the negotiations on the agreement with the EEC, although this is not mentioned in the final Communiqué. There is still very strong opposition in the CMEA on the major issues of prices policy and internal relations problems of the terms of trade and the use of convertible roubles as well as on integration (co-ordination of planning for the period 1981-1985 and direct relations between enterprises, as urged by the Hungarians). The USSR committed itself through Mr. Kosygin to keep its oil deliveries in 1981-85 at the "high" level reached in 1980 - i.e. to hold them at a ceiling of 400 million tons, whereas its partners' requirements will continue to grow. This restriction in a period of world-wide shortage may reduce the Warsaw Pact countries' room for manoeuvre vis-à-vis Moscow.

53. At this session, Afghanistan was accorded observer status.

PART V: SITUATION IN WARSAW PACT COUNTRIES

54. During the past several months the attention of observers both West and East has been focused on events in Poland and their actual or potential consequences for the region.

(a) The Polish crisis

55. During the period under review Poland has experienced what its new leader Kania has described as the country's worst crisis since the inception of Communist rule. In July strikes broke out in several regions of the country, their immediate cause being the price increases imposed on meat products. The authorities repeated their mistake of 1970 and 1976 in not preparing the populace for the price rises, with a similar result - strikes.

56. From mid-August the strikes acquired a political character after spreading to Baltic seaports. An inter-factory strike committee representing workers of a number of enterprises in the Baltic coast area formulated a list of demands which included, along with economic demands, insistence on the right to establish independent unions, the right to strike, a liberalization of censorship, and release of dissidents. On 31st August, negotiations with the striking workers ended with acceptance by the Polish government and PUWP of the workers' twenty-one demands.

57. The independence of the new unions was granted on the proviso that the leading rôle of the PUWP be recognized. The authorities committed themselves to increasing food supplies and wages and improving housing. The Church was allowed time on the air for Sunday Mass, new laws on censorship and on labour were promised, and dissidents who had been detained were released without trial.

58. This massive expression of lack of confidence in the policies pursued by the Polish leadership was bound to have a profound effect within the PUWP and the Polish government. On 6th September, Gierek was replaced as party leader by Stanislaw Kania. A number of changes took place within the Central Committee allowing more influence to persons who were on record for urging reform of the Polish economy. Within the government Prime Minister Babiuch - closely connected with Gierek - was replaced by Pinkowski, while Olszowski returned to power to take up the key position in economic management.

(b) Poland at present

59. The battle within the PUWP between conservatives and reformists seems to be undecided. Almost all of Gierek's top men have been removed from their positions and more changes in the Party and government leadership can be expected in the near

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future. Although the October Party Plenum produced some changes, it did not bring an explicit decision to hold the extraordinary Party congress which, once rumoured for December, seems now put off until February if not later.

60. The ongoing in-fighting and uncertainty prevailing among the Party cadres have so far impeded Kania's régime from gaining the initiative in shaping Poland's future.

61. This is all the more important as events in Poland continue to move at a very quick pace. In addition to the workers, farmers and students are forming independent associations to represent their interests, and even the Peasant Party and the Democratic Party have indicated that they are no longer willing to play the rôle of docile PUPW satellites.

62. After the official registration of some of the smaller trade unions, the registration of the statutes of the "Solidarity" organization, led by Mr. Lech Walesa, was to be the real test of the Polish leaders' attitude with respect to the new trade unions. The dispute stems from the authorities' insistence on having the Party's leading rôle recognized in "Solidarity's" statutes and from the refusal of the latter's leaders to accept such a clause.

63. The registration of "Solidarity" on 24th October, subject to arbitrary changes to its statutes by the Warsaw District Court and, in particular, the inclusion of the controversial clause on the Party's rôle, served only to heighten the confusion and makes the outcome to the Polish crisis even more uncertain. The leaders of "Solidarity" energetically protested against this fait accompli and are to meet in Gdansk to decide what action should be taken.

64. The meaning of the withdrawal of several unions from the "official" Federation of Trade Unions (which, as its president recently observed, will shortly lead to its dissolution) is not clear, although many, e.g., Walesa, tend to consider this withdrawal as an attempt by the régime to undermine the new independent unions. Walesa, suddenly a national figure, seems to enjoy at best primus inter pares status in his union (he proved incapable of stopping the brief strike on 3rd October), increasing the unpredictability of the situation.

