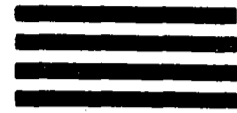


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THE SITUATION IN THE SOVIET UNION AND EASTERN EUROPE

Note by the Secretary General

Attached is a report forwarded to me by the Acting Chairman of the Expert Working Group on "The Situation in the Soviet Union and Eastern Europe" which met at NATO Headquarters from 17th to 19th March 1982.

2. I would remind you that such reports engage only the responsibility of those experts who participated in the Working Group.

3. This report will be placed on the Agenda of the Council meeting on 21st April.

(Signed) Joseph M.A.H. LUNS

This document includes: 1 Annex

NATO,
1110 Brussels.

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THE SITUATION IN THE SOVIET UNION AND EASTERN EUROPE

Note by the Acting Chairman of the Expert Working Group

1. Experts from Belgium, Canada, Denmark, France, Germany, Greece, Italy, the Netherlands, Norway, Portugal, Turkey, the United Kingdom and the United States met at NATO Headquarters from 17th to 19th March 1982 to prepare the attached report.
2. This report covers the period from 23rd October 1981 to 19th March 1982.

(Signed) V. VURAL

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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. The period under review was dominated by the imposition of martial law in Poland which brought a halt to efforts for political liberalization. The suspension of Solidarity and all other trade union activity, the internment of thousands of people, tight restrictions on travel, communications and media re-established the authorities' control, but provide no solution to Poland's enormous social, political and economic problems. No real improvements have been made in the economy since the imposition of martial law, despite official assertions to the contrary and Poland's external payments position remains highly precarious. There seems little chance of the Party's leading rôle being restored in the near future and there are rumours that passive resistance to the régime might turn into more active resistance in the coming months.

2. There has been some limited relaxation in the martial law restrictions. Some detainees have been released and there have been some discussions between the régime and the Church, as well as contacts between the representatives of the régime and Lech Walesa. But there appears no early prospect for a complete lifting of martial law, the release of detainees, and the resumption of a meaningful dialogue - the three conditions laid down in the Alliance's Declaration of 11th January.

3. The Soviet Union's involvement in the imposition of martial law was reflected in the strong pressure applied throughout the crisis as well as by its welcome of this move as an essential measure to halt what they saw as anarchy and to arrest Poland's drift towards an increasingly unacceptable political pluralism. Although it cannot be happy, on strictly ideological grounds, with the Polish Party's temporary eclipse, the Soviet Union has now tied its hopes for "normalization" in Poland to the Military Council headed by Jaruzelski. At the same time, it will encourage the revival of Party activities as soon as possible. The Soviets still seem to be concerned about the political rôle the Church continues to play, uncertainties in the régime's trade union policies and the development of the internal security situation in Poland. Other Warsaw Pact countries also viewed the imposition of martial law as a necessary measure, although their perceptions on Poland's future differ somewhat. At present direct Soviet/Warsaw Pact intervention remains unlikely.

4. The frail health of Brezhnev and the recent death of Suslov have given greater salience to the question of succession in the Soviet Union. The present leadership retains its authority and its capacity to act. Moreover, recent reports suggesting that a leadership struggle has begun appear to be somewhat exaggerated,

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although there are certain indications which might be attributed to leadership-related manoeuvring. At present two candidates, Chernenko and Kirilenko, appear to have better chances than others in the hierarchy of succeeding Brezhnev. Of the two, Chernenko has recently advanced his position at the expense of Kirilenko, but he owes his rise to his close links with Brezhnev, whereas Kirilenko has more standing of his own. The succession question still remains open and other candidates cannot be excluded from the race.

5. Brezhnev's immediate successors will most likely maintain a collective leadership and would avoid the emergence of a single predominant leader. They would most probably try to consolidate their domestic standing without, however, being able to launch dramatic economic reforms or changing traditional priorities substantially. A programme of this type would buy time for a future generation of Kremlin leaders without significantly changing the present structures. This attitude would probably also be evident in Soviet foreign policy with an emphasis on continuity of the current policy directions. It will however be important for the successor leadership to recognise that the Alliance is prepared for an improved and more co-operative East-West relationship, if Soviet behaviour makes this feasible.

6. The events in Poland, however, have further strained East-West relations and seriously undermined co-operation and dialogue as exemplified, inter alia, by the adjournment of the CSCE Madrid meeting until November. The Soviet Union continues to insist that arms control must be the centre-piece of East-West relations and must be isolated from all other problems particularly Afghanistan and Poland. In emphasising this approach, Moscow attempts to project a peace loving image as well as to drive wedges within the Alliance. However, the Soviet Union may come to realise that it cannot continue to isolate international issues and may eventually accept some linkage between arms control and disarmament issues and necessary restraint elsewhere in the world.

7. On the whole, the economic performance of the Soviet Union and other Warsaw Pact countries showed little or no improvement in 1981. Eastern European concern over energy supplies has increased because of uncertain coal deliveries from Poland and reduced Soviet oil shipments in the region. Aware of Western reluctance to continue to lend to Eastern Europe and of the pitfalls of hard currency indebtedness, most East European régimes have taken steps to reduce their reliance on Western imports and credits. Following Poland, Romania has also entered into debt rescheduling negotiations with Western countries, due to its short-term liquidity crisis. The Soviet economy also showed a poor performance in 1981 casting serious doubts on the attainability of the new Five Year Plan (1981-1985) targets. Shortfalls in industrial production were accompanied by an unprecedented third consecutive harvest failure. The hard currency trade deficit incurred in 1981 reflected increasing agricultural imports and reduced oil earnings.

