

N A T O S E C R E T

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To: Members of the Political Committee at Senior Level

From: Chairman

Subject: Alliance Study of East-West Relations

I attach a composite draft of Part 1 of the study which examines trends in the Soviet Union and Eastern Europe in the 1980s. This draft brings together the contributions of the four Working Groups. It will be considered by the Senior Political Committee on 3rd November.

As you are aware, the attached draft represents only a preliminary "stitching together" of the Working Group papers, and it should be viewed in this light.

According to the wishes of the Committee the draft has been dispatched by the NATO-wide communications system on 31st October, 1977, to Foreign Ministries in capitals for advance information in view of the ad hoc meeting of Senior Experts on 10th November, 1977 at NATO Headquarters.

(Signed) E.F. JUNG

This document consists of: 55 pages
Annex I of: 10 pages
Annex II of: 2 pages

N A T O S E C R E T

ALLIANCE STUDY OF EAST-WEST RELATIONS

INTERNAL TRENDS IN SOVIET UNION

General Outline

I. INTRODUCTION

stability in Soviet Union

- (i) lack of dissatisfaction among vast majority of population;
- (ii) lack of dissatisfaction among those with vested interests.

II. ECONOMIC TRENDS

- demographic developments in the USSR and likely effects on Soviet economy;
- natural resources; but especially depletion of oil reserves and developing energy problem;
- technology gap; shortcomings of Soviet R&D; need for Western technology;
- balance of payments problem and needs of/effects on Soviet economy;
- planning and management problems in the economy;
- sectoral study:
 - (i) agriculture
 - (ii) industry
 - (iii) consumer

III. SOCIO/POLITICAL TRENDS

- likely candidates in a future leadership; problems for younger individuals;
- the transition period; possible stabilising rôle of executive organs of the Party and the Central Committee;
- basic character of new leadership; internal differences of ideology and of perspective; likely result: government by consensus;

ISD/165(Final)

-3-

- probable approach to economic problems;
- probable approach to social/political issues, including:
 - (i) inadequacy of ideology in treatment of social problems; shift towards greater materialistic outlook and higher expectations; gap between illusion of society advancing to Utopian Communism and reality of little economic/social progress;
 - (ii) nationalities question;
 - (iii) dissidence;
- probability of some differences in approach to present leadership;
- Party unity: first task of new leadership; control of military and security organs.

IV. DEFENCE TRENDS

- mission of the armed forces;
- trends in Soviet military planning and programmes;
- increasing problems of resource allocation between military programmes and other economic requirements;
- likelihood that defence spending will continue to increase;
- possible military options.

INTERNAL TRENDS IN THE SOVIET UNION

I. INTRODUCTION

1. The Soviet Union is currently enjoying the longest period in its history free from war or traumatic social or political upheaval. The Brezhnev phase has introduced a certain sense of stability which was totally lacking under Stalin and lacking to a large extent under Khrushchev. Furthermore, there has been a perceptible, though uneven, improvement in living standards in the last decade. It is probably true that, whatever the cost of the stability, the majority of Russians, both official and ordinary citizens, continue to welcome it as a respite from the upheavals of former years. Added to this is the inclination of the people to accept the system in control plus the overwhelming power of the police and the bureaucracy. There is no evidence of a degree of dissatisfaction among the population which could endanger the stability of the régime.

2. For the future, one factor remains as the top priority of any Soviet leadership: to retain the Communist Party's total control on the country. This is not just in the interests of the several hundred people at the top of the political ladder but also of the thousands of technocrats and the many thousands of lesser functionaries who exercise considerable power and authority and enjoy manifold privileges in the system. The Soviet Union still has much to offer to the ambitious who put their skills at the service of the régime and who conform, though often more as a matter of convenience than conviction. The next generation of leaders will probably be no less attached than this generation to maintaining the material and other privileges that go with power in the USSR.

3 The factors outlined above suggest that in the Soviet Union both leaders and led have a certain common interest in eschewing dramatic changes in the forthcoming 5 to 10 years. Politically at least, all signs point to a reasonably smooth

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ISD/165(Final)

-5-

transition of leadership once Brezhnev leaves the scene; the institutional problems of a leadership change have not been solved but should be contained. Future leaders will almost certainly be those who have come up through the Party apparatus and have been thoroughly schooled in its way of thinking, thus ensuring continuity of approach to most issues. No one among the potential leaders yet stands out as having exceptional talent.

4. Against this background of conservatism and continuing stability, leaders will need to show some flexibility in face of certain problems in the economic, social and political life of the Soviet Union which seem bound to come to the fore during the course of the next decade and thereafter. These problems may, sooner or later, force the Soviet leadership to make some unpalatable decisions.

II. ECONOMIC TRENDS

5. For all the basic strength and stability of a massive economy ranked as the second industrial power in the world, there are signs that the USSR is entering a prolonged period of reduced economic growth. From 1951-1970, high labour and capital inputs into the Soviet economy produced an average annual increase in real GNP of plus 5.3%. Since the beginning of the 1970s, however, growth rates have been declining noticeably (1971-1975: annual average 3.8%).

6. As a result of demographic developments in the Soviet Union, the availability and quality of manpower are likely to become increasingly serious problems, especially in the industrial and services sectors. The birth rate has been falling since the mid-1960s, and by the year 2000 the overall growth of the Soviet population is expected to drop to about one-third of the annual rate in the 1950s. In turn, annual increments in the labour force will decline sharply in the 1980s, recovering only late in the 1990s. In addition, regional differentials in birth rates will

result in a decreasing proportion of ethnic Russians vis-à-vis Central Asian and Transcaucasian peoples entering the labour force. These ethnic rural minorities are likely neither to move voluntarily to northern industrial centres nor to adapt quickly to sophisticated industrial activities.

7. No relief is likely to come via reductions in military manpower requirements, and short of introducing other radical measures such as forced labour movements from Central Asia, a future leadership's options appear limited: to reorganize incentives and disincentives to induce manpower to move voluntarily and plants to shed their surplus labour; to relocate industries in areas which have surplus labour; to invest more substantially in labour-saving technology; to retain or recall skilled older workers.

8. The depletion of natural resources west of the Urals will continue to be a factor in the slowdown in Soviet economic growth. New exploitable reserves of oil and minerals in Siberia, Central Asia and off-shore may prove to be more limited than originally thought, as well as costly and difficult to develop. Most seriously, critically needed new oil deposits are not being found and developed rapidly enough to offset depletion of existing fields in the Western USSR. Production techniques now in use focus on short-term gains at the expense of maximum output in the longer term.

9. Unless the leadership's recent call for extensive exploitation and rapid development of Eastern Siberia and off-shore deposits yields substantial results, a down-turn in oil output seems inevitable by the late 1980s and could occur earlier. Based on current trends, oil consumption in COMECON countries by 1985 is likely to exceed Soviet output, with serious implications for the USSR's hard currency earnings (oil sales accounted for 47% of such revenue in 1976) and thus its ability to pay for Western technology.

ISD/165(Final)

-7-

10. On the other hand, with a suitable crash programme (e.g. more advanced development technology, less wasteful exploitation, conservation), Soviet oil production by 1985 could not only meet domestic requirements, but also allow for some exports to the West and to Eastern Europe and Cuba. The substitution of coal or gas for oil is a longer term solution for the 1990s; neither nuclear nor hydroelectric power can provide tangible relief for a decade at the very earliest.

11. The widening technology gap between the USSR and the major Western countries, as much as 5-8 years in some critical areas in the civilian sector, must be a matter of continuing concern to the Soviet leadership. The country invests huge sums in research and development establishments without securing commensurate returns. A key problem lies in introducing the results of research into series production. Among major obstacles are the rigid barriers between civilian ministries and the lack of spin-off from military into civilian sectors; the inhibitions on the free exchange of ideas between Soviet scientists and technologists and those in the West; and the inability of the consumer to influence product range and quality. A new leadership would have to weigh very carefully the possible advantages and dangers inherent in any major changes in these areas.

12. Imports of Western technology will therefore continue to be necessary to meet growth targets in the medium term, particularly in compensating for future manpower shortages and in easing bottlenecks in fields such as the chemical and automobile industries, computerisation and micro-circuitry and petrochemicals. In the critical energy sector, the USSR will continue to need Western technical know-how and highly specialized equipment in order to counter the expected fall in oil output. Although the absorption and utilisation of imported technology will remain slow by Western standards, keeping the general level of civilian technology in advanced areas below that in Alliance countries,

it will still make a considerable contribution to productivity, thus reducing internal pressures to divert resources from military to civilian sectors. At the same time, hard currency shortages may result in a greater use of turn-key and other projects incorporating buy-back deals, licensing arrangements, and technical assistance and training as alternatives to outright purchases of technology.

13. The USSR is currently making a more systematic attempt to restore its balance of payments by the standard method of exporting more and importing less, and by selling gold and arms, boosting its invisible earnings and concluding barter deals. In the longer term, however, too sharp a drop in critical imports could jeopardise growth objectives, while export demands to Western countries will be determined by international market conditions. Soviet indebtedness will increase with the need for Western credits, although the growing burden of debt service (\$4 billion or some 26% of export earnings in 1978) is likely to neutralise any favourable impact that additional credits could have on Soviet import capacity.

14. Imports of technology and the use of Western credits will in many respects only be a palliative as long as planning and management of the economy continues to be beset with manifold problems arising from the sheer size and diversity of the Soviet Union, from the distortions created by the primacy of the Plan and the central direction of the economy, and from the vast bureaucracies which stifle local initiative.

15. A new leadership might try to emulate Kosygin's attempts in 1965 to bring about some improvements through more flexible incentive schemes (other than Plan fulfilment and moral exhortation) and wider decision-making powers for local managers. But the bureaucratic and ideological resistance will be great, especially to the fairly radical changes which are probably needed to produce any significant improvement.

ISD/165(Final)

-9-

16. Incentives to labour by way of increases in real wages seem unlikely because of current inflationary trends. The present Plan objective of more extensive use of computers to strengthen central planning and control may not be fully met because of the limited state-of-the-art in the USSR and because of the tendency to reject outputs from the computers which have unacceptable political connotations. Attempts in decentralisation to the regional level of large-scale enterprises may prove to be more successful, although the price might be high in terms of short-term dislocation and declines in output. At the same time, present plans to group together already large enterprises into gigantic output associations over the next decade may further erode the decision-making powers of plant managers and lead to even more inefficiency in the economy.

