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THE SITUATION IN THE SOVIET UNION AND EASTERN EUROPE

Note by the Secretary General

The attached report on "The Situation in the Soviet Union and Eastern Europe" has been forwarded to me by the Chairman of the Expert Working Group, which met at NATO Headquarters from 11th to 14th March 1980.

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

(Signed) Joseph M.A.H. LUNS

NATO,  
1110 Brussels.

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THE SITUATION IN THE SOVIET UNION AND EASTERN EUROPE

Note by the Chairman of the Expert Working Group

1. Experts from Belgium, Canada, Denmark, France, Germany, Greece, Italy, the Netherlands, Norway, Portugal, Turkey, the United Kingdom and the United States met at NATO Headquarters from 11th to 14th March 1980 to prepare the attached report.
2. This report covers the period from 20th October 1979 to 14th March 1980.

(Signed) M. LEVEQUE

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THE SITUATION IN THE SOVIET UNION AND EASTERN EUROPE

Report by the Expert Working Group

PART I: GENERAL TRENDS AND MAIN EVENTS

1. The period under review was dominated by the Soviet invasion of Afghanistan and its international repercussions. This action led to widespread condemnation of the Soviet Union. New and probably unexpected was the negative impact of the Soviet action in the Third World. East-West relations have been seriously affected. In all, the occupation of Afghanistan by the Soviet Union has to be considered one of the gravest events of recent years.

2. The decision to invade Afghanistan and its repercussions do not appear to have affected the cohesion of the Soviet leadership, with Mr. Brezhnev continuing his dominant rôle. Prime Minister Kosygin has clearly suffered a serious illness and it is doubtful if he will resume his full duties. There have been no significant indications of any change in the relative status of the contenders for the succession to Brezhnev.

3. With regard to the dissidents in the Soviet Union, the major event was the banishment of Professor Sakharov. The Soviet Union's readiness to take into consideration Western public opinion in dealing with its dissidents has declined.

4. The economic performance of the Soviet Union in 1979 was one of the poorest ever.

5. NATO's decisions of 12th December 1979 provoked a strong reaction from Moscow, which has rejected NATO's offer of negotiations. The invasion of Afghanistan plunged US-Soviet relations into the most troubled state in over a decade. The Soviet Union has sought to drive wedges between the NATO Allies by claiming that détente in Europe can none the less be preserved.

6. Moscow's policy in Asia has now concentrated on a damage-limiting operation, without any visible success so far, even in India. The efforts to improve Sino-Soviet relations by way of negotiations have been shelved by Peking after the invasion of Afghanistan. In the Middle East the Soviets have tried to exploit anti-US sentiments among Arab countries and in Iran. The Soviet Union took a critical attitude throughout the negotiations on Rhodesia; the outcome of the elections may have placed the USSR in a less comfortable position than it expected.

7. The East European countries found themselves confronted with difficult foreign policy problems and a generally bleak economic outlook. The foreign policy dilemmas were highlighted by growing East European concern over the future of détente in the aftermath of the Afghanistan crisis.

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8. The main feature of the Polish VIIIth Party Congress was the resignation of the Prime Minister Jaroszewicz.

9. In Yugoslavia the Tito era is coming to an end, causing some uncertainty for the future. The Yugoslavs, however, made clear their determination to protect their independence and to continue the policy of non-alignment.

PART II: THE SOVIET UNION

(a) Internal Situation

Leadership

10. The decision to invade Afghanistan and its repercussions may have placed some strain on the Soviet leadership but they have maintained a united front. There is no evidence that Mr. Brezhnev's status has been affected. His physical performance has shown some improvement in recent months although his stamina remains limited.

11. Neither Mr. Brezhnev's health, nor the prolonged absence of Mr. Kosygin, who recently reappeared on the political scene, have reduced the capacity of the leadership to take major initiatives. It is possible that more responsibilities are being delegated to other Party leaders whose influence on policy-making may be rising.

12. There have been no significant developments ostensibly affecting the relative status of the contenders for the leadership.

