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THE SITUATION IN EASTERN EUROPE AND THE  
SOVIET OCCUPIED ZONE OF GERMANY

Report by the Expert Working Group(1)

I. GENERAL OUTLOOK AND POLICY IMPLICATIONS

The links of the East European countries with the Soviet Union, which reflect political, economic and military realities, continue to determine the general attitude of these countries towards world affairs. But within this general framework, they are increasingly, though in varying degrees, exploiting opportunities for manoeuvre in the pursuit of national interest. The previously noted trends for greater national diversity and contacts with the West continue.

2. The policy of NATO members first recorded in C-M(62)143 of 28th November, 1962, does not therefore require change. We should give judicious encouragement to the favourable trends in Eastern Europe by providing channels for exchanges, co-operation and contacts in appropriate fields, but we should do so discreetly and without undue emphasis or publicity.

II. INTERNAL DEVELOPMENTS

(a) The Leadership and the Parties

3. The replacement of Khrushchev has not led to changes in leadership in the East European countries. In Rumania, after Gheorghiu-Dej's death, the succession was smoothly carried out, and the independent line set out in the Party declaration of April 1964 was reaffirmed.

4. In some cases there seems to be a sharpening of the differences of opinion within the parties, affected by the crisis in the Communist Movement and the stimulus given to nationalism by Rumania. In Hungary, for example, it was the "hard-line" elements which were the main target of Kadar's denunciation, whereas in Poland Gomulka attacked both the liberal trend and nationalist undercurrents.

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(1) The Working Group completed this report on 15th April, 1965

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(b) Cultural and Social

5. In Rumania, there have been signs that the régime is prepared to take a more open line on culture. In Poland, the first execution for an economic crime since 1954, and the appointment of General Moczar as Minister of the Interior, illustrate the hardening trend. In Czechoslovakia, despite the curb placed by the Government on the outspokenness of various literary publications, the latter continue, cautiously, to make their mark.

6. The slow improvement in relations with the churches in several countries is evidence of a desire on the part of the régimes for appeasement and normalisation within the national community. Poland, where the problem is of a special kind, is an exception in this respect, and Bulgaria and Rumania maintain a harsh line.

(c) Economic Trends

7. Economic growth was rather faster in 1964 than in the previous year. Increases in industrial production ranged from a modest 4% in Czechoslovakia to 14% in Rumania. Agricultural production remained unsatisfactory in most countries.

8. The previously mentioned tendency to seek out new solutions to the problems posed by the stagnation of the national economy has become more marked during the last six months. The most interesting and far-reaching plans are those in Czechoslovakia, which involve decentralising the economy to some extent and putting enterprises on a profit basis. Pilot operations have been authorised in sample firms in all branches of industry. If the Czechoslovak policy is successful, this may encourage other countries to carry out reforms going beyond their current experiments. Rumania, however, seems generally satisfied with its existing economic system, being one of the least developed countries of the area and having the fastest economic growth.

9. To alleviate their economic weaknesses, the countries of Eastern Europe are tending to turn more often to the West (see paragraph 18).

10. The Council for Mutual Economic Assistance (COMECON) remains confronted with the conflicting needs and demands of its members and its progress toward area-wide economic co-ordination continues to be slow, partly because of Rumanian recalcitrance. While bilateral arrangements continue to predominate, several ad hoc organizations have appeared among groups of East European countries to deal with specific problems (e.g. Intermetall).

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III. RELATIONS INSIDE THE COMMUNIST WORLD

(a) The Warsaw Pact

11. The Warsaw Pact held its first meeting in eighteen months in January. It was the occasion for a show of general solidarity in face of alleged danger from the West, but the vagueness of the communiqué probably reflected differences below the surface. It added nothing to earlier unspecific threats of defensive measures if a NATO nuclear force were formed. The Soviet Zone of Germany, which was credited with initiative in the work of the Conference, used it as a peg for propaganda against the Federal Republic of Germany but received somewhat uneven support from other members of the Pact. Rumania attended the meeting but maintained her detached attitude.