17. A continuing major problem area for the Soviet leadership will be the agricultural sector, which lacks both sufficient amounts of productive land and a favourable climate. Although farm production is well above levels of a decade ago and resources are being used somewhat more intelligently, maximum output and efficiency appear impossible so long as the present system exists, with its shortage of skilled labour, its lack of an efficient infrastructure including universal supply and transport problems, the absence of incentives to work hard, and the trend towards large-scale farming with huge capital outlays. As a result of apparent changes in weather patterns, periodic droughts might increase in frequency in the 1980s.

18. For the foreseeable future, the agricultural sector will remain a huge burden on the economy. Compared with a figure of about 5% for the United States and Canada, fully one-third of the Soviet labour force is tied up in agricultural pursuits. In addition, the agricultural sector will continue to receive massive but relatively ineffective injections of capital, amounting, for example, to 27% of total state investment under the present Plan

which runs to 1980. Since agriculture is traditionally a highly political area, fundamentally new approaches such as creating smaller and more self-sufficient farm units, giving greater autonomy to farm managers, and increasing incentives generally are unlikely. (At the same time, the private sector, occupying around 3% of the sown area, but supplying over 25% of the gross agricultural output, is assured of a secure existence for many years to come.) On financial, ideological and strategic grounds, it is also improbable that any leadership would divert funds from agriculture to industry and place greater reliance on imports of foodstuffs.

19. In the industrial sector future policies are also likely to differ little if any from current policy. While targets for both heavy and light industry should remain lower than in the past, heavy industry will still be given priority over the production of consumer goods. At the same time, Soviet objectives will be to produce higher quality items, better tailored to the needs of the client, but utilising less raw material, less energy and a smaller working force (e.g. by higher productivity). Present trends suggest that the problems in meeting these objectives will be substantial. Enterprises will presumably continue to have to meet widely varying and unpredictably changing demands from the defence sector as a first priority. They are likely to continue to hoard skilled labour and scarce materials against sudden future demands and erratic supplies. Targets geared to gross output will discourage innovation and the introduction of new machinery and techniques.

20. Unless productivity can be improved, the problems of resource allocation could become increasingly severe within the civilian sector of the economy. It will probably prove impossible to pursue all goals with equal vigour without spreading resources so thinly that every sector suffers. Moreover, as the population increases and its demands become greater and

ISD/165(Final)

-11-

more sophisticated, there will be pressure to allocate a greater proportion of resources to the consumer sector. Food, housing and some consumer goods are heavily subsidised, and a new leadership will have to move with extreme caution in raising, for example, food prices and rents, because of possible popular reaction and propaganda difficulties. Without a better supply of consumer goods and services no system of financial incentives designed to increase productivity in industry and agriculture will, in themselves, be effective. All things considered, it is unlikely that the Soviet consumer will see much improvement in his living standards compared with the gains of the past decade.

III. SOCIO-POLITICAL TRENDS

21. The régime's success in meeting the economic challenges of the future depends to some extent on the kind of leaders which emerge in the post-Brezhnev period. There is bound to be one change of the Party's General Secretary. There might be two: Brezhnev's likely immediate successor (Kirilenko) is his coeval and may not long out-live him. After that there is no obvious line of succession. In recent years it has not been so much the elderly but the younger men who have been eased out of the Politburo, and if the senior members of the present leadership depart in quick succession there will inevitably be a period of uncertainty while the new leaders sort out their relations with each other and, most of all, secure the necessary backing of the Party.

22. During this period the centre of gravity may shift towards the Party's executive organs - the Secretariat and the Departments of the Central Committee. This will provide a large measure of continuity during a period when there may be a lack of sure judgement in major political questions. The security and military forces should provide an additional element of stability during any forthcoming struggles for power, bearing in mind that the Soviet military establishment has never exercised an independent rôle in Soviet political struggles.

23. In the event of conflicts within a new leadership, the importance of the Central Committee, as the body to which the Politburo and Secretariat are normally accountable, may be expected to increase. Elected at the last Party Congress in March 1976 for the period until the next Congress in 1981, the Central Committee is more than ever dominated by Party and State executives; reflecting age and experience it may be expected to exercise its influence in the direction of caution and reliance on well-tried methods. It therefore seems likely that there will be a minimum of change in the way the country is run until 1981 or at any rate until a new leadership finds its feet.

24. Whenever this happens, the new leadership is likely to be just as paternalistic and manipulative in character, and as fundamentally distrustful of the outer world as its predecessors. It will seek to confine policy-making exclusively to within the Politburo and Secretariat and to protect the basic features of the Soviet system. At the same time, however, personal differences among the various leaders (age, background, interests), conflicting ambitions and professional responsibilities, and differing reactions to domestic and external pressures will continue to influence behaviour to some degree. There will also be continuing divergencies between those leaders more wedded to residual Stalinist orthodoxy and others taking a more confident view of the domestic situation and urging more flexibility and accommodation in foreign relations.

25. The fusion therefore of ideology, historical precedents, and vested bureaucratic interests seems likely to perpetuate both the present constraints on what is permissible in political thinking, and the reliance on a consensus approach to policy, making at the top. If the pattern of the past is repeated, even with modifications, and the change of leadership is marked by the personal predilections of one man, it will still mean a government by consensus on the Brezhnev model.

ISD/165(Final)

-15-

26. Government by consensus is not likely to provide a leadership capable of making some of the difficult decisions on problems, particularly with the economy, which are going to come to the fore. Moreover, future leaders will almost certainly be those who have come up through the Party and who have been thoroughly schooled in its way of thinking. The pressure for compromise among the various schools of thought in the Kremlin is likely to work against any radical shift in policy. The leadership will remain uneasy about economic reforms which erode Party controls, and about such matters as social problems (especially those affecting political motivation among youth), the nationalities question, and dissidence.

27. Social problems will require a future leadership to revitalize the régime's ideology - which no longer meets Soviet society's requirements both for a credible system of values and for a system which provides the means of answering the technological and social challenges of the times. One problem is the growing materialistic (as opposed to materialist) outlook on life, which is worrying to the authorities in that it implies that the future generation will no longer be prepared to give up so much of their energy to the more ill-rewarded tasks set by the State. Unsatisfied rising expectations for a more affluent society could also bring risk of disturbances. The illusion of passing one milestone after another (the latest being the stage of "developed Socialism") while in fact no very spectacular economic or social progress is being made, forces both leaders and led to attempt even greater feats of self-deception. The problem for the present and, of course, any future leadership is that society is becoming more sophisticated; the leaders will still want the people to think intelligently about scientific and technical matters, but not about politics.

28. The nationalities question will also remain a delicate one for the foreseeable future. Although it has not yet posed a serious threat to the régime, national consciousness has increased in some areas and could increase further as the relative decline of the Russian population is accompanied by further efforts to maintain absolute control by the Great Russians and to submerge national characteristics in the artificial concept of the new "Soviet People". Regional economic disparities will continue to aggravate the problem, as will the State's attempts to suppress religious sects associated with national minorities. A new leadership could be faced with demands for greater autonomy from the growing Moslem population in Central Asia; by the year 2000, one of four Soviet citizens will be a Moslem. The retention of the federal structure in the new Soviet Constitution testifies to the awareness of present leaders to the dangers of trying to move too fast - an awareness likely to be shared by their successors.

29. Dissidence is unlikely to become much more widespread than it is now. There are, of course, many individuals who, for ethnic, religious, intellectual, artistic, economic and other reasons, have dared to express openly their dissatisfaction with the system, and who have suffered for it. This will doubtless continue. But even the major dissidents are a limited and isolated group lacking any responsible position in the power structure of State and Party. Although the critical attitude that they have engendered in the minds of other Soviet citizens is likely to increase as the general level of sophistication grows, the bulk of the people, and even the bulk of the intelligentsia, while often grumbling and dissatisfied, accept the system and are prepared to work within it. Nevertheless, the new leaders are likely to feel as strongly as Brezhnev that no political dissent can be tolerated. They would seem to have little option other than to follow the present leadership's policy of selective repression.

ISD/165(Final)

-15-

30. The first priority of a new leadership will be Party unity and the maintenance of Party control over all elements of Soviet society. A key task will be to assure continued full Party direction of the military and security organizations. The trend under Brezhnev has been for both of these groups to increase in importance and prestige while being at the same time more closely incorporated into the decision-making apparatus. A serious problem would arise if the Party, directly involved in all aspects of Soviet life, but perhaps lacking in strong central leadership, and confronted with numerous sectoral problems which may grow more acute throughout the 1980s, itself divided into factions which began to identify themselves with the interests they were supposed to control - military, economic, ideological, agricultural and others - than with the interests of a unified Party.

IV. DEFENCE TRENDS

31. Despite the potential economic and socio-political problems which are likely to face any new leadership, a central priority in Soviet planning should remain unaffected: the continued all round growth and development of Soviet military strength. Soviet leaders see a massive and powerful military establishment undertaking two vital missions. Of first importance are the defence and internal security requirements: feelings of insecurity vis-à-vis the West and China and the need to match the power of the United States, plus requirements of maintaining stable political conditions in Eastern Europe, and to some extent, in the Soviet Union itself. Ever increasing military strength is also a prerequisite for the realisation of Soviet political power and influence on a global scale.

32. [Paragraph to come on trends in Soviet military planning and programmes: leadership, establishment, equipment, etc.]

33. The problem for the future, however, is that adequate resources to meet both the costs of military programmes and the régime's other economic requirements will be hard if not impossible to come by. In fact, with the annual increase in Soviet GNP expected to decline in the foreseeable future, and the defence expenditure expected to rise by an annual average of 4-5% in the next ten years under current programmes, there will be progressively fewer economic resources available to meet increasing demands from the civilian sector.

34. In view of this, future Soviet leaders could be strongly motivated to consider curtailment of the increasingly high share of resources allocated to the defence sector, at present an estimated 11-13% of GNP according to Western standards. However, military programmes, some stretching over many years, have themselves great momentum and powerful Party and bureaucratic support. Meeting defence requirements may also be intended to ensure that the military is never tempted to play an independent political rôle. Even then, while the military remains subordinate to Party control, its influential position in the decision-making process makes it inconceivable that any new leadership would choose to ignore its needs and concerns. Perhaps most important, the vast bulk of the Soviet population accepts without question the reasons advanced by its leadership for having a strong defence establishment, even if it means also accepting more limited advances in the standard of living.