13. At the November Central Committee (Plenum) Tikhonov, the First Deputy Prime Minister (a close associate of Brezhnev) was promoted to full membership of the Politburo and Gorbachev the Party Secretary for Agriculture to candidate membership. The reason for the removal in January of Kirillin, a Deputy Prime Minister and Chairman of the State Committee for Science and Technology, which was announced on the same day that Academician Sakharov was evicted from Moscow, is not clear. He may have opposed this action which could jeopardize Soviet contacts with the West in the field of science and technology. But he may also have been held responsible for the failure to apply the results of scientific research more quickly and effectively to industry.

Dissident Movements

14. There has been a considerable build-up since last Autumn in the pressure exerted on political, religious and cultural dissidents. Soviet concern to avoid any incident during the Moscow Olympic Games has been a contributory factor. The deterioration in East-West relations, particularly Soviet-United States relations and the Afghan affair may also have played a part in this development. There have been more than forty arrests since October 1979 especially among the best known figures in the human rights movement. Harsh action has also been taken against the religious movements.

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15. The exile to Gorki, which is out-of-bounds to foreigners, of Academician Sakharov, the world-famous spokesman for the human rights movement, is the most spectacular of the measures taken by the Soviet leadership to combat internal opposition.

16. While the dissident movement in general and the human rights movement in particular have been hard hit by the heightening of repression, they have by no means been killed off. The religious and nationalist movements in particular are still active. In addition, new dissident groups have appeared representing the disabled, the deminist movement, and trade unionists all of whose claims are mainly of a social nature.

Emigration

17. The number of Soviet Jews given permission to emigrate in 1979 reached a record level of more than 50,000. However, after an all-time monthly high in October of over 4,800 emigrants, the monthly totals dropped 30 per cent in November. Emigration levelled off in December and January, but the decline then resumed in February, reaching a low of 2,868.

18. Emigration authorities in some parts of the USSR - especially in the Ukraine - are reportedly tightening requirements for exit visas, limiting them to applicants with invitations from immediate relatives abroad. Withdrawals of visas already issued are also reported.

19. Although the decline in emigration which began last November may have reflected disappointment over the delay in the ratification of SALT II, the most recent cutbacks and restrictions could reflect the effects of the deterioration of the international climate in general and the severe exacerbation of relations between the US and the USSR in particular following the Soviet military intervention in Afghanistan.

20. The downward trend in the family reunification of ethnic Germans from the Soviet Union accelerated in 1979. The totals for 1979 were 7,300 against 8,600 in 1978 and 9,300 in 1977. This development is all the more puzzling as the state of bilateral relations between the Federal Republic of Germany and the USSR were on the whole satisfactory.

Religious and Nationality Issues

21. The turmoil in the Islamic world beyond the USSR's Southern borders has so far had no discernible impact on the Muslims of the Soviet Central Asian Republics. The use of Central Asian troops in Afghanistan suggests that the Soviet leaders themselves estimated the immediate risks of religious contagion to be low compared with the logistic and other advantages of using such troops.

22. There have been several developments reflecting continuing nationalist unrest in the Baltic Republics. These include a demonstration by several hundred Estonians in Tartu on the 60th anniversary of Estonian independence; public condemnation of the Soviet invasion of Afghanistan by a group of Baltic activists; and the claim that 35,000 signatures have been collected on a petition calling for Lithuanian independence from the USSR.

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(b) Economic Situation

23. Soviet performance in 1979 was the worst for many years, with disappointing results both in agriculture and industry. National income growth was less than 2%. Industrial output increased by only 3.4% (against a target of 5.7%) and most major targets were unfulfilled. Output of oil, coal, steel, chemicals, fertilizers and various building materials was below plan or even below 1978 achievements. Natural gas output rose by 9% and was the only bright spot in the energy sector. Agricultural output fell by 4% as a consequence of the poor 179 m tons harvest and the stagnation in meat and dairy production following the large (235 m tons), but low quality 1978-harvest. A shortage of resources forced investment growth down to 1% (against a target of 4.5%). With food and various industrial products also in short supply, consumption may have suffered a similar fate, although a 3% growth in per capita real income was officially reported.

24. The bad economic performance was a major point at the November Central-Committee Plenum. Brezhnev sharply criticized by name nine Ministers responsible for transport and a major part of industrial production, pointing to inertia and low productivity. Although Brezhnev also appealed for more local initiative and responsibility, the main instrument to improve efficiency will not be decentralization, but the implementation in 1980-81 of a decree which could expand the rôle of economic levers at enterprise level but without abolishing central control of any major item.