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8. Yugoslavia currently faces a severe economic crisis and the continuing nationalities problem as demonstrated by recent events in Kosovo. In Albania no major policy change is to be expected in the wake of Prime Minister Shehu's death on 18th December under unusual circumstances. Despite a serious setback as a result of events in Kosovo both Yugoslavia and Albania try to avoid a rupture in their bilateral relations.

9. Two years after its military intervention in Afghanistan the Soviet Union is no nearer to its objective of consolidating the régime installed in Kabul. It remains committed to securing international recognition of the legitimacy of the Babrak Karmal régime on the basis of 24th August Afghan proposals and continues to refuse Western initiatives and proposals for a political solution.

10. Moscow's efforts to revive the Sino-Soviet dialogue appear to be dictated by tactical considerations. The two countries see certain advantages in keeping their options open without contemplating any substantive concessions. Elsewhere in Asia the Soviet Union continues to attach importance in maintaining its co-operation with India and appears to be somewhat concerned by New Delhi's possible rapprochement with Pakistan and China as well as increased ties with Western Europe.

11. In the wake of Sadat's assassination Moscow has intensified its efforts to win Arab support for its initiative for an International Conference on the Middle East and after initial misgivings adopted a wait-and-see attitude towards the Fahd Plan. The Iraq-Iran war continues to complicate Moscow's policy towards Baghdad and Tehran and the resulting damages incurred in relations with Iraq have not been completely off-set by improved ties with Iran.

12. On the whole, during the period under review, the Soviet Union made no significant progress in enhancing and expanding its influence world-wide.

PART II: THE SITUATION IN POLAND(a) Political Evolution

13. The deteriorating economic and political situation within the country and persistent Soviet pressures prompted the declaration of martial law during the night of 12th-13th December and brought the 18 month struggle for political liberalization to a dramatic halt. An entirely new body called the Military Council of National Salvation (WRON) was set up. It was presented as a guarantee but not a replacement for the activities of legally constituted bodies.

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14. WRON is chaired by Jaruzelski who retains the Premiership and is First Secretary of the Party. It is composed of some 20 high-ranking military officers. It appears less a policy-making than a consultative body with a power of veto over government policy decisions. It is believed that the running of the country is in the hands of an 8-man directorate (four generals and four civilians), an informal group distinct from WRON. Decisions so far suggest they are working through regular government channels. The National Defence Committee, chaired by Jaruzelski, which pre-dates martial law also has a vital rôle. This body can appoint military commissars to industry and the regions.

15. The most important restrictions introduced under martial law were the suspension of all trade union activity and the internment of possibly 7,000 people, of whom some 3,000 are said to have been released. Both Walesa and Kulaj (the head of Rural Solidarity), however, were not sent to internment camps, but placed under house arrest. Since that time, Trade Union Minister Ciosek and Deputy Prime Minister Rakowski have tried to engage Walesa in a dialogue but so far he has refused to co-operate without the assistance of all his senior advisors. There are however some recent indications that he may modify his position. Other martial law restrictions, particularly those relating to travel, communications and the media also had a disruptive effect on social and economic life. Although the régime has lifted some of the more onerous measures, it is unlikely that they feel confident enough to hasten this process, and indeed, they have shown the will and ability to reimpose restrictions should a threat to their authority occur.

(b) Resistance, Emigration and the Future of Solidarity

16. Although the WRON appears to have succeeded in keeping the active resistance under control, the situation continues to be tense. So far, the intellectuals have refused to co-operate with the régime. Unco-ordinated demonstrations of opposition have been seen in several major cities and the events of 30th January 1982 in Gdansk have drawn attention to the fact that passive resistance may turn into more active resistance in the coming months. There are indications that Solidarity is beginning to regroup underground and plans to resume its activities. Some leading activists, including Bujak, are still at large and "illegal" bulletins are circulating. There are rumours of a call for a general strike. Recently the Polish authorities offered passports to the detainees in order to remove them as potential threats to the system, but so far, the number of applicants has been very low. The proposals submitted to the Parliament on the future of trade unions preserve some of the concepts associated with Solidarity (independence, self-government) but criticise the alleged encroachment of trade unions in political matters. Assuming that these theses will become the basis for Parliamentary legislation, one must foresee the emergence of unions, whose activity will be narrowly limited to social and economic matters, but who will be unable to act as a political force in the way to which Solidarity had become accustomed.

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C-M(82)20(c) The Party

17. The Party is still in disarray and ineffective. There have been further resignations of Party members since martial law and in late December some senior Party officials were dismissed in a drive against "incompetence". Party membership has fallen by some 400,000 since July 1981 and altogether its membership is believed to have declined by some 1.5 million. The rebuilding of the Party and restoring its authority is the most vital prerequisite for a return to some semblance of civilian government. The Central Committee of the Party met for the first time since the imposition of martial law on 24th-25th February, prior to Jaruzelski's visit to Moscow. Apparently there was no moderate-conservative clash during the meetings and Jaruzelski seems to have dominated the Party Plenum proceedings. However, a modest step was taken to restoring unity and preparing the Party for an eventual resumption of power. A mandate was given to the Politburo to produce a schedule for the implementation of a programme aimed at consolidating Party authority. In the immediate period ahead, the Party will concentrate on rebuilding confidence through explaining the policies of the régime to the population.

(d) The Church

18. The Church has condemned the imposition of martial law and the infringement of human rights. It has, however, urged its followers against violence and confrontation. The 27th February communiqué of the Polish Episcopate renewed the Church's appeal for a swift end to martial law and for the release of detainees. The communiqué appeared to be more precise in formulating the Church's demands and sharpened the confrontation. The authorities, for their part, exercised certain restraint in their relations with the Church and have given priests access to the internment camps. Recently, however, there has been some deterioration in Church-State relations. Archbishop Glemp's recent statements indicate concern about strained Church-State relations and reiterate calls for a dialogue among the Church, the Government, the trade unions and youth to avoid possible violence. Despite limitations imposed by the situation, the Church continues to play its traditionally important rôle in Poland. The co-operation of the Church and its moderating influence is essential for national reconciliation.