35. Therefore, the inevitable economic difficulties on the horizon are not likely to result in any cutbacks over the short-term in the increasing amounts of resources already programmed for defence. Despite the likelihood of a lively debate over longer term allocations, a new leadership will in the end probably be as ready as current leaders to burden the economy with even higher defence spending. A meaningful shift in the allocation of resources from the military to the civilian side of the economy should not occur in the foreseeable future.

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ISD/165(Final)

36. As for the possible effects of demographic developments, labour shortages as a result of the declining birth rate are not likely to bring about any reduction in the size of the Soviet armed forces, though the increasing proportion of rural non-Russian conscripts may pose training and indoctrination difficulties. Apart from this, the high standards of political motivation, patriotism and discipline in the armed forces should remain intact in face of possible socio-political problems.

37. [Paragraph to come on military options open to the Soviet Union in the 1980s: employment of forces, areas of operation, effectiveness, etc.]

TRENDS IN EASTERN EUROPE IN THE 1980s

GENERAL OUTLINE

- I. INTRODUCTION
- II. IDEOLOGICAL TRENDS
 - attitude of leadership and people
- III. ECONOMIC TRENDS
 - past achievements and growing difficulties;
 - limited likelihood of reform;
 - Western economic links;
 - effect on political stability.
- IV. SOCIO-POLITICAL TRENDS
 - dissidence;
 - nationalism;
 - religion.
- V. LEADERSHIP CHANGES
 - possible succession and post-succession troubles.
- VI. MILITARY
 - degree of loyalty to régimes.
- VII. OUTLOOK
 - balance between factors for instability and factors for stability;
 - effect on internal developments of various aspects of East-West relations.

TRENDS IN EASTERN EUROPE IN THE 1980s

I. INTRODUCTION

38. During the period ahead the governments of Eastern Europe will be faced, to varying degrees, by a number of elements with considerable potential for instability. The long-standing underlying tensions will remain - the relative unpopularity of the régimes, nationalism, the attraction of the West. To these have recently been added new factors which are or could be destabilizing - renewed dissident activity and slower economic growth. Economic difficulties in particular are likely to be a source of considerable concern to East European governments.

39. On the other hand, the governments which will have to deal with these problems are already well established régimes, with a strong vested interest in retaining power. They are well practised in the necessary balancing act between accommodating public pressures and satisfying the leaders of the Soviet Union. Apart from their shared ideology with the Soviet leaders, the East European régimes know that they need Moscow's support in order to stay in power (and, in the case of the GDR, to keep the State itself in existence). The East European populations for their part are resigned to the fact that the Soviet Union will not tolerate any actions which put into question the cohesion of the Eastern bloc. Furthermore, the populations have at stake the limited but real progress made in recent years in economic well-being and, to a lesser extent, a certain flexibility of internal policies and a certain degree of contact with the West which have been permitted by the Soviet Union.

40. While it is possible to identify danger points in the period ahead, especially in Poland, it is likely that the elements of instability will be outweighed by the factors for stability. The decisive element will be the power and the will of the Soviet Union to preserve the general status quo in Eastern Europe. The

ISD/165(Final)

-20-

analysis below is written on the assumption that, despite leadership changes, the policies of the Soviet Union in this respect will remain unchanged. (See III, Soviet-East European Relations.) It is also assumed that Eastern Europe will not be severely affected by confrontations with other regions or by political or economic crises in the rest of the world.

II. IDEOLOGICAL TRENDS

41. Several East European countries come into considerable contact with Western influences, and the people still in some cases have memories of a democratic past. (This is least true for Bulgaria and Romania.) Experience has shown that Western ideas and example can influence even the leadership of some countries as they search for solutions to their domestic problems. Hungary is the outstanding current example of the adoption of certain Western policies in the economic field. Eurocommunism could, depending on how it develops, further encourage the desire among East European leaders to follow their own national road to Communism. In practice, however, most leaders will hesitate to stray too far from the Soviet pattern of ideology. This can be attributed to several causes: genuine conviction, the need for ideology to legitimise the régimes' hold on power, the fear of Western influence in one sphere leading to unwanted results in other spheres, and, above all the known narrow limit of Soviet tolerance for deviation. While, therefore, there is likely to be a tendency for somewhat more ideological flexibility among the leadership in some East European countries than in the Soviet Union, it can be expected to remain within rather modest parameters.

42. The people of Eastern Europe probably are largely apathetic as regards ideology. In several countries there is almost certainly widespread desire for Western freedoms, as well as admiration for a system which has produced such superior economic progress. Nevertheless, this is not to say that admiration

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for Western society is unalloyed, or that given a free choice the people would not opt to retain many facets of Socialism. And attraction towards the standards of the West is balanced by the realisation that they will largely remain forbidden fruit for the foreseeable future.

III. ECONOMIC TRENDS

43. The national economies and the relative material well-being of the people have grown significantly over the past 15 years. The two wealthiest East European countries, Czechoslovakia and the GDR, now have per capita gross national products similar to those of some developed West European countries. In certain limited areas, East European industrial capabilities match those of the West. Moreover, in the consumer sectors product availability is expanding, though often the goods are of inferior quality.

44. However, industrial output growth rates are now slowing down in all East European countries. It is likely to prove increasingly difficult to meet rising consumer expectations. There is therefore a considerable likelihood of growing consumer dissatisfaction. This dissatisfaction could also be compounded by probable rises in prices.

45. The region as a whole is resource-poor, with the exception of Poland and Romania. Even in good harvest years, the northern countries are not self-sufficient in grain. Eastern Europe is especially dependent upon energy imports. Heavily reliant on foreign trade, these countries have in recent years also suffered the consequences of Western recession and inflation, higher prices for Soviet oil and raw materials, and larger grain import needs due to poor harvests. Manufacturing plants are obsolescent in important sectors. Productivity suffers from lack of incentives. Management is beset by the inefficiencies endemic to centrally planned economies. Economic growth may also be restricted in several countries by labour shortages resulting in part from continued slow population expansion.

ISD/165(Final)

-22-

46. Unable to generate sufficient exports to the West, all of the countries of the region are accumulating a large hard currency debt. In order to keep new borrowing down, the East Europeans may be forced to restrict imports from the West while attempting to maximise exports. But such a policy could lead to redirected investment and higher domestic prices. Moreover, rapid economic growth itself depends on imports of quality Western equipment and technology. The East Europeans have already scaled down their growth projections for the current (1976-80) Five-Year Plan. There is reason to doubt that even these more modest projections will be met. In the background loom more severe strains in the 1980s, when a possible decline in Soviet oil exports may force increased East European hard currency purchases of oil. Furthermore, if the Soviet Union experiences an energy crisis in the 1980s, it will have to re-evaluate the trade-offs between continued economic support of Eastern Europe and its own exports for hard currency. At this stage, however, it appears that Moscow would continue to avoid any steps which could cause destabilization in Eastern Europe.

47. All of these problems will renew the case for wide-ranging reforms - increased material incentives, realistic price structures and more decentralisation. However, it is doubtful whether most of the East European leaders will embark along this road. While the Soviet Union is likely to allow a greater degree of economic liberalisation than within the Soviet Union itself, it will not countenance radical changes in Eastern Europe which are likely to bring with them liberalisation of the political and social structure. In addition to sharing these misgivings, East European leaders may well want more, not less, centralised control at a time when hard economic choices must be made. Hungary is a possible exception.

48. The Soviet Union and East European governments presumably hope that Western credit, technology and trade will continue to bolster economic growth and enrich consumer supplies (though so far there is little evidence of significant benefits having worked through to the consumer sector). The need for economic links with the West will grow over the next few years, and, while increased trade with and credits from the West will not be a panacea for East European economic ills, they can be a considerable help. However, the West may not be politically or economically prepared to extend an unlimited amount of credit.

49. Increased economic difficulties do not augur well for political stability. But how far-reaching their political effect will be is not clear. With adroit economic tinkering and reasonable luck many or all of the East European régimes may ride the various economic storms of the next few years, with the grudging support of people reluctant to risk their hard won, if limited, improvements in living standards. The greatest danger of political unrest being fuelled by economic dissatisfaction among the workers exists in Poland. Another danger point over the long term is the GDR, where the attraction of the Federal Republic of Germany cuts very deep.

IV. SOCIO-POLITICAL TRENDS

50. Three possible additional sources of unrest are the régimes' relationships with the dissidents, with nationalist movements and with the Churches. In none of these areas by itself is dissatisfaction likely to pose substantial threats to the régimes.

Dissidence

51. The authorities of several East European countries have been concerned by the re-emergence over the past year of groups of people who, with varying specific aims, all have as a general aim societies with greater personal and political freedom. A

ISD/165(Final)

-24-

new factor is evidence of contacts between East European dissidents, though there seems to have been little co-ordination. Leadership performance is being judged against Western standards of human rights, at a time when economic performance is being found wanting compared to that of the West. The influence of Eurocommunism has also been felt, while the Helsinki Final Act and the stand for human rights by Western leaders has added further encouragement.

52. However the dissidents cannot be considered a real opposition movement. They lack in most countries a broad base among people who have perforce had to adapt themselves to live within the existing system. The dissidents are likely to remain no more than small groups.

53. The degree of freedom allowed in Eastern Europe depends obviously in the first place on what the Soviet leadership considers admissible, and in the second place on what the régimes themselves judge to be consistent with stability. It may prove possible gradually to extend the margin of tolerance, but only to a very limited extent.

54. Thus a fertile climate for dissident ideas will remain. But the problem of dissidents, while troublesome, is likely to prove manageable from the point of view of the Eastern governments. The only circumstances in which dissidence could prove dangerous would be as part of a concurrence of wider developments, in particular if linked with serious economic discontent. As has been noted above, the most likely danger point in this respect is Poland.

Nationalism

55. It is unlikely that nationalism will play a major rôle in influencing developments during the period under study. National sentiment will remain strong. In particular, in most East European States the traditional anti-Russian sentiment will continue to add fuel to dissatisfaction aroused by grievances in other fields.

Soviet concern about this danger may serve to extend the margin of flexibility allowed to Eastern governments in handling their internal problems. But essentially the Soviet Union will restrain this, as other potential elements of instability, by the strength of their control over Eastern Europe.

56. Traditional national minority problems will also remain alive. However a combination of strong central control as well as relatively enlightened internal policies towards minorities, should prevent such problems from threatening the stability and cohesion of the Eastern bloc.

57. Bulgaria and/or Albania could, in certain circumstances, adopt a more aggressive stance over their respective minority problems with Yugoslavia in a post-Tito era.