25. Work on the 11th five-year plan and on long-term energy and transport plans is still going on, and official information on future plans and prospects is still very limited. However, some Western observers forecast that Soviet GNP will grow only by 2-3% annually through 1985. Investment in agriculture, nuclear energy, and Siberian oil and gas will take a considerable part of the 1981-85 increase in available resources. The long-term 4-5% annual growth in defence expenditure is unlikely to come down, particularly with a continued Soviet presence in Afghanistan and a lack of progress in arms limitation negotiations. This would leave a very moderate growth in consumption for the next five-year period.

26. In 1979 Soviet foreign trade with Socialist partners rose by approximately 10%, partly due to higher Soviet export prices. Imports from developed Western countries rose somewhat due to substantial purchases of grain and machinery. High world market oil prices generated a substantial increase in hard currency revenue, reducing the trade deficit with the West from \$4 billions in 1978 to approximately \$2.5 billions in 1979, and will probably bring a surplus in trade with the West in 1980. High gold prices and continuing arms sales will also strengthen the Soviet external financial position significantly in the medium term.

27. The limitations on grain sales imposed by the United States after the Soviet invasion in Afghanistan will lead to a short-fall of the order of 5-10 million tons in the agricultural year 1979-80. The impact on meat production will not be felt immediately, and since the Soviet Union also might have the option to increase meat imports, the

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effects of the embargo may be limited. However, if the Soviet Union suffers another bad harvest, or if COCOM restrictions are sharpened and the general United States ban on high-technology exports is maintained for a prolonged period, the Soviet economy could suffer in the longer run.

PART III: FOREIGN POLICY OF THE SOVIET UNION

28. The Soviet invasion of Afghanistan has overshadowed all else since late December. The USSR has found itself even more deeply committed to ensuring the survival of a régime that has been progressively disintegrating. The invasion was primarily an effort to deal with critical problems within Afghanistan, but broader issues influenced the Soviet decision and broad consequences within the region and beyond it have flowed from it. The Russians have nevertheless so far shown themselves determined to accept the costs of remaining in Afghanistan so long as the only alternative open to them would be a humiliating collapse of a pro-Soviet régime in Kabul.

(a) Relations with the United States

29. The invasion plunged Soviet-US relations into their most troubled state in more than a decade. Even before the invasion relations had been deteriorating. Kremlin suspicions had been aroused, for example, by Senate delays in ratifying the SALT II Treaty, the debate over the Soviet Brigade in Cuba, and the United States policies towards defence spending and China.

30. Soviet fears for the fate of SALT II mounted steadily during the fall. The closeness of the Senate Foreign Relations Committee vote in favour of SALT (9-6) raised Soviet apprehensions that the Administration would not make sufficient effort to ensure its adoption. The president's request, in the aftermath of the Afghan invasion, that the Senate defer consideration of the Treaty was seen by the Soviets as a confirmation of their fears. Moscow has however recently taken the position that it will do nothing to violate or act against the provisions of the Treaty, but neither will it take actions called for in the agreement, such as dismantling missiles.

31. The proposed 4.5% increase in US military spending and Washington's push for modernization of Western nuclear forces in Europe continued to attract Soviet opprobrium, commentators arguing that such policies contradict United States avowed commitments to arms control and SALT. In that environment, the granting of most-favoured-nation status to the PRC, the January visit of Defense Secretary Brown to Beijing and agreement to sell China military support equipment intensified long-standing Soviet apprehensions of United States-PRC military co-operation.

32. The Soviet reaction to the President's State-of-the-Union Message was harshly critical. The USSR appears to have been caught off guard by the embargos on high technology and grain (above the 8 million metric ton ceiling of the long-term grain agreement); the proposed boycott of the Moscow Olympics; and the military measures. So far they

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have reacted chiefly in bitter propaganda rhetoric. Despite the curtailment of major scientific and cultural exchanges, both sides have sought to maintain low-level contacts and the Soviet Union does not seem to wish to retaliate in general in these fields. The chief expression of a Soviet military response was a rather sharp increase in its naval presence in the Indian Ocean.

(b) Relations with European Countries

33. In developing its policies after the Afghanistan intervention, the