(e) Economy

19. The Polish economy is suffering from a continuing process of deterioration, the extent of which can be measured by the 13% reduction in national income in 1981. While the labour scene appears to have stabilised in the sense that there are no strikes, normal production has still not been re-established in many of the larger industrial plants. Passive resistance of workers together with shortages of energy, raw materials and other inputs have reduced production. The economy is further hampered by restrictions

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on communications. The authorities claim that coal extraction has improved. It is likely that in the "militarized" sector production might have increased to at least pre-martial law levels. But better results in a few key economic sectors have been achieved at the expense of the rest of the economy. Shortages of raw materials and other industrial and agricultural inputs are now clearly the main economic restraint. This would have occurred anyway in 1982, even if martial law had not been imposed.

20. The external payments position is undoubtedly Poland's main economic problem. Its financial requirements this year will total 9.4 billion dollars whereas convertible currency receipts seem unlikely to come to more than 7.6 billion dollars. The Polish government prepared a financing plan in November 1981 which provided for the re-scheduling of debt payments falling due in 1982 (to a value of 5.6 billion dollars) as well as for recourse to further borrowing (to the tune of 3.8 billion dollars). The inability to obtain further credits from Western governments and banks will further delay economic recovery and increase Polish economic reliance on the Soviet Union and other CMEA partners.

(f) Soviet Attitude

21. The Soviet Union had applied strong pressure throughout the crisis and there was some evidence of its involvement in the security/military aspects of the planning. It welcomed the imposition of martial law as an essential measure to halt what it considered as anarchy. The concept of a military régime, however, is highly unorthodox ideologically to the Soviet Union. Moscow has apparently few illusions of how discredited the Party has become and seems to view the restoration of the Party's primacy as a long-term, difficult task. For the moment, the Soviet leadership has tied its hopes for "normalization" in Poland to the Military Council headed by Jaruzelski. The latter's recent visit to Moscow underscored the general endorsement by Soviet leaders - despite the existence of certain differences of view - of Jaruzelski's policy and demonstrated Moscow's current reliance on the WRON for restoring order and ensuring Soviet strategic interests.

(g) Attitudes of the Eastern European Countries and China

22. In endorsing the martial law crack-down in Poland, the Warsaw Pact states appeared relieved that the political challenge by Solidarity had finally been met head-on. Despite surface cohesion, the Warsaw Pact countries have differing concerns and perspectives relating to Poland's future. Hungary balances its support for Poland's martial law with the hope that "socialist renewal" might now be facilitated. Czechoslovakia and East Germany clearly prefer that martial law lead to the reimposition of orthodox communism, whereas Bulgaria, while favouring a more orthodox communism, could very well live with "socialist renewal".

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Romania stresses that the Poles must be left alone to solve their problems themselves, but emphasizes the need for national discipline under the Party leadership. Yugoslavia's main emphasis is on non-interference in Polish affairs while calling for the renewal of national dialogue. China has adopted an extremely cautious attitude to events in Poland. It stressed the need that the Poles must be left free to settle their own affairs without outside interference, but refrained from any condemnation of the régime in Warsaw and the part played by the Soviet Union. Many East European states, however, are uneasy over the Polish Party's eclipse by the military. The renewed pressure on the Warsaw Pact states to provide "fraternal" economic assistance to the Poles at a time of growing economic difficulties is bound to create additional disaffection towards Poland. Western reactions further compound their concern and all Pact states condemn the economic measures taken by the West in response to events in Poland.

(h) Prospects for the Future

23. The overriding aim of WRON is to maintain law and order. Any signs of active discontent will be dealt with quickly and firmly. The régime will probably try to establish a consensus on the middle ground, with or without Walesa, through new bodies such as Councils for National Conciliation and social committees in the factories. Should the balance of forces in the Polish leadership stay the same, reforms in the economic sector will be continued. Although Jaruzelski will not permit the return of a trade union movement which can effectively veto government policy, there are no indications that he wishes to return to the pre-1980 or even pre-1971 methods of running the country. However, there seems no easy way for Jaruzelski to regain support from workers without running the risk of recreating Solidarity. Much will depend on the reactions of the workers as the shock of martial law wears off and the economic hardships continue and perhaps worsen. Direct Soviet/Warsaw Pact intervention remains unlikely, so long as the Polish régime continues to demonstrate, as it has so far, that it can handle any emergency that may arise. The longer the present situation lasts without any emerging consensus, the more likely it is that the position of the hardliners in Poland will strengthen. The worst scenario would be one in which hardline Party measures failed to maintain order. In that event it seems inevitable that the USSR would intervene.

PART III: THE SITUATION IN OTHER WARSAW PACT COUNTRIES(a) Romania

24. A measure of discontent spread in Romania particularly in the aftermath of last October's food rationing measures. However, the disturbances which took place in Romania's mining region were brought under control by the security forces in late December. The leadership shake-up in September and November represented Ceausescu's efforts to find scapegoats for the current difficulties. There is no sign at present that the control of society by the Party and the security forces is being called into question.