Religion

58. While the degree of active hostility experienced by individual Churches within each country varies considerably, in all East European countries the Churches are allowed only a confined rôle and suffer from substantial disabilities. However, despite the difficulties they still experience, the main Churches have managed to reach an uneasy modus vivendi with their respective governments. One aspect of this limited accommodation has been the increased contacts between some East European governments and the Holy See.

59. At least as long as the détente process continues, the present religious situation should not deteriorate, though the prospects for significant improvement are poor. Any eventual improvement would be confined within limits which both the Soviet Union and East European régimes deemed compatible with national security.

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ISD/165(Final)

-26-

60. If the present relative accommodation between Church and State is not upset by a return to repressive policies on the old scale, it is unlikely that the Churches will take strong stands against their respective régimes. The biggest question mark hangs over Poland where the Church could again associate itself with discontent among workers and intellectuals. The same could conceivably happen in a post-Kadar Hungary. However, an assertive stand by the Churches would only pose a significant danger to East European régimes if it were allied to unrest from other sources.

V. LEADERSHIP CHANGES

61. In all of the countries the present leaders have a tight hold on power. The top leadership could remain unchanged during the period in question.

62. Given the considerable amount of power wielded by the chief leader in each country, should he be removed, for example, by illness, this could well affect overall stability, especially if the change should coincide with substantial economic difficulties. There could be a succession struggle in any of the countries which might encourage discontent to change to open unrest. New leaders might handle problems less adroitly than their predecessors: this could be particularly true in Hungary.

63. However, in general, it seems likely that the factors making for stability which have already been noted in this analysis would prevent any succession or post-succession troubles being more than temporary.

VI. MILITARY

64. All East European forces should be considered efficient and, to a reasonable degree, loyal to their governments (particularly in the special case of Romania). East European governments make a considerable effort of political indoctrination of their armed forces. The reliability of the forces is further

encouraged by the highly centralised politico-military structure, as well as the self-interest of many of the career personnel. Their participation in the Warsaw Pact is presented to the personnel partly in terms of special national interests (in the case of Poland the retention of the Western territories).

65. On the other hand, there is widespread anti-Soviet feeling in several forces which may affect their general attitudes and efficiency. Apathy and a shortage of motivation may be especially prevalent in the Czechoslovak and Hungarian forces.

66. Romania is the only Warsaw Pact country which has achieved a certain degree of independence from the Soviet Union in military as well as in foreign policy. It has refused to host Warsaw Pact manoeuvres on Romanian territory and has resisted Soviet pressure to participate fully in joint military activities.

67. As long as the elements of instability in the countries remain reasonably quiescent, it can be expected that the loyalty of the armed forces to their governments will be maintained. However, in situations of widespread upheaval they could not necessarily be relied upon by the present régimes.

VII. OUTLOOK

68. The analysis in this paper suggests that, while the forces for instability which are present in varying degrees in all East European countries may intensify during the period ahead, the governments of those countries should in general be able to contain the situation. The decisive factor will remain the undoubted determination and ability of the Soviet Union to maintain a high degree of political cohesion and conformity. The main potential source for discontent and instability lies in the growing economic problems being experienced by all East European countries, which are likely to make it increasingly difficult for governments to satisfy rising consumer demands. On the other hand, the relative improvements in living standards already achieved may

ISD/165(Final)

--20--

still remain, and the people may hesitate to put these at risk. By themselves, dissident activists will nowhere seriously challenge the régimes: still less will the Churches or nationalism do so. Nor are the East European leaders likely to seek or get any significantly greater independence from Moscow in the conduct of foreign affairs.

69. The overall picture is likely to be one of resignation on the part of the populace and stability on the part of the régimes. However, there are some possible flashpoints. In Poland the various strands of dissatisfaction - workers, intelligentsia, Church, anti-Russian nationalism - could again fuse together. An explosion of a force sufficient to bring down Gierek and even conceivably to lead the Soviet Union to restore order cannot be ruled out. The situation is likely to be less unstable in the GDR, but the régime will not find it easy to balance its economic and other needs for closer ties to the West with the split personality effect those ties have on the East German people. Leadership changes could also bring difficult times for any of the régimes; however, these should not prove beyond the power of the régimes to manage.

70. Developments in Eastern Europe will continue to be affected to some extent by the various aspects of East-West relations covered by the process of détente. Eastern European economic needs have been and will continue to be, one of the East's underlying motives for détente. Western economic ties make a significant contribution towards Eastern economic growth and thus towards stability in Eastern Europe, and their importance in this respect may increase during the period ahead. At the same time, there are also influences for change inherent in the economic and other aspects of the process of détente, though these are less easy to quantify. Détente has helped at least some East European governments to gain slightly more latitude in their dealings with the Soviet Union. Western economic

contacts arouse, as well as cater to, consumer aspirations, and also carry a significant political message. The awareness of Soviet and East European leaders that repression of internal unrest has an adverse effect on Western public support for détente policies has encouraged them to mitigate their internal rigidity to some extent. The follow-up to the Helsinki Final Act could further encourage this development, even if within narrow bounds. However, the Soviet Union will no doubt continue to keep the degree of openness to Western influence and to Western contacts permitted to Eastern Europe within limits compatible with its judgement of the desirable level of overall political conformity.

71. The major features of the situation in each of the East European States are set out in the Annex.

* * * * *

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SOVIET-EAST EUROPEAN RELATIONS

GENERAL OUTLINE

I. INTRODUCTION AND CONCLUSIONS

II. CENTRIPETAL FACTORS

- vested interests of governments;
- shared ideology;
- Warsaw Pact forces;
- economic interdependence;
- foreign policies.

III. CENTRIFUGAL FORCES

- attitude of peoples;
- ideological development;
- economic differences;
- human rights;
- CSCE process.

IV. TRENDS

Methods used by Soviet Union to preserve status quo:

- ideological and political;
- economic;
- military measures.

SOVIET-EAST EUROPEAN RELATIONS

I. INTRODUCTION

72. Continued hegemony and control in Eastern Europe is a declared vital interest of the USSR for a variety of reasons:

- security (cordon sanitaire; added military strength from the non-Soviet Warsaw Pact countries; prevention of German reunification; fear of repercussions within the USSR if the bloc should begin to disintegrate);
- ideology (unacceptability of apostasy from a movement with global ambitions; need for an ideological and political buffer zone);
- economic advantages (source of and market for industrial products).

Given the primacy of the Soviet interest, the geographical proximity, and the imbalance of power between the USSR and its allies, we must assume that the former will be successful in its efforts to retain control. The present East European system was established by force, and it will be preserved by force if necessary, even at a considerable political price.

73. It follows that the scope for independent action by the East European States is marginal; however, the width of this margin will vary considerably from country to country and in relation to the various aspects of national and international life (i.e. military; foreign policy; ideology; economy; culture; individual freedom and dissent). It has been suggested that the Soviet Union will tolerate serious deviations from its own policy only in one of the following fields at any one time: foreign policy, economic structure, or ideology. In any event, there must be no significant threat to overall control by each country's Communist Party. This rule will most likely continue to apply in Eastern Europe for the foreseeable future.

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ISD/165(Final)

-32-

74. In every case the Soviet leadership will be the one to judge and decide whether a development in Eastern Europe is tolerable or not.

75. It follows that the character of relations between the USSR and the East European States will be largely determined by considerations based on Soviet internal and world policies. To a lesser extent, these relations will depend also on developments generated within Eastern Europe.

76. In response to internal political, economic and social pressures, the East European countries (except Romania) may concentrate their efforts at pursuing interests of their own in the economic and domestic spheres, rather than in foreign policy, even though at times economic considerations may lead to foreign policy initiatives.

77. It is the object of this study to explore the limits of possible and probable changes in Eastern Europe, resulting from the centripetal and centrifugal forces at play. These include the means at the disposal of the USSR to influence and decide developments in Eastern Europe, and the countervailing tendencies within the countries of the region (and perhaps within the Soviet Union as well).

78. The following analysis rests on the assumption that over the next several years no drastic changes will take place within the USSR, and that Soviet relations with the rest of the world will not be severely affected by major crises or conflicts.

II. CENTRIPETAL FACTORS

79. In general it can be assumed that the East European governments will refrain from policies and actions which would seriously jeopardise the cohesion of the Soviet bloc, and from the pursuit of policies conflicting with major Soviet interests, as their own vested interests would militate against such moves.

They are all, though to varying degrees, ultimately dependent on Soviet support for their security and survival. Thus, the elementary interest of the ruling elites in their own survival provides for an important centripetal force.

80. The fact that the monopoly of political power of the régimes is based on, and legitimised by, the same ideology is centripetal as well. The USSR sees to it that this remains so (if necessary by force, as in 1968). One reason why the Soviet position may be stricter at times than that of the East European régimes is fear of contamination of the Soviet population, both ideological and, possibly also, in the fields of ethnic nationalism and religion.

81. Soviet control of the East European military, exercised through the Warsaw Pact organization, and the presence of Soviet forces in most East European countries constitute a major factor for centripetal control. For that matter, the non-Soviet Warsaw Pact armed forces, together with the various East European Communist Parties, represent a strong element of bloc stability. Even though the question of Warsaw Pact reliability of the non-Soviet members is bound to be a matter of some concern for the USSR, political indoctrination as well as Soviet supervision and control throughout the bloc military organization have gone a long way to ensure that Moscow can depend on their armed forces. There are, to be sure, qualitative differences among them: the armed forces of the GDR, Poland and Bulgaria appear to be the most effective, albeit in each case for different reasons (modern equipment, size, political reliability). Aside from modernization of equipment, no major changes are foreseen for the 1980s as regards the structure of the East European armed forces and the rôle they play under the largely Soviet-staffed Warsaw Pact command. Their missions will continue to be threefold: to defend the territorial integrity and assure order and the preservation of the status quo in their respective countries, and (except in the special case of Romania)

ISD/165(Final)

-34-

to augment and support the Soviet military posture and purposes. It should be stressed also that all East European armed forces, including those of Romania, are largely dependent on the USSR for their equipment and logistical supply.

82. There is considerable and growing economic interdependence, and the bloc is for the most part self-sufficient in natural resources. The USSR and the East European countries need one another, both as producers of certain industrial goods, and as markets for their products which often cannot compete in the world market. The USSR supplies raw materials and energy, as well as other items. While until recently some of these have been offered at below world market prices, the fact that the USSR is demanding increasingly higher prices for such goods is now causing the East European countries to search elsewhere for sources of supply, however. There is growing specialization among East European countries in certain branches of industry, and joint production agreements are increasingly prevalent.