(b) Developments inside the World Communist Movement

12. The reasons for the reluctance of certain East European parties to acquiesce in the holding of a "preparatory meeting" for a World Conference of Communist parties were probably basically two: fear that a formal split in the Movement, which Khrushchev had clearly contemplated, would make it necessary for them to close ranks with the Soviet Union and accept some reduction in their newly-found freedom of manoeuvre; and a feeling that anything which emphasised the conflicts within world communism might weaken their own position both internally and internationally. It was no doubt partly to allay these fears that the meeting was postponed from 15th December to 1st March and its status downgraded to that of a "consultative" meeting. The harsh Chinese reaction cannot but have confirmed these fears. On the other hand, the Soviet Union's obvious inability to impose its will (of which the compromise communiqué was clear witness), as well as the absence of Rumania, make the possibility of any "new organizational form" for enforcing Soviet hegemony look remote. The real interests of the East European countries, and the fact that at the March meeting the Soviet Union showed itself willing to take into account their views on tactics, make it unlikely, however, that they will follow the Rumanian example of neutrality in the Sino-Soviet dispute.

(c) The Soviet Occupied Zone of Germany

13. The Soviet Zone remains a special case. Ulbricht's régime has shown signs of increased self-confidence since the fall of Khrushchev, and there has been some improvement in the economic situation. Ulbricht seems prepared to defend with new forcefulness his own conception of how the German question should be resolved. The search for recognition has been vigorously pursued, and Ulbricht's visit to the UAR in February may have enhanced the régime's standing in some eyes. Nevertheless, its position remains essentially weak, for it is wholly dependent militarily and politically on the Soviet Union.

(d) Albania

14. A faithful defender of the Chinese line, Albania has applied itself to condemning every aspect of Soviet policy, often with greater virulence than Peking. The close ties which link it to Communist China have been confirmed by Chou-en-lai, who, during his visit to Tirana last March, referred to the development of political, economic and military co-operation between the two countries.

(e) Yugoslavia

15. Yugoslavia is showing a healthy concern for injecting new blood into the Party and a determination to remove obstacles to the effective decentralisation of economic decisions and to the building of a new brand of communism which contrasts with the bureaucratic type. The prosecution of Mihajlov for writing anti-Soviet articles was a cold reminder of the limitations to Yugoslav tolerance of intellectual freedom. Despite initial anxiety over Khrushchev's fall, Yugoslavia's relations with the Soviet Union are good. Its relations with Eastern Europe have continued to improve. The crisis in Vietnam, and a growing concern over a worsening of the climate between East and West, have caused Tito to appeal to the protagonists, and thus incidentally to justify anew Yugoslav pretensions to play a leading rôle in the non-aligned world.

16. Yugoslavia remains interested in increased trade with the West, but has found greater possibilities to expand its trade with COMECON countries who now account for 31% of Yugoslav trade turnover (as against 25% in 1963). Yugoslavia is associated with COMECON on the basis of the special agreement of September 1964.

IV. RELATIONS WITH THE WEST

17. While continuing to hew generally to Moscow policy and propaganda lines, the East European countries have in varying degrees maintained their interest in improving bilateral relations with Western countries, as shown for example by efforts to increase trade and by the large number of ministerial visits. These efforts provide a means for the assertion of national identities and national interests. At the same time East European leaders have voiced concern that Western policy was partly motivated by the desire to weaken East European ties with the Soviet Union. In denouncing the ulterior motives attributed to the West, Kadar and Gomulka no doubt acknowledge the influence exercised by the West, but at the same time indicate the limits within which they intend to confine this influence. Warnings about Western intentions have also come from the Soviets. It is hard to see what action the Soviet Union can take to compel any East European country to heed its warnings or its appeals. But a hard-headed recognition of political and economic realities, combined with a desire for the survival of their own régimes, is likely to lead East European leaders to maintain a cautious policy.

18. In economic relations with the West, the East Europeans have been giving increasing currency to ideas of new forms of association of Western firms with state enterprises in the area. These ideas still lack definition, but they appear to be directed inter alia towards overcoming credit difficulties and to giving their products easier access to free-world markets.

(Signed) W.M. NEWTON  
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