65. The régime has fulfilled one of its promises by giving the Church access to the radio. Some other Church desiderata (e.g., religious education in the schools) remain unsatisfied, but the Communiqué issued by the mid-October episcopal conference indicated clearly the Church's concern over the need to avoid turmoil which might increase the chances of direct Soviet intervention. The brief statement issued after the 21st October

meeting between Kania and Cardinal Wyszynski stressed their agreement on the need for "constructive co-operation between the Church and the state". But it remained unclear whether, in the new air of freedom, the Church would necessarily have the workers' full allegiance.

66. As far as economic concessions are concerned, the authorities continue to stress that the agreements with the strikers will be fully carried out. Nevertheless, it seems highly unlikely that they will be able to honour these commitments, as the already gloomy situation has been worsened by economic losses due to the strikes and by the immediate consequences of the concessions made to the workers. Although some measures to improve the economy have been taken, and although the government insists that it is bent on thorough economic reforms, no drastic reforms of the economic system have been announced so far.

67. From approaches made thus far to Allied and other Western governments, it seems clear that the Polish authorities are hoping to obtain sizeable new credits and/or easement of repayment terms to help tide them over what promises to be a tense and difficult winter. So far, there is no indication as to whether Western responses will provide sizeable relief to the Poles; nor are there any indications of massive aid forthcoming from the USSR or other CEMA countries - although reports suggest that the Soviets have pressed some Eastern European countries to give assistance to Poland.

(c) Repercussions of the Polish crisis

68. The situation in Eastern Europe has, as noted, been dominated by events in Poland. In general, there has been little inclination among workers of other countries to follow the Polish example, and some lack of sympathy for the Poles. Recent statements by GDR, Czechoslovak, Hungarian and Romanian leaders about events in Poland have reflected their apparent deep concern. Although little has been said directly by the Soviet leadership, critical press articles and jamming of Western broadcasts to the USSR have made clear to the world the Soviet concern which has otherwise, perhaps, been manifest in recent Soviet military activity in areas adjacent to Poland. In the case of Honecker and Bilak, the statements have had a particularly threatening tone. Recent statements by Ceausescu, critical of Polish developments, and his insistence that the Romanian people are well cared for economically, presumably reflect a similar concern that the Polish "infection" might spread also to Romania, which seems to be experiencing significant (although not entirely new) economic troubles. Although the Bulgarian leader, Mr. Zhivkov, has made no public statement of this kind, the Bulgarian press has reported events without, however, mentioning the Polish workers' political demands.

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69. Despite recurring reports of labour unrest or strikes in several Eastern European countries - phenomena not new to these countries, although generally not reported in the West - there does not seem to have been, as of late October, any sizeable immediate effect of Polish events on the Eastern European populations. But it would appear likely that the continuation of Poland's liberalizing trends will exert at least some effect on other neighbouring countries, including the USSR, although the unique factors present in Poland (a strong Church, certain long-term trends toward liberalization and pluralistic features) suggest that trends in Poland may not be duplicated in quite the same form elsewhere.

70. The concern over Poland reflected in recent Hungarian statements would appear to stem primarily not from a fear of liberalization but from concern that the explosive pace of events in Poland may have unpredictable consequences both in Poland and elsewhere; the Hungarians' cautious approach would appear motivated by their desire to protect the gains realized in their own reform programme which has proceeded over the past dozen years. At the same time, the apparent interest in Hungarian trade unions in emulating Polish union reformers may well cause concern among Hungarian leaders anxious to ensure continued central control.

71. The decision by the GDR to raise the minimum amount of currency which visitors have to exchange upon entering the country, which is now almost prohibitive in character, is a major setback to relations between the two German states and hence to détente in Europe. It is apparent from recent statements by the GDR leadership that a policy of strict Abgrenzung has been substituted for the cautious development of relations. This new GDR line has to be seen against the background of developments in Poland. The situation in and around Berlin has so far not been directly affected by deterioration of the situation elsewhere.

(d) Prospects

72. If the situation in Poland develops to the point where the Soviet Union feels it necessary to contemplate a military intervention - and there is no doubt that the Soviets will be willing to contemplate such - the Soviet leadership will presumably take into consideration a balance of advantages and disadvantages.