83. It is to be expected that the foreign policies of the East European countries will remain fundamentally aligned with the USSR, even though some have endeavoured to develop a more individualistic, national profile (e.g. Romania).

III. CENTRIFUGAL FACTORS

84. The history of Eastern Europe (with the exception of Bulgaria) has not been such as to create natural feelings of affection toward Russia. There are strong nationalist traditions throughout the area. Moreover, it is natural that the majority of the East European peoples will continue to resent domination by a country which they regard as outside the mainstream of European history, as well as culturally and economically backward. Besides, the governing elites, which cannot rely only on the Soviet Union to keep them in power, must and will try to satisfy the aspirations of their own peoples. This may produce at times serious divergences of interest with the USSR.

85. Political/ideological theory tends to evolve at a more rapid pace in some East European countries than in the USSR. This phenomenon reflects specific national interests and pressures on the ruling elites to accommodate, to some extent at least, domestic political, economic and social aspirations. This propensity for change results also from the relatively greater openness of certain East European countries to the Yugoslav and Western European brands of Communism, as well as, for that matter, Western ideas in general. Greater contact with the West is another factor stimulating popular demand for improvements in the quality of life, including greater economic and bureaucratic efficiency, and weakening the force of the official ideology. The trend toward ideological change could over time erode the stability of the Eastern European régimes themselves and their relationship with the USSR, but probably not to a significant extent over the coming decade.

86. In the economic field, continuing Soviet demands levied on the industrial production capabilities of the East European countries, and the reliance of the latter on Soviet raw materials, especially energy, which probably will continue even after shortages will have made themselves felt in the USSR, may well lead to conflicting claims on allocation of production and resources.

87. There will continue to be differences of view between the USSR and the East European régimes as to the extent to which greater individual and economic freedom, including dissent, is admissible. The Prague Spring of Dubcek's Czechoslovakia was an extreme case, and Soviet reaction demonstrated for other East European governments the limits drawn by the USSR. Even though it cannot be ruled out completely that in response to growing popular pressures, one or the other régime will try again to probe the continuing validity of the Brezhnev Doctrine, the East European countries will most likely be deterred by the lessons of 1968.

ISD/165(Final)

-36-

88. The CSCE process provides the East European countries with a justification for freer dealings with the West. Moreover, if the principles governing relations between States enshrined in the Final Act were invoked by the East Europeans in their relations with the Soviet Union, this would be a potent threat to the bloc. For this reason, Moscow has attempted since the signature of the Final Act to strengthen the political and ideological links with its allies, proclaiming that relations between "Socialist" States are of a higher order than others.

IV. TRENDS

89. The governments of Eastern Europe will wish to pursue their own interests in various fields, without, however, wanting to withdraw from or break up the system altogether.

90. To preserve the status quo in Eastern Europe, the USSR will continue to rely on the following methods.

- Ideological and political

91. Ideology in itself may no longer be a particularly dynamic factor in Eastern Europe, but it is ever-present and is used in a very systematic manner to explain, legitimise and maintain the influence of the USSR. Moscow is unlikely to abandon the principle of "proletarian internationalism", the official term given to what has been known as the Brezhnev Doctrine (see also below, paragraph 107).

92. Ideology and the protection of "Socialist gains" will as before be presented as the basis of the extensive network of bilateral friendship treaties built up since 1968 which link the East European countries to one another and the USSR.

93. Regular bilateral contacts at government level give the USSR the opportunity to follow and to comment on the internal situation of its allies. The Soviet Communist Party maintains contacts at many levels with the Parties in Eastern Europe.

As this is an essential instrument of Soviet control, it will not change in the foreseeable future. These contacts, plus the activities of the Soviet secret police, will be used both for applying pressure at the level required, and for gathering information about internal developments in Eastern Europe.

94. The Political Secretariat and Committee of Foreign Ministers established by the Warsaw Pact countries in 1976 may intensify the practice of multilateral consultation, but it still remains to be seen how this multilateral approach will develop; it seems probable that most Soviet-East European relations will continue to be transacted bilaterally.

- Economic

95. In most of the East European countries there is a direct link between the stability of the régimes and the fulfilment of economic expectations. The Soviet Union will have to do its part to enable consumer demand in the East European countries to be satisfied by allowing the East European countries to trade with the West, supplying them with certain raw materials and energy at relatively cheap prices, and consenting to allocation of funds for consumer priorities rather than military expenditures.

96. In CEMA, the USSR will press forward with attempts to build "Socialist integration", i.e., mutual economic dependence. An increasing tendency toward economic co-operation projects serves to reinforce East European dependence on the Soviet Union, and vice versa. Also, in the absence of the development of new energy sources by the East European States, their dependence on Soviet energy will restrain them from taking overly independent courses in the economic field.

97. These considerations will be affected by future trends in East-West economic relations.

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ISD/165(Final)

-38-

- Military force

98. It can be assumed that in order to maintain control over the system the Soviets will use military force only as a last resort. They are no doubt aware that they would risk reversing détente and losing its benefits, and that their relations with the Western Communist Parties would be gravely impaired. Hence the Soviet decision-making process can be expected to take somewhat greater account than in the past of the effects of military action on the West and the non-aligned world.

99. Should a critical situation develop in one of the East European countries, the Soviet Union might decide, in the light of its experience in Czechoslovakia, to apply political and/or economic pressures at an earlier stage rather than risk inaction until the situation has developed to a point where Moscow sees no alternative to military force. It is possible that public opinion in the East European country concerned might get out of hand too quickly for the USSR to be able to influence events through persuasion and pressure. In such a case the use of military force seems probable to restore Soviet control.

100. It will depend on the preference of those in power in Moscow - assuming that the situation still allows them a choice - either to stress the image of the USSR as a détente-promoting power by exercising restraint in Eastern Europe, or to project an image of resolute firmness by asserting the prerogatives which Moscow has assumed under the doctrine of "Socialist internationalism".

DECLASSIFIED - PUBLICLY DISCLOSED - PDN(2012)0003 - DÉCLASSIFIÉ - MISE EN LECTURE PUBLIQUE

TABLE OF CONTENTS

FOREIGN POLICY AIMS AND TRENDS OF THE SOCIALIST COUNTRIES

	<u>Paragraphs</u>
I. <u>INTRODUCTION</u>	101 - 103
II. <u>AIMS</u>	104
A. Preservation of existing advantages	105
(i) Territorial defence	105
(ii) Protection of the European glacis	106 - 107
(iii) Special case of Berlin	108
(iv) Preservation by the USSR of its rôle as leader of the international Communist movement	109
B. Creation of a new type of relationship with the Western countries (in particular through the policy of détente)	110 - 111
C. Search for new advantages	112 - 116
III. <u>METHODS</u>	
A. Politico-military	117 - 120
B. Ideological	121 - 123
C. Economic	124
IV. <u>TACTICS</u>	
(i) Vis-à-vis the West	125
(ii) In the context of Third World policy	125
V. <u>OUTLOOK</u>	126 - 129

FOREIGN POLICY AIMS AND TRENDS OF THE SOCIALIST COUNTRIES

I. INTRODUCTION

101. For obvious reasons, it is difficult to dissociate the foreign policies of the Warsaw Pact countries from Soviet foreign policy. In the following analysis, therefore, the focus will be on the aims and trends of the latter.

102. As an introduction to this analysis, it must be recalled that Soviet foreign policy in the fifties bore the hallmark of undisguised expansionism with aspirations to world domination, particularly by obtaining control of Europe and its resources. It was to contain this direct threat that the Atlantic Alliance was created. Subsequently, although Moscow was forced to exercise moderation, there has been no sign that it has given up these ambitions. Intent on consolidating its gains, the Soviet Union has followed a course of action which has brought it to its present world power status. To this end, it has used a range of tactics coupling ideology with *raison d'état*. At the same time, it has built up military resources enabling it to seize on opportunities to expand its sphere of influence, "softening up" the terrain in advance where appropriate. In this context, the USSR has been especially concerned to remedy certain of the disadvantages of its geostrategic position, thereby achieving aims already pursued by Tzarist diplomacy: the European glacis, access to warm waters, forward territorial defence (particularly through the deployment of offensive naval forces). The pressures it exerts to varying degrees in northern Europe and in the Mediterranean (attempt to secure naval facilities, particularly in Yugoslavia) stem from these considerations.

103. Thus, although the quest for new advantages is not paramount, it is nevertheless in the background of Soviet foreign policy, ready to be translated into concrete action

ISD/165(Final)

-41-

should the opportunity arise and the risks be considered worth while. In particular, Moscow's determination to assert itself as the dominating power in Europe remains decisive.

Soviet foreign policy thus reflects the ambivalence of a State which wishes to assert itself both as the leader of and model for the Socialist movement and as a major power which is conscious of its calling and of its world-wide responsibilities. To this end, and as in the past, it will be governed either by ideological considerations or reasons of state, depending on the circumstances.

II. AIMS

104. Soviet foreign policy is governed by three main aims:

A. Preservation and consolidation of existing advantages

(i) Territorial defence (inter alia against China)

105. As noted above (paragraph 31), Moscow will continue to give defence first priority in the allocation of resources. At the same time, the economic and political incentives to accept arms agreements that limit US arms competition, without damaging perceived Soviet security interests, will be greater. The capability which has been created is none the less far in excess of the Soviet Union's purely defensive requirements. The emphasis placed on offensive weapons needs to be underlined (for example, the shift from purely defensive concepts to an offensive naval doctrine). The Soviet attitude in its policy in the northern regions shows, for example, that the USSR, while wishing to improve the defence of the military facilities on the Kola Peninsula, is attempting to tilt the regional balance of forces in its favour in order to pave the way for possible future exploitation. Through naval deployments and exercise patterns, Moscow has demonstrated an ambition to be able to control in an emergency the Barents Sea and the Norwegian Sea as far out to the West and the South as possible.

There is an increasing emphasis on the ability to perform more complex tasks, including more extensive operations in the North Atlantic(1). In Southern Europe, likewise, the now permanent presence of a Soviet squadron in the Mediterranean reflects a twofold aim: (i) to remedy the geographical handicap constituted by the Dardanelles where reinforcements from the Black Sea (Montreux Convention) are concerned; (ii) to provide a launching pad for Soviet politico-military initiatives in the Mediterranean area.

(ii) Protection of the European glacis

106. This is an area of vital interest. Top priority is given to the preservation of the European glacis formed by the Warsaw Pact countries, which is essential from every point of view (military, ideological, political and economic). Moscow's main concern is to preserve the cohesion of its camp and to avoid any destabilisation in Eastern Europe.