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25. Romania is the second Warsaw Pact member country after Poland to be compelled to enter into debt rescheduling negotiations with Western creditors. The liquidity crisis which led to the debt rescheduling request is not only due to economic constraints in Romania, but also to the decisions of Western banks which reduced their Romanian engagement as a result of the Polish crisis. A balance of trade surplus was achieved in 1981 for the first time since 1976, albeit with great sacrifices. Economic problems have obliged Romania to seek a closer relationship with the Soviet Union and other CMEA countries, with little success so far.

(b) GDR

26. The internal situation in the GDR appears stable. An interesting development has been the growth of a peace movement, not sponsored by the régime, which enjoys the strong support of the Church.

27. In the economic field, the GDR achieved in 1981 a growth rate of 5% in national income in spite of the worsening overall economic conditions. This growth, however, was achieved to the detriment of consumption and investments and, for the GDR population, 1981 did not bring any further material benefits. The energy sector of the GDR economy presents special problems. In spite of some successes in the saving of energy, the GDR's energy outlook seems worse than before. The third meeting of the SED Central Committee on 19th and 20th November 1981, resulted in decisions for radical energy savings and improvements in the agricultural sector.

28. The Schmidt-Honecker meeting on 11th-13th December 1981, was the first formal inter-German Summit since 1970, and was seen as the most important event in the bilateral relations of the GDR during the past year. The meeting led to hopes that relations between citizens from both states would be improved.

(c) Czechoslovakia

29. The régime continues its policy of repression against human rights activists and the Catholic Church.

30. The CSSR economy stagnated in 1981 and national income increased only by 0.19%. The government introduced two major price increases within the context of an economic programme which adversely affected the standard of living of the population. The annual plan for 1982 already provides for zero growth for the national economy. The consequences of last year's crop failure will only become fully evident in the course of the year. Since Czechoslovakia is firmly resolved not to increase foreign indebtedness and as there is little likelihood of any meaningful economic reform, it is difficult to see how the economic stagnation could be overcome and economic growth be restored.

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31. Notwithstanding rumours which suggest a weakening of Mr. Zhivkov's position, the Bulgarian domestic scene continues to be stable. The economic difficulties experienced by the country, when compared with the problems of other Eastern European countries, appear to be less pressing. The scaled-down ambitions of the 1981-1985 Five-Year Plan indicate Bulgarian realism to slow down economic growth. The financial situation of the country has somewhat improved since 1981 and its foreign indebtedness has stabilized at approximately 3 billion dollars.

32. At the instigation of the Soviet Union, Bulgaria continued to pursue actively its initiative for the denuclearization of the Balkans.

(e) Hungary

33. The deterioration in the world economic situation and the increasing tensions between East and West have come at a time when Hungary has been continuing to take advantage of Moscow's evident tolerance to achieve greater liberalization of its economic system. Despite some minor dissident activities within Hungary, the Hungarian régime continues to be stable and undeterred in the pursuit of social and economic reform. At present the setback has not yet been felt to the full, and great diligence is still being put into improving the country's living conditions. But concern that progress might come to a halt soon - with growth already nearing zero level - is beginning to overshadow Hungary's so far satisfactory economic outlook.

PART IV: THE USSR AND BLOC COHESION(a) Repercussions of the Polish Crisis

34. There are no signs that the Polish crisis has had any adverse repercussions within the Soviet Union. The Soviet leadership has nevertheless taken some precautions against possible infection from Polish developments, including the continued jamming of Western radio broadcasts and promises that greater care would be devoted to consumer interests in the 1981-1985 Plan period. By encouraging the imposition of martial law in Poland, Moscow has prevented a debilitating break in the Warsaw Pact ranks and perhaps even benefitted from a certain semblance of Pact unity.

(b) CMEA

35. The current problems of Eastern European countries tend to strengthen their economic relations with the Soviet Union. This has been demonstrated by the recent Romanian attempt at rapprochement with Moscow in the economic field. The economic ability of the Soviet Union to keep its CMEA partners in Eastern

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Europe together through additional deliveries of energy and raw materials is limited. It is nevertheless of decisive importance. The dependence of Eastern European countries on the Soviet Union will likely grow to the extent that they should prove unable to obtain by their own exports to Western countries a sufficient amount of foreign exchange to cover at least most urgently required Western imports.

(c) Warsaw Pact meetings

36. Brezhnev's "genuine zero option" proposal for the INF negotiations formed the centre-piece of the December meeting of the Warsaw Pact Foreign Ministers Committee in Bucharest. The Pact's Military Council and Defence Ministers Committee met in Budapest and in Moscow and neither of the communiqués issued on these occasions mentioned developments in Poland.

PART V: THE SITUATION INSIDE THE SOVIET UNION

(a) The Leadership and the Outlook for the Post-Brezhnev Era

37. Brezhnev's periodic absences from public view and the death of Suslov on 25th January have rekindled speculation on the succession question. While recent reports from Moscow suggest that manoeuvring for succession may have already started, there is no evidence of a leadership struggle. There is neither an institutional framework nor tradition of any kind which enables the designation of a successor to the Party Secretary General while he is still in office. It is generally believed that, despite recent rumours in Moscow that Brezhnev might have been politically embarrassed, he will continue to lead the Party as long as he has the physical strength. The naming of Georgiy Tsinev, long time associate and trustee of Brezhnev, as the new First Deputy Chairman of the KGB, could suggest Brezhnev's continuing ability to hold the reins of power.