73. The Soviets must reckon on resistance, organized or disorganized, from the Polish armed forces and from the civil population throughout the country. Such resistance could last for some time, and would necessitate the continued presence of Soviet troops in strength. The Soviet Union, and the other Warsaw Pact countries, would have to bear the cost not only of the intervention itself but of massive economic assistance

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possibly including the servicing of Poland's external debt. The international repercussions would be serious. Soviet policy objectives in the framework of détente would be jeopardized. There would be no further prospect for a conference on military détente and disarmament in Europe. Soviet commercial and other ties with the West would be put in question to an unforeseeable extent.

74. Such considerations would make the Soviets hesitate but they would not necessarily be decisive. The Soviets could view any cost of intervention as preferable to the possible implications of a complete loss of control by the Polish Party. Poland is of the utmost strategic importance to the USSR. Failure by the Soviets to take resolute action in Poland in circumstances similar to those which led to earlier Soviet intervention elsewhere, might encourage other East European countries to weaken their own ties with the USSR. Furthermore, other client states might lose confidence in Soviet patronage. A most important criterion for the Soviets in judging whether the Polish Party had lost control would probably be the question of censorship and press freedom. A significant reduction in state censorship would open the way for opposition groups (not only the new trade unions but intellectuals, the Church, the minor parties, etc.) to express political views contrasting openly with those of the régime. This could be an uncontrollable process and therefore an intolerable one, in some contrast to toleration to date of the new trade unions. While the new unions no doubt represent a serious danger in the eyes of the Soviets, they may reckon that the unions can be neutralized and their effectiveness reduced to the point where they are no real challenge to Party monopoly of power. A further critical point for the Soviets would be the prospect (for now, still vague) of a Polish Party Congress leading to real democratization in the Party itself.

75. In any eventual invasion of Poland the USSR would presumably prefer to involve other Warsaw Pact forces if only on a token basis. This would not necessarily complicate the organization of the invasion force or lengthen the warning time available to the West - which could be quite brief.

PART VI: YUGOSLAVIA AND ALBANIA

(a) Yugoslavia

76. Following the death of President Tito on 4th May 1980, the internal political situation has maintained a high degree of stability and calm, with a smooth transition of power of the collective leadership, carefully prepared over several years and tested during Tito's long illness. Such a transition has been the first concrete indication of future normal functioning of the Yugoslav institutions.

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77. Economic difficulties continued to play an important rôle in the evolution of the internal situation. The differences in the level of economic development between various regions of Yugoslavia, which in the present unfavourable economic conditions cannot easily be mitigated, together with the potential weakness of a collective leadership in the Yugoslav context, create certain doubts about the future. At the same time, the tendency to give more power to the central authorities on the one hand, and the desire to expand democratic mechanisms within the workers' organizations on the other, represent two contradictory trends which the leadership must reconcile.

78. Despite the difficulties that the non-aligned movement is facing, Yugoslavia's present leadership has continued to reaffirm their attachment to the principles of the movement, following Tito's line of maintaining equal distance from the superpowers. However, the departure of Tito from the world scene at a critical time for the movement seems to have somewhat diminished the importance of Yugoslavia's rôle in this field. On the other hand, Yugoslavia has continued its efforts to improve its relations with neighbouring countries, in order to maintain stability and to promote co-operation in the area. Correct relations prevail between the USSR and Yugoslavia, following a period of uncertainty and tension which was noted before the death of Tito. An improved atmosphere was also noted as far as relations with Bulgaria were concerned.

(b) Albania

79. The government reshuffle which took place about the end of April does not seem to be of any particular significance. The domestic scene continues to be dominated by the Hoxha and Shehu tandem and there are no prospects of any change in the situation, in the foreseeable future.

80. The new five-year (1981-85) development programme is now being elaborated. It will be the first programme to rely completely on internal resources, without any foreign aid or credit.

81. Albania's hostility to the superpowers - now including China - continues to be the main feature of its foreign policy. During the last six months Albania has made cautious moves to improve its relations with some European and Third World countries, in the trade and cultural fields, and has continued to maintain good relations with Italy, Greece and Turkey. As far as its relations with Yugoslavia are concerned, there was a substantial improvement in economic and cultural fields, although ideological differences and minority issues continue to exist. There was no progress on the subject of establishing diplomatic relations with FRG and Great Britain. The official visit to France at the end of October by Mr. Nushi, the Albanian Vice-Foreign Minister, is in keeping with the longstanding interest in things French on the part of the Albanian leadership as well as the traditionally good relations between the two countries.