107. To this end, it has formed a network of constraints, both bilateral and multilateral, as well as military, political and economic. The USSR regards the principles of détente embodied in the Final Act as applying exclusively to relations between States with different social systems, relations between the countries of the Soviet-dominated Socialist camp being governed by the far more restrictive concepts of the "Brezhnev doctrine of limited sovereignty" and of proletarian internationalism, which are intended to protect certain of its allies against the temptations of détente.

(iii) Special case of Berlin

108. The Soviet attitude to the Berlin issue provides another example of its efforts to consolidate its gains while at the same time striving to extend its hold. The long-term

(1) Further details are provided at Annex

ISD/165(Final)

-43-

Soviet goals in the Berlin question are not compatible with the policy of détente, to which the Soviet Union at present assigns a higher priority (2).

(iv) Preservation of the USSR in its rôle as leader of the international Communist movement

109. The Soviet Union's determination to keep a firm hold on what it has acquired embraces the international Communist movement as a whole. The USSR has never given up its rôle as a leader of and model for world Communism and is still striving today to assert itself as the sole repository of the truth.

B. Creation of a new type of relationship with the Western countries (in particular through the policy of détente)

110. The Soviet concept of détente is ambivalent. Given its ambiguity, it coincides at a number of points with Western views (desire for a certain measure of stability in East-West relations) while diverging widely on others (continuation of ideological competition and pursuit of "military détente"). In their endeavours to make détente irreversible, the Soviets give the impression that for them détente is an end in itself, unlike the West, which regards it as a means of facilitating the solution of international problems. If this is in fact the case, it means that détente is seen by the Kremlin as an instrument for improving Soviet positions in the world. A highly important purpose of détente is to maintain conditions in which Western technology and credits would continue to be available to the Soviet Union.

111. The major Soviet preoccupation is to secure recognition of political and strategic parity.

- (i) This explains the importance attached to the dialogue with Washington for the following reasons, inter alia:

- to consecrate the special rôle of the USSR in world affairs;
- to try to participate in crisis control and to prevent a secondary conflict escalating into nuclear warfare;
- to control an arms race which could have incalculable negative effects on Soviet society. In this respect, there is a special interest in SALT negotiations with a view to achieving results which will at least endorse the parity of the nuclear-strategic systems;
- to prevent a rapprochement between Washington and Peking which could affect the sought-after balance between the USSR and the United States.

(ii) Soviet policy towards Western Europe is no less clear-cut. The determination to preserve the territorial status quo as created by the Second World War caused the USSR to put forward the idea of security in Europe which ultimately led to the CSCE. Western Europe is the most obvious target area of Soviet foreign policy in which to test the effects of the combination of military power and détente policy vis-à-vis the Western system.

The Soviet Union has persistently sought to secure the recognition of its post-war position as the dominating military power in Europe. In furtherance of these aims, the Soviets strive to prevent the West Europeans, either in concert with the USA or with their own resources, from neutralising Soviet military strength. It also explains why the constitution of a European

ISD/165(Final)

-45-

political entity and, even more so, of a military entity, has been regarded by the Soviet Union as a threat which it is attempting to neutralise with its advocacy of the pan-European idea.

C. Search for new advantages

112. The search for new advantages, which is Moscow's third aim is often fraught with problems and contradictions. The intensity of this search depends on the opportunities available. Even if it is most apparent in the Third World, therefore, it is by no means limited to this area. In general terms, the USSR pursues the following main objectives:

- (i) to harness the "anti-imperialist" liberation movements and to win over the new states of the Third World as allies against the West and/or China. The Soviets see the Third World as a primary arena for USSR competition with the West and China. A further essential objective of Soviet foreign policy is to disturb the relationship between the states of the Third World and Western industrialised nations, with a view to reducing Western influence in the Third World as much as possible (especially by discrediting the West as a possible partner of the developing countries). This may weaken the West by endangering its sources of raw materials and by closing markets in the Third World;
- (ii) to consolidate and expand the Soviet Union's position as a world power in strategic and geo-political terms (naval bases, straits policy).

113. In recent years the Soviet Union and the other East European states have been able to increase their influence in some regions of the Third World, but they have also suffered serious setbacks.

114. In terms of regional priorities, primary Soviet interests lie in the Middle East which will probably remain the major recipient of Soviet military supplies, in South Asia with the objective of countering Chinese influence and in Africa which offers favourable opportunities to undermine Western interests. In the areas adjacent to the Soviet Union, the USSR seeks at the same time to ensure that no local power or combination of local and external powers develop the ability to pose military threats to Soviet security.

115. (i) The successes which the Soviets have scored can be explained to a great extent by the capital which they have made out of favourable situations and by the convergence - at least momentary - of their interests with the interests of those that they support. The Angolan affair provided an example of how Moscow could take calculated risks, in the face of a passive West, to use a political vacuum for its own ends.

(ii) Some of the Soviet Union's failures are partly the result of its blatant and determined efforts to strengthen positions of power, a policy which has alerted the Third World to the danger of a new dependance (imposed by the "imperialistic super power", according to Chinese propaganda). Certain of its initiatives have put the USSR in an awkward position inasmuch as it has been required to arbitrate in a dispute between two of its allies (Somali-Ethiopian antagonism

ISD/165(Final)

-47-

and Syrian intervention in Lebanon against the PLO). Egypt's disaffection is further evidence that its successes in penetrating certain countries can be reversed.

116. Other obstacles to the spread of Soviet influence include:

- (a) The intense nationalism of most Third World countries; presence of regional powers reluctant to see any outside power play a dominant rôle; adherence of some of these countries to a position of military non-alignment; vicissitudes of Third World politics.
- (b) Limited ability to compete with the West in cultural, political, economic, and technological terms. In particular, the contrast between Eastern far-reaching political ambitions and the narrow limits of their economic possibilities is becoming increasingly obvious. In addition, the Third World countries have been disappointed by the little support which they have received from the Eastern countries for their claims in the context of the North-South dialogue. In comparison with the West and in absolute terms, the foreign trade and development aid of the Eastern bloc countries are very modest.
- (c) Continued Western development aid and political support as well as the presence of military forces in the Third World inhibit the extension of Soviet influence.

III. METHODS

A. Politico-military

117. The capability of the Warsaw Pact land, air and sea capability is continuing to rise rapidly and to an extent which exceeds the Pact's apparent defence requirements. This raises

the question of the place which the growing military potential occupies in Soviet foreign policy. Moscow itself emphasises that it is its growing military strength and the resultant shift in the balance of power between East and West which has to a large extent made possible the successes claimed for the Soviet policy of détente.

118. Be that as it may, the fact remains that the Soviet Union has developed from a country weakened by civil war and isolation and inferior to the West in every respect into a super power exercising hegemony over its allies. The importance and rôle in the world of the Soviet armed forces have grown correspondingly. This emphasis on military build-up may be at least partly due to the fact that, in the absence of economic and technological equivalence with the West, and identified with an increasingly unattractive ideology, the Soviet Union may feel obliged to base its position as a world power predominantly on its military strength.

119. Soviet foreign policy in the late '70s (and probably also in the '80s) will be conditioned by the fact that the Soviet Union is using its military strength primarily as a political weapon which, by its demonstrative effect, is intended to change the "objective conditions" of the international scene in its favour and to protect its political successes. The primary purpose is the exertion of political pressure rather than the conduct of an armed conflict, since the Soviet leaders are well aware that an armed conflict would be bound to jeopardise their hard-won achievements.

120. An increasingly important instrument for the Soviet Union in the world-wide confrontation between the systems is its considerably strengthened navy. Soviet deployments - primarily naval and air - serve to demonstrate Soviet support to Third World countries. They will grow significantly in capability

ISD/165(Final)

-49-

but will be affected by base shortages (naval) and the necessity to obtain overflight and staging privileges (air) which may prove difficult, if not impossible, to obtain. Despite these difficulties over the next decade, force improvements will continue to enhance Soviet capability to assist client states by supplementing local defences. The political task of the Soviet navy in particular is to demonstrate the global range of Soviet power, to underline the Soviet claim to comprehensive super power status and to close a gap in the Soviet threat and protection capability. Moreover, the Soviet Union is gradually becoming a world trade nation. Soviet merchant civil aircraft and fishery vessels are operating on a world-wide scale. Even although the USSR is much less dependent than the Western countries on outside markets, the growing foreign trade and maritime interests have to be militarily protected.

B. Ideological

121. The Soviet Union's determination to be seen, come wind come weather, as the leader of the international Communist movement, can easily be explained by its use of ideology as one of its instruments for foreign penetration. On the other hand, it is precisely because there has been a growing awareness outside the Soviet Union that Moscow has no hesitation in using ideology to further its interests that the magnetism of its message has lost a great deal of its pull. During the past sixty years, the USSR has been compelled to wage a defensive action against the forces of disintegration which are challenging its ideological monopoly viz:

(a) The problem of Sino-Soviet relations

The Chinese schism constitutes the most serious challenge to Soviet primacy. Moscow is intent on isolating China internationally, in particular by warding off a possible rapprochement with the United States. The future expansion of China may, however, put a different complexion on the problem (3).

(b) Yugoslavia

The Yugoslav experience, which Moscow was finally compelled to endorse, provided a beacon for the other Communist régimes; this shone all the brighter for the militant non-alignment that characterised Yugoslavia's position on the international scene. While the Soviet leaders seem prepared for the present not to meddle in Yugoslav affairs, there is every reason to believe that in the event of difficulties in the post-Tito period, they would not hesitate to avail themselves of them in an effort to bring Yugoslavia back into their orbit. Everything will hinge on the capacity of the institutions and of the men that take up the torch to preserve the continuity of the current political line. In this respect, the efforts made to strengthen the institutions and in particular to ensure that the machinery established for the succession will function smoothly would seem to indicate that Yugoslavia has a good chance of being able to press on with its national experiment.

(c) Eurocommunism

The new bid for independence by certain European Communist Parties could weaken the CPSU claim to rule the international Communist movement (4).

122. For Moscow to win back the upper hand, it would have been necessary for it to spark off a new ideological impulsion which would have drawn the necessary strength from the values of the October Revolution to transcend the changes that have taken place in international society since 1917 thereby demonstrating that the CPSU was a continuing and genuine source of inspiration for Communists the world over. However, there has not been this ideological renewal. Instead, what

ISD/165(Final)

-51-

has been seen is a repetition or an adaptation of old formulas, except where there have been concessions designed to prevent heterodox forces from causing further damage. In other words, if Soviet military might did not exist, ideology in itself would constitute a very inadequate vehicle for the promotion of the Kremlin's foreign policy.