38. At present Chernenko and Kirilenko appear to be the most likely candidates in the Soviet hierarchy for assuming the Party leadership when Brezhnev dies or is severely incapacitated. Although Kirilenko has been less prominent and in fact failed to appear on a number of public occasions in recent months, he commands vast experience in Party organization, industrial management and Communist bloc economy. He seems firmly committed to industrial development and might draw the support of technocrats and military leaders in the succession process. Chernenko, on the other hand, has lately gained in stature as unusual publicity was given to his activities. Although he is relatively unfamiliar with economic operations, his greatest asset in the succession process may be a tactful and a conciliatory disposition similar to Brezhnev's. He has already benefitted from the death of Suslov by assuming some of his responsibilities. Although he will no doubt become more vulnerable

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when Brezhnev has gone, he might prove to be an acceptable compromise candidate acting as a vehicle for stability and continuity. The changes in the Party leadership are more likely to be a gradual process than a sudden replacement of one generation of leaders by another.

39. Suslov's death removed an influential force in Kremlin politics. No one can really replace him as a guardian of Party orthodoxy and perhaps more importantly as a mediator within the ruling bodies. As latest reports suggest, the succession process could be more disorderly without Suslov around to referee the disputes of rivals for power. Ponomarev is the natural candidate for promotion to the Politburo but at least some of Suslov's responsibilities in the ideological field seem to have been assumed by Chernenko.

40. Brezhnev's immediate successors are likely to aim for the greatest possible degree of continuity and stability as a means of consolidating their collective power and to avoid the emergence of a single prominent leader. In the short-term, anticipated changes in the leadership are not expected to have any major effect on domestic or foreign policies. The new leaders are unlikely to launch major reforms. In the economic sphere, they would probably not be in a position to cut defence spending appreciably nor curtail greatly basic industrial programmes. Only a marginal shift of funds and manpower to the consumer sector might be possible. A programme of this type would buy time for a future generation of Kremlin leaders without significantly changing the present structures. This attitude would probably also be evident in Soviet foreign policy with an emphasis on continuity of the current policy directions. It will, however, be important for the successor leadership to recognize that the Alliance is prepared for an improved and more co-operative East-West relationship, if Soviet behaviour makes this feasible.

(b) The Military and the Exercise of Power

41. The principle of Party rule over the military is demonstrated in the person of Defence Minister Ustinov. In view of the predominantly security aspects of almost all vital questions concerning East-West relations, however, the military exercises a definite influence in shaping Soviet policy. The deterioration of East-West relations tends to reinforce the influence of the Soviet military and to lead to calls for higher military expenditure by Ustinov and Marshal Ogarkov.

(c) Internal Opposition, Repression and Emigration

42. Although some aspects of social and cultural life in the Soviet Union seem to indicate certain possibilities of discussion and even limited criticism of the régime, the harsh repressive measures taken during the past two years have seriously weakened the dissident movement. The concession made

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by the Soviet Authorities in favour of Sakharov's stepdaughter-in-law cannot be regarded as a signal of a new and milder course. A comparison of the number of resettlers (Germans, Jews and Armenians) in 1980 and 1981 show that all categories have declined considerably. The monthly level of Jewish emigration for the second half of 1981 was only 300-400 with the total for 1981 falling below 10,000 (as compared to 21,500 in 1980). The Soviet Authorities seem to be reducing the numbers still further. As for the Armenians and Germans, the 1981 figures show a decline to 2,000 and 3,500 respectively (the 1980 figures being 6,000 and 6,500). The fact that all emigration flows have been reduced suggests that the policy of restricting emigration was not directed solely against Jews.

(d) Economic Issues

43. The Soviet economy performed poorly in the first year of the new Five-Year Plan (1981-1985) with an estimated GNP growth of 2%. The worst showing by Soviet industry since the end of World War II and the unprecedented third consecutive harvest failure were the main highlights of last year's economic difficulties.

44. The volume of industrial production increased by only 3.4% in 1981, falling considerably short of the planned target of 4.1%. In the energy sector, coal production fell for the third consecutive year, while oil output, having levelled off since September 1980 fell short of the already scaled-down 1981 target. Natural gas production remained as one of the few bright spots with its 7% increase. Shortfalls in production, together with usual transportation bottle-necks, continue to disrupt Soviet industrial performance.

45. In contrast to the planned 7.5% increase, the Soviet Union announced a 2% decline in agricultural production in 1981. The US Agriculture Department estimate of 175 million tons of Soviet grain harvest for 1981 contrast sharply with the 237 million tons planned figure, and some unofficial estimates are even lower. Despite grain imports, this situation promises yet another lean year for the Soviet people.

46. The Soviet Union incurred a hard currency trade deficit of US \$5.3 billion during the first nine months of 1981 - nearly double that for the same period of 1980 - reflecting increasing agricultural imports and a cut-back in oil earnings. In order to compensate this shortfall, Moscow has had to resume gold sales, draw down its assets in the West and increase borrowing. Recent reports indicate that Moscow is seeking permission from Western suppliers to stretch out payments for goods already shipped. These liquidity problems, however, are likely to be of a short-term nature. Even after three years of grain imports, the Soviet net indebtedness at present is still far lower than 1979 (net indebtedness as of early 1982 is estimated to be around US \$15 billion). In spite of a poor industrial performance, three bad harvests, and substantial grain imports, the Soviet Union should be able to continue to mobilize sufficient resources to maintain its capacity as a major military power.

PART VI: SOVIET FOREIGN POLICY - MAIN TRENDS AND OUTLOOK

(a) Main Trends

47. The main lines of Soviet foreign policy remain unchanged: the preservation of the "gains of socialism" at all costs and careful and selective exploitation of all opportunities to further Soviet interests and influence on a global scale, without however risking Soviet security. Even at the cost of straining East-West relations and incurring the condemnation of the international community, Moscow evidently feels that its basic policies will be rewarding in the long-term. Current setbacks are probably viewed as temporary and manageable aberrations which would disappear eventually against the firmness of the Soviet Union. The Soviet vision of the world tends to under-estimate the disruptive effects of Soviet actions and takes some comfort from the divisions within the West and the Third World which Moscow assiduously promotes. Meanwhile, the Soviet Union actively pursues "declaratory diplomacy" by launching grand initiatives on a wide range of arms control and disarmament issues in order to diminish its isolation and to project a peaceful image.