123. The effort which the CPSU will inevitably be making in the years to come to regain its grip will therefore be a very difficult one. In any case, it will have to be buttressed by arguments that are more persuasive than ideology alone in other words arms and economic aid. The major concern of the Soviet leadership will be to ensure that the various dissensions within the "Socialist" camp do not eventually start up a process of ideological disintegration in Eastern Europe which could threaten the hegemony and perhaps even the very structure of the Soviet state.

C. Economic

124. (i) East-West relations

During the '80s, trade will remain the Soviet Union's principal instrument for developing or limiting its relations with the West. The highly centralised nature of the Soviet economy makes it possible to use foreign trade for this purpose. However, Moscow's room for manoeuvre will be narrow because of its relatively small share in overall Western trade and because of its dependence on capital equipment imports, which only the Western countries can provide. On the other hand, if necessary, the latter would almost invariably be able to replace imports from the Soviet bloc by procurements from other sources, particularly in the Third World.

(ii) East-South relations

Because of their own economic difficulties, it seems unlikely that during the next few years the Communist countries will be in a position to boost substantially their development aid, to provide assistance of which the recipient can freely dispose or to take part in multilateral aid schemes. However, the conclusion of long-term trade agreements is for the Communist countries the easiest form of economic co-operation with the Third World since it fits in perfectly with their foreign trade pattern. In the years to come it could prove one of the favourite instruments for Communist bloc penetration of the Third World.

IV. TACTICS

125. In furtherance of its aims, the USSR could apply the following tactics:

(i) Vis-à-vis the West

- undermine Atlantic solidarity by promoting differences between the US and its European Allies, especially on whether, and in what form, the American protection for Western Europe is guaranteed (it could try to exploit SALT for this purpose);
- promote Western difficulties in view of the trends of domestic and foreign policy development in Europe (not least at the NATO Northern and Southern flanks) which jeopardise defence capability and readiness within NATO;

ISD/165(Final)

-53-

- exploit more serious disagreements among the Allies about the sharing of the burdens of a continued arms race, especially in view of the signs of economic crisis in the West.

(ii) In their policy vis-à-vis the Third World

The Soviets continue to regard insurgencies and liberation movements as instruments to advance their position. In making capital out of Third World claims and by the skilful use of its ideology and propaganda, the USSR is aiming to impose an image of the Soviet Union as the supporter of liberation movements, the champion of the anti-imperialist struggle and the dispenser of disinterested and effective aid. Moscow tries to gain acceptance for the idea that the USSR and these countries have a "natural" identity of interests, and that the Soviets have successfully presented themselves as selfless champions of their interests. Military aid has been Moscow's principal instrument in the Third World, and its use is likely to increase, together with providing military advisers and technicians. The Soviets also manipulate the flow of spare parts to enforce a client's dependence.

V. OUTLOOK

126. As regards the means available to the Soviet Union for the pursuance of its foreign policy, it is a fact that the ideological weapon has lost some of its credibility while the economic factor can only be marginal. This leaves the considerable armaments effort in both the conventional and nuclear fields with which the Soviet Union matches its activities abroad. The question which arises is to what end this effort, which weighs heavily on its economy, is directed. Possible answers are that:

- (i) the USSR has still not, sixty years after the October Revolution, outgrown its siege mentality and believes that this effort is essential to its security and to the deterrence, by achieving military parity with the United States, of the designs attributed to the Capitalist powers;
- (ii) the Soviet defence effort may be a reflection of the great importance attained by the military-industrial complex;
- (iii) the Soviet leaders, now that their diplomacy has achieved universal dimensions, want to have ready the military means of carrying through any political move which they might consider opposite in the area and at the time which they regard as the most appropriate.

127. The ultimate explanation will doubtless have to incorporate these various considerations. This being said, the spirit of the régime, the characteristics of Soviet activity abroad, marked by a deeply ingrained mistrust of anything smacking of the impetuous, makes the first and second answers more plausible while not entirely ruling out the third, but this would change if the West showed signs of weakness.

128. There is yet another assumption which should not be ruled out in the final evaluation. Given the insistence with which the USSR is demanding that the process of détente should become irreversible, it could be concluded that it sees advantages in the continuation of détente policy. The inference would be that this policy provides a means of offsetting some of the Soviet Union's weaknesses (poor agricultural yields, industrial inadequacies) and, more specifically, of obtaining credits, Western technology and certain Western supplies.

ISD/165(Final)

-55-

129. One last point needs to be made: the aims and concerns of the Soviet leadership in fact stem from a bipolar dichotomy: on the one side, preservation of the empire-détente and on the other side, search for further gains - détente. In each case, the Soviet Union has given and will undoubtedly continue to give, priority to what it regards as essential. If forced to choose between the preservation of its empire and détente it will in all likelihood choose the former. To the extent that the search for further gains jeopardises détente, it would on the other hand opt for prudence and restraint.

N A T O S E C R E T

-1-

ANNEX I to
ISD/165(Final)

TRENDS IN INDIVIDUAL EAST EUROPEAN COUNTRIES

GENERAL OUTLINE

- I. BULGARIA
- II. CZECHOSLOVAKIA
- III. GERMAN DEMOCRATIC REPUBLIC
- IV. HUNGARY
- V. POLAND
- VI. ROMANIA
- VII. ALBANIA

N A T O S E C R E T

-1-

ANNEX I to
ISD/165(Final)

TRENDS IN INDIVIDUAL EAST EUROPEAN COUNTRIES

BULGARIA

130. It is likely that Bulgaria will retain its position as the most politically stable of the East European countries. There is evidence of some popular dissatisfaction with economic and social conditions, but this makes itself felt more in passive forms (e.g. worker indifference) than in active dissidence, and the chances of significant unrest seem remote. Both the Orthodox Church and national minorities are under firm central control. However, the narrow concentration of political power in Zhivkov's hands, intensified by recent high level purges, could result in a succession struggle, which in turn could affect overall stability.

131. Bulgaria's economic growth has so far been impressive, thanks in part to close economic ties with the USSR. A continuation of rapid development may be difficult. In particular the large hard-currency deficit with the West will force a curtailment in the acquisition of Western technology. Low productivity, a growing manpower shortage and looming energy problems in the East as a whole also make it doubtful whether the economic growth rate of the past few years can be maintained.

132. Bulgaria is unlikely to change its close affiliation with the Soviet Union, and will continue to carry a spear for Soviet foreign policies. Bulgaria is a Slavic and Orthodox country like the Soviet Union, and, unlike other East European countries, there is no anti-Russian feeling among the population. In addition to its high degree of economic dependence on the Soviet Union, including for certain key raw materials, the régime sees Moscow as a guarantor of its continuation in power and security against its neighbours. The "special" relationship with the Soviet Union is reflected in Bulgaria's strong support for integration with the Warsaw Pact and COMECON. The Kremlin will continue to control Bulgarian responses to Yugoslavia over the Macedonian nationality issue. However, if Soviet and Yugoslav succession crises were to occur simultaneously, Bulgaria could follow an independent and assertive policy towards Macedonia.

CZECHOSLOVAKIA

133. The Husak government has the country under tight control, subject to close tutelage from Moscow. The prospects for internal liberalisation in the human rights or economic areas are dim. The present stability is based on widespread resignation and apathy among the people, as well as a reluctance to put the fairly high standard of living at risk to no avail. The success of the régime in silencing many of the Charter 77 dissidents must have confirmed this mood of pessimism. Nevertheless the dissident movement is likely to continue and to maintain a certain amount of pressure on the régime.

134. The Catholic Church has comparatively little influence, and its position will probably gradually erode further. Despite rivalry between Czechoslovakia's two main national groups, Soviet influence is likely to be sufficient to prevent this from becoming an important political factor.

135. All these elements suggest that the mid-1980s are unlikely to see a Czechoslovakia much different from today. The main danger to stability could come if there should be a prolonged stagnation of living standards resulting in worker discontent. Considerable economic problems will no doubt continue to face the régime. Soviet and Western price increases have hit hard, the industry sorely requires modernization and productivity is far from adequate. Continuing manpower shortage may require the authorities to accept increased numbers of immigrant workers. Industrial output growth rates are already declining and are likely to continue downwards. These problems could create difficulties for Party unity, as they have in the past. But they would have to become much more acute than at present to rouse the public from its post-invasion apathy.

ANNEX I to
ISD/165(Final)

--4--

136. If there is to be any change in internal policies, it is likely to come from within the Party. The present leadership are not all hard-liners, but memories of the Dubcek crisis will make them anxious to avoid any impression of disunity. Its present political colour is likely to remain unchanged into the 1980s. However the death of a key figure could bring about a struggle for power.

GERMAN DEMOCRATIC REPUBLIC

137. In foreign policy the government will faithfully follow the Soviet line.

138. In the GDR the Honecker leadership has not been successful in winning general domestic allegiance to Marxism. A long term problem of a particular nature is the German question which remains unsolved. The GDR has countered the political aim of the Federal Republic of Germany to "work towards a state of peace in Europe in which the German people will regain its unity in free self-determination" by the thesis that the German question was disposed of when the CSCE Final Act was signed. However, the GDR cannot ignore the rights and responsibilities of the Four Powers in regard to Germany as a whole, which are being claimed also by the Soviet Union, although perhaps only tacitly. Nor has the leadership achieved an acknowledgement by the populace of East Germany as a permanent nation state.

139. A decisive factor for the stability of the régime remains the presence of twenty Soviet divisions within the GDR. The people are only too familiar with the real power situation. Since the bilateral and quadripartite agreements of the early 1970s, the Federal Republic of Germany and the West have exerted a strong attraction and constitute the main point of comparison for the people. Discontent appears to be widespread, as is demonstrated by the large number wishing to emigrate. The restrictive reaction by the authorities to emigration demands shows the measure of their concern. As yet at least, vocal dissidence has not been an

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important problem, although more intellectuals are beginning to express their dissent openly. An organized dissident movement does not exist, and is not likely to develop in the foreseeable future.

140. Economically East Germans are among the best-off in Eastern Europe and they are well aware of it. Nevertheless the régime is now facing a number of economic problems, including a serious shortage of hard currency. The overall rate of growth is already noticeably reduced compared with earlier years, and the economy is increasingly unlikely to be able to fulfil popular demand for rising prosperity. In the late 1980s and 1990s the GDR is expected to be faced with an increasing manpower shortage and a growing economic burden from having to provide for a large number of pensioners.

141. However, a dramatic deterioration of the supply situation and of the conditions of work and life is not to be expected. This should mean that widespread discontent will stop short of turning into serious unrest among the workers, though there may be temporary unrest in the event of steep price rises. In the medium term the GDR's internal stability is unlikely to be significantly endangered. In the long term, however, the pull of the West may make it increasingly difficult for the authorities to contain pressure for improved standards.

142. The Honecker régime will no doubt continue to attach high priority to its policy of delimitation from the Federal Republic of Germany. At the same time it will need Western trade and technology and is likely to have an increasing interest in improving economic relations with the Federal Republic and other Western states.

143. As far as foreign policies are concerned, the GDR will always try to be rigidly behind the Soviet Union.

ANNEX I to
ISD/165(Final)

HUNGARY

144. It seems unlikely that the Kadar régime will continue to pursue the present innovative economic and cultural policies which are among the most liberal in Eastern Europe. These policies have succeeded in neutralizing potential dissident pressure and in reaching accommodation with the Catholic Church. Relations with the national minorities are also on the whole good.

145. However, beneath the surface, the potential for disaffection remains, as does strong hostility to Russian domination. A marked change in the country's economic or political situation could quickly lead to disaffection among the intelligentsia and workers; and a return to harsher internal policies could lead the Church to take a stand against the régime, and the minorities to adopt a more assertive position.

146. The most likely source of difficulty lies in the economic field. While Hungary has achieved considerable economic growth in the past, it is no longer being maintained at the same rate. Serious problems face the development of the economy and are likely to remain, e.g. high indebtedness to the West, a severe deficit in hard currency, and a growing labour shortage. Hungary has embarked on a planned reduction in the rate of growth of real wages. The régime has so far persuaded the population of the need for this, but it is not clear how long this acquiescence will last. Meanwhile Hungary's economic links with the Soviet Union are becoming more and more important.

147. As long as Kadar remains in control these difficulties should be manageable. It is less sure that his successor will be able to continue a similar feat of political acrobatics with the same success.

148. As part of the price paid for greater internal flexibility, Budapest faithfully follows the Soviet lead on foreign policy issues and will continue to do so.

POLAND

149. Disaffection with the régime presents a more serious problem here than in any other East European state. Gierek's energetic attempts, through large scale industrial investment and administrative reform, to restore the credibility of his régime after the 1970 unrest appeared for a time to succeed, but recent events have revealed that a wide gap still remains between the régime and the populace.

150. Before the rise in food prices which sparked off the workers' riots in 1976, there was already widespread discontent among most social strata with continuing shortages of consumer goods, including food. The intellectuals, for their part, resented the tightening of the ideological reins following the Helsinki Conference and the decision to amend the Constitution to emphasise its socialist character and links with the Soviet Union. For the first time, the currents of opposition among workers and intellectuals fused. They received support from the powerful Catholic Church which, though putting into question the partial accommodation reached between Church and state, stood out strongly in defence of human rights. To this was added support from university students, perhaps partly motivated by their dim job expectations.

151. Although the government has largely ridden out this storm, the main underlying grievances are likely to remain during the period ahead, and similar trouble could reoccur.

152. The key lies mainly in the economic sector. Despite considerable economic progress in certain sectors, fundamental economic problems remain, including a heavy external debt and an archaic agriculture. Gierek has announced a series of ideologically unorthodox reforms designed to increase the supply of consumer goods. But the government will be hard pressed to juggle an acute balance of payments problem with the maintenance of economic growth. Consumer dissatisfaction is likely to remain a danger to the stability of the régime over the coming years.

ANNEX I to
ISD/165(Final)

153. Some party and government changes in coming months are a possibility. The Soviet Union has apparently chosen not to interfere substantially with the régime's handling of the internal situation. They would not hesitate to do so, however, should they judge it necessary in order to restore control.

154. The leadership will continue to follow the Soviet line in foreign policies.

ROMANIA

155. Rigid centralism is still the order of the day for internal policy. An outward tolerance towards the many ethnic minorities cannot conceal the vigorous affirmation of Romanian cultural values.

156. The conservative mentality of the régime contrasts with a strong progressive tendency in two areas: industrial growth and the sense of national identity, which the Party skilfully exploits by fostering chauvinistic and anti-Slav sentiments. This diverts public attention from the régime's authoritarian features and makes for a closing of ranks around the ruling group. There has been dissidence in Romania too, but it has remained very limited.

Romania remains the fastest growing East European economy as far as GNP is concerned, though the consumer has benefited only to a limited extent. Industrial output is increasing at a fast rate, and the régime has confirmed its commitment to forced industrialisation. Nevertheless the country is experiencing a slowdown in many sectors and in the economy as a whole. Manpower, energy, productivity and indebtedness problems will prevent the fulfilment of the ambitious Romanian plans, although substantial growth will continue in the short term.

157. Ceausescu continues to dominate public life; his leading position in the Party and the State is uncontested at present, but may be eroded in the years to come.

158. In foreign policy, Romania will continue its attempts to combine contacts with the West and the Third World with the obligations stemming from the Soviet alliance and the political, economic and military links which go with Warsaw Pact membership. It is essentially on economic considerations that Bucharest aims to base its partial "desatellisation" policy, as characterised by its refusal to accept any movement of COMECON in a supranational direction and its efforts to obtain Western recognition as a developing country, with all the economic benefits this entails.

159. The RCP's strict Marxist-Leninist orthodoxy can be expected to continue on essentially the same lines, at least as long as Ceausescu remains in power. In the particularly delicate sphere of relations with Moscow, Romanian policy will probably continue to have its ups and downs, with a correspondingly greater or lesser degree of independence.

ALBANIA

160. The Seventh Congress of the Albanian Communist Party (November 1976) marked the conclusion of a five-year long period of purges against various pro-revisionist tendencies and confirmed in power the group led by the Hoxha-Shehu team that has been ruling Albania for the last thirty years. No major leadership changes appear likely in the next few years.

161. Ideology is still imbued with the classic dogmas of Stalinism. A personal management of power is supported by a pervasive police system, and the régime is forced to rely on a tight insulating screen to prevent politico-ideological infiltration from abroad. This may be expected to continue.

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ANNEX I to
ISD/165(Final)

-10-

162. In the economic sector the aim remains self-sufficiency, and the emphasis still lies on the development of heavy industry. Such objectives as raising the living standard and improving the consumption level are completely neglected. In the light of the failure of the Fifth Five-Year Plan (1971-1975) and their dissatisfaction with Chinese aid, the Albanian leaders have recognised the need to diversify the country's sources of supply and have taken steps to increase commercial ties with the West. These overtures towards closer economic relations with the West are likely to continue, but within strict limits, and without affecting the continuing political and ideological isolation.

163. The recent cooling of relations with China has been caused partly by disappointment with the recent level of Chinese aid and partly by ideological differences arising from China's rapprochement with the US and, lately, Yugoslavia, its "Three Worlds" theory and its pragmatism - all elements opposite to Albanian ideology and policies. A complete break, however, does not appear likely, because it would run contrary to the national interests of both countries.

164. So long as Hoxha remains the leader, no rapprochement with Moscow appears conceivable. After Hoxha, it is too difficult to venture into forecasts. The only certain thing is that a return of Albania into the fold of Moscow - a development which the Soviet Union would no doubt foster by all means - would have a destabilising effect in the Balkan area and the Mediterranean. The first consequence would be a serious danger to Yugoslavia, whose southern regions would be surrounded by two allies of the Soviet Union - Bulgaria and Albania - both claiming rights over those territories (Albania over Kossovo). On a broader plane, the likely appearance of bases and support sites for the Soviet fleet in the Otranto Canal would ominously imbalance the situation in the Mediterranean.

NOTES TO THE REPORT ON THE AIMS AND TRENDS OF
SOVIET FOREIGN POLICIES

165. [Norwegian contribution to be summarised.]

166. Although some slight differences exist the basic positions of the USSR and the GDR on Berlin (West) are very close. In the long run both countries probably regard it as desirable that Berlin (West) should lose its character as an enclave of the Western world.

167. As an immediate objective, the USSR and the GDR try to enforce their concept of an "independent political entity of West Berlin", by loosening of the ties of Berlin (West) to the Federal Republic of Germany; and by establishing direct ties between (West) and the Socialist States.

168. To this extent, Soviet and GDR policies have not changed since the conclusion of the Quadripartite Agreement (QA). Although the main tendencies of Soviet and GDR policies in the Berlin question remain unchanged, a certain intensification of pressure occurred in the last two years. The USSR and the GDR seem to be disappointed that, in fact, the ties with the West develop positively and that Berlin (West), although not being treated as a constituent part of the Federal Republic of Germany, remains to a large extent practically integrated into the same system as the Federal Republic of Germany. On the whole, the city's position has improved since the QA.

(3) Sino-Soviet relations

169. The heaviest blow to Soviet primacy was dealt by China. The USSR has been forced, at least for the present, to give up any idea of bringing China back into the fold. A significant reconciliation between the two countries will remain unlikely in the foreseeable future. The balance of evidence indicates that their relationship will remain an adverse one since the

ANNEX II to
ISD/165 (Final)

-2-

dispute has historical and geo-political roots. However, both sides seem interested in preventing a further deterioration in state-to-state relations. It remains that the Soviet border forces pose a serious military threat to the PRC even if they appear to remain in a defensive posture. While it is true that the leaders of the PRC need to consolidate their power and that furthermore immediate and domestic problems will reduce in the short term the possibilities for Peking to initiate any significant variation in foreign policy, the evaluation in the long term may be different.

170. China will almost certainly increase in economic, political and military power in relative terms vis-à-vis the USSR. If the Chinese succeed in their newly proclaimed aim of seeking technology and ideas from the outside world then, by the end of the '80s, they could be well on their way to creating a new world power based on ability, technology and resources. The constant nightmare of the Russians will remain the alliance of American and/or Japanese credits and technology with Chinese human and natural resources.

(4) Eurocommunism

171. There is strong opposition to the concept of Eurocommunism which threatens the ideological supremacy of the CPSU. The threat inherent in this concept puts a special complexion on the desire for independence which the European parties had already shown by refusing, together with other Communist Parties, to take sides in the Sino-Soviet dispute, an attitude which consistently weakens the CPSU in its rôle as ideological leader. The abandonment of the proposed World Conference of Communist Parties had already been a defeat for Moscow.