(b) East-West Relations

48. The already strained East-West relations suffered a new and important setback because of the events in Poland. The Polish crisis served as a forceful reminder of the wide gap between Soviet and Western concepts of détente and seriously undermined the traditional forms of co-operation and dialogue. Western reactions to Afghanistan and now to Poland are depicted by Moscow as a systematic effort to upset the existing system of international relations and a challenge to the equal rights and super-power status of the Soviet Union. The onus for deterioration of relations is attributed to US policies and every effort is made to create and exploit differences between Europe and the US. In his visit to Bonn last November, Brezhnev attempted to convey the impression of a realistic and sober statesman prepared for clear and equitable negotiations. The visit was emphasised as an important step in Moscow's policy towards Western Europe, but differences of view on a number of international issues were not concealed. On the whole, relations between the Soviet Union and Western Europe remain cool.

49. The Haig-Gromyko talks held in September 1981 and in January 1982 failed to bridge the gap between respective positions. The Soviet Union continues to state her interest in a successful conclusion of the INF negotiations and has come up with a counter proposal of four variants to the US zero option proposals. These four variants include a moratorium on deployment of medium range missiles in Europe; cuts numbering in the "hundreds"; elimination of all medium range weapons from Europe; and a "genuine zero option" ridding Europe of all nuclear weapons, both medium range and tactical.

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On the issue of verification Brezhnev also opened the door to "other forms" besides national technical means, though still assigning priority to the latter. Moscow may have calculated that their "genuine zero option" would have a better impact on public opinion and would convey a greater willingness to disarm. As exemplified by Brezhnev's 16th March moratorium proposal, Moscow continues to try to influence public opinion in Western Europe, in the hope that peace movement activities can generate sufficient political pressures to force the US to change its position. Following his January talks with Secretary Haig in Geneva, Gromyko held the US responsible for failure to set date for START.

(c) Middle East

50. In the wake of Sadat's death, the Soviet Union redoubled its efforts to win Arab support for an International Conference on the Middle East and recognition of Moscow's right to play a rôle in the region. The initial Soviet misgivings on the Fahd Plan have now shifted to a wait-and-see attitude with hints that the "International Conference" could be the means of implementing the Fahd Plan.

51. Probably the most significant development in the region for the Soviet Union was the assassination of Sadat. Although recognising that Mubarak would be likely to follow Sadat's policy initially, Moscow acted on the assumption that Sadat's removal opened the way for eventual improvements in its ties with Cairo. In Moscow's calculations, the peace process is inevitably destined to falter and this, together with Mubarak's interest in improving relations with the rest of the Arab world, will provide the Soviet Union new opportunities, especially after the return of Sinai on 25th April. Thus, the Soviets could only have been heartened by Mubarak's public sign of interest in normalization of relations with Moscow and apparently agreed quickly to the return of some of the economic technicians expelled by Sadat last August.

52. The Iran-Iraq war continues to complicate Moscow's policy towards Baghdad and Tehran. Increased arms deliveries to Baghdad probably at least stemmed the deterioration in Soviet relations with Iraq. But Moscow's ties with Baghdad are unlikely to return to their previous level as long as Hussein remains in power. The damage has not been completely offset by improved ties with Iran. While Soviet trade with Iran has increased, it is still far from filling the gap left by the US. Moscow seems to have concluded that the IRP régime in Tehran is likely to remain the dominant political force for at least the near term, and to have become reconciled to living with the Iranian régime.

53. In late 1981 Soviet-Syrian relations chilled somewhat. Damascus was clearly uneasy about Moscow's ambiguous position on the Fahd Plan, its supply of anti-aircraft weapons to Jordan and its courting of the PLO. On the other hand, Soviet concern about

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Arafat's flirtation with the Fahd Plan, as well as the possibility of a US-PLO dialogue probably contributed to Moscow's decision to upgrade the PLO status during Arafat's visit to Moscow in October. The Soviet Union also probably agreed to provide the PLO with additional arms.

(d) AsiaAfghanistan

54. Two years after its military intervention in Afghanistan, the Soviet Union is no nearer to its objective of consolidating the Babrak Karmal régime. The introduction of some 5,000 additional Soviet troops into Afghanistan in late 1981 was probably designed to increase the effectiveness of military operations. The Soviet Union remains committed to securing international recognition of the legitimacy of the régime along the 24th August proposals advanced by the Afghan government.

China

55. Moscow has made some efforts to revive the Sino-Soviet dialogue. A proposal to resume border talks was forwarded to Beijing in September and the Chinese responded in December by indicating their preparedness in principle to resume talks. Soviet objectives in establishing dialogue with China appear primarily tactical and there is no evidence that any concessions on substantive issues are contemplated.

India

56. The Soviet Union continues to attach importance in maintaining its co-operation with India and appears to be somewhat concerned by New Delhi's possible rapprochement with Pakistan and China as well as increased ties with Western Europe. Recently, a high-level delegation led by Defence Minister Ustinov visited New Delhi.

Japan

57. The absence of any Soviet willingness to discuss Japanese claims to the northern territories keep prospects for improvements in political relations dim. On the other hand, Moscow is working aggressively to strengthen its trade ties with Japan, showing particularly strong interest in Japanese industrial technology and investment in high priority projects in Siberia.

Vietnam

58. Visits to Vietnam by the Soviet flotilla in October and by Chief-of-Staff Ogarkov in February, underscored Moscow's interest in the military aspects of its relationship with Hanoi.

(e) Africa

59. Moscow has carefully positioned itself behind the Front Line States on a Namibia settlement. It continues to pin its hopes on SWAPO and reportedly pledged further military aid should negotiations fail.

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60. Ethiopia's refusal to grant additional naval facilities and Moscow's reluctance regarding economic aid continued to strain Soviet-Ethiopian relations.

(f) Latin America

61. The Soviet Union, itself still maintains a low profile within the region. The most important development was the intensification of Soviet-Nicaraguan relations. Soviet assistance to Nicaragua was directed primarily towards the build-up and organization of Nicaragua's military forces, but Moscow also provided an estimated \$73.5 million in economic aid during 1981. Arms deliveries to Cuba have increased during the last year, probably as part of the Soviet plan for long term modernization of Cuban forces.

PART VII: YUGOSLAVIA AND ALBANIA

(a) Yugoslavia

62. Two years after Tito's death, the Yugoslav system remains stable despite some adverse developments. The unifying rôle of the Party and the military as well as common interests will probably continue to provide the basis for the Federation's stability. Yugoslavia's current preoccupations are the openly acknowledged economic crisis and the problem of nationalities, as illustrated by the events in Kosovo. Although the renewed unrest in Kosovo has been contained by emergency measures and legal actions, the potential for further violence remains and prospects for a solution appear bleak.

63. The main features of Yugoslav foreign policy continue to be the attachment to the principles of the Non-Aligned Movement and of equidistance from the two blocs as well as development of its international relations, especially with neighbouring countries, despite particular problems with Bulgaria and Albania.

(b) Yugoslav-Albanian Relations

64. Relations between the two countries suffered a serious setback as a result of events in Kosovo and provoked a new round of heated polemics and mutual recriminations. The two countries have nevertheless carefully avoided a rupture in their relations.

(c) Albania

65. Hoxha's control over the régime was confirmed at the November Party Congress. The unusual circumstances of Shehu's death in December 1981 have sparked considerable speculation about Albania's future policies and the succession to Hoxha. However, Hoxha's leadership was reaffirmed by the new Prime Minister, Adil Carcani, who pledged to continue the implementation of the line laid down by Hoxha. No major change should be expected in Albanian domestic and foreign policy in the immediate future.

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EXPERT WORKING GROUP ON THE SOVIET UNION AND EASTERN EUROPE

CALENDAR OF EVENTS
(23rd October 1981 to 19th March 1982)

October 1981

- 23rd October: In Poland, the National Committee of Solidarity, meeting in Gdansk, gives notice of a nationwide warning strike for 28th October.
- 23rd October: The Polish Government announces that army detachments will be sent throughout the country to "provide solutions to local problems and disputes".
- 27th October: Visit to Moscow by the President of North Yemen; fresh appeal by Mr. Brezhnev for an international conference on the Middle East.
- 28th October: Meeting of the Plenum of the PUWP Central Committee: minor changes in the machinery of government.
- 30th/31st October: Session of the Polish Diet: a few ministerial changes.

November 1981

- 1st November: 8th Congress of the Albanian Communist Party.
- 2nd November: In an interview with the West German weekly "Der Spiegel", Mr. Brezhnev elaborates on the Soviet attitude to nuclear weapons and the Euromissile issue.
- 4th November: In Warsaw, tripartite talks between General Jaruzelski, Mgr. Glemp and Mr. Walesa.
- 10th November: Poland applies to rejoin the IMF.
- 11th November: The USSR rejects Sweden's protest at the violation of its territorial waters by a Soviet submarine as "totally groundless, both legally and factually".

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- 16th November: Plenum of the CPSU Central Committee: Mr. Brezhnev concerned about difficulties in the food sector.
- 17th/18th November: In Poland, negotiations between the Government and Solidarity.
- 17th November: The Central Committee of the League of Yugoslav Communists discusses the unrest in Kosovo.
- 20th/21st November: Official visit by the French Foreign Minister to Belgrade.
- 22nd November: Dr. Sakharov and his wife start a hunger strike, lasting 17 days, in order to secure an exit visa for their stepdaughter-in-law.
- 22nd/25th November: Mr. Brezhnev visits Bonn.
- 24th/26th November: The Romanian Foreign Minister visits Paris.
- 27th/28th November: 6th Plenum of the PUWP Central Committee: General Jaruzelski again calls for the provisional suspension of strikes and asks for full powers.
- 30th November: US-Soviet negotiations on medium-range nuclear weapons start in Geneva.
- December 1981
- 2nd December: In Poland, security forces clear the firemen's training school in Warsaw, occupied since 18th November by striking cadets. Mr. Walesa puts Solidarity on "maximum alert".
- 4th December: Conclusion (but not signature) by Poland of an agreement rescheduling its debt to private Western creditors.
- 11th December: Talks between Chancellor Schmidt and Mr. Honecker at the first inter-German summit for eleven years.
- 13th December: State of siege proclaimed in Poland.

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- 16th December: The extent of the crackdown leads the Polish bishops to harden their position and denounce the widespread internment measures.

- 17th December: In Poland, the police and army receive orders to open fire in the event of serious incidents. Warsaw Radio reports a number of deaths in clashes. The militia clear the naval dockyards in Gdansk.

- 18th December: Meeting of the leaders of the Warsaw Pact countries in Moscow on the occasion of Mr. Brezhnev's 75th birthday.

- 19th December: The underground leadership of Solidarity calls for a general strike to demonstrate its opposition to the abolition of work-free Saturdays.

- 23rd December: The President of the United States announces economic sanctions against Poland.

- 24th December: Addressing his compatriots for the first time since 13th December, General Jaruzelski announces that martial law will remain in force "for as long as necessary but not one hour longer".

- 29th December: The President of the United States takes fresh sanctions against the USSR because of the responsibility he ascribes to it for events in Poland.

- 30th/31st December: Mr. Rakowski, the Polish Deputy Prime Minister, visits Bonn.

- 30th December: In Poland, introduction of compulsory work for 18-45 year old men and a working week of 42 hours; the Military Council for National Salvation calls for the setting up of a "State Tribunal" to try those responsible for the "grave crisis of the 70s".

- 31st December: Announcement of the freeing of prices, which is bound to lead to steep increases.

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January 1982

- 3rd January: The zloty is devalued by 71% against Western currencies.
- 4th January: In Warsaw, the Ambassadors of the Ten urge General Jaruzelski to resume talks with the different sections of the community.
- 4th January: The ten EEC Foreign Ministers, meeting in Brussels to discuss the situation in Poland, strongly denounce developments there(1).
- 6th January: Conclusion by the USSR and Poland of a protocol on trade and payments for 1982, providing for the granting of a Soviet credit "on favourable terms".
- 8th January: Warsaw Radio announces an extensive purge of the PUWP.
- 10th January: The Polish Foreign Minister visits Moscow.
- 11th January: Special meeting of the NAC to discuss Poland(1).
- 14th January: The First Secretary of the Albanian Communist Party, Mr. Enver Hodja, invites Parliament to confirm Mr. Adil Carcani as Prime Minister in succession to Mr. Mehmet Shehu, who, according to the official version, committed suicide on 18th December "in a moment of depression".
- 15th January: Succeeding Mr. Shehu, Mr. Carcani reshuffles the Albanian Government.
- 18th January: In Poland, meeting of the Joint Church-Government Commission.

(1) Greece expresses reservations about the measures that could be taken or considered in the context of European political co-operation vis-à-vis Poland and the USSR.

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- 19th January: The episcopal conference in Warsaw decides to send a letter to General Jaruzelski about "the country's extremely complex situation" and agrees that a pastoral letter containing a warning to the authorities from the Polish bishops against the extension of martial law be read out in churches on 24th January.
- 19th/21st January: 102nd meeting in Moscow of the Executive Committee of COMECON, devoted mainly to the consequences of the Polish crisis, promises "various forms of aid to the Polish people".
- 23rd January: Signature in Paris of a Franco-Soviet agreement on the delivery, over a period of 25 years starting in 1984, of 8 billion cubic metres of gas.
- 25th January: Death of Mr. Suslov, member of the Politburo of the CPSU, who was in charge of ideological matters in the Central Committee secretariat.
- 25th/26th January: Meeting of the Polish Diet, which legalizes the Council of State's martial law decrees.
- 26th January: Haig-Gromyko meeting in Geneva.
- 30th January: Demonstrations in Gdansk, prior to the swingeing price rises in Poland, followed by a severe crackdown by the authorities.
- February 1982
- 1st February: The US Treasury to repay part of Poland's debts to US banks without, however, declaring the country in default.
- 4th February: The Primate of Poland, Mgr. Glemp, accompanied by the Archbishop of Krakow, visits Rome for the first time since 13th December.
- 3rd February: Mr. Brezhnev, speaking to a delegation from the Consultative Council of the Socialist International for Disarmament, proposes that the number of medium-range nuclear weapons in Europe be reduced by two-thirds by 1990.

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- 9th February: Resumption of the Madrid Conference. The United States Secretary of State makes a speech criticising the Polish and Soviet Governments.
- 13th February: Official visit to Romania by the United States Secretary of State.
- 17th February: Bonn announces a number of measures "aimed at giving the Soviet Union a political signal in view of the situation in Poland".
- 22nd February: Sharp press campaign launched against Mr. Lech Walesa.
- 23rd February: At their meeting the Foreign Ministers of the Ten call on the European Community to reduce by half its imports of manufactured goods from the USSR.
- 24th/25th February: 7th Plenum of the PUWP Central Committee: first meeting since the introduction of martial law.
- 25th February: The United States calls for the immediate repayment by Romania of 5.8 million dollars for the purchase of farm produce, overdue since the end of January.
- 26th/27th February: Meeting of the Polish Diet.
- March 1982
- 1st/2nd March: Official visit to Moscow by General Jaruzelski.
- 3rd March: Statement by Polish Minister of the Interior to the effect that internees and their families will be given facilities to request permission to leave the country.
- 5th March: Ten days before 17th Soviet Trade Union Congress, Mr. Shibaev, Chairman of Central Council of Soviet Trade Union Federation, is replaced by Mr. Shalaev.
- 8th March: Visit to Rome by Mgr. Dabrowski, Secretary of Polish Episcopal Conference.

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- 9th/11th March: "Working visit" to Moscow by new President of Finland - his first trip abroad since his election on 26th January.
- 11th March: Polish Politburo announces purge of the Party, administrative bodies, educational and cultural circles and the press, to be carried out before end of June.
- 13th/21st March: Soviet, East German and Polish units take part in Warsaw Pact manoeuvres in Poland (DRUZHBA 82).
- 15th/21st March: Official visit to India by Soviet Defence Minister.
- 16th March: Signature of Sino-Soviet inland waterways agreement.
- 16th March: Address by Mr. Brezhnev to Soviet Trade Union Congress proposing quantitative and qualitative moratorium on deployment of intermediate-range nuclear weapons in the European part of the USSR and a possible reduction of such weapons, unless a different strategic situation arose (deployment of new United States missiles in Europe), in which event "retaliatory steps" would be taken that would put the other side "in an analogous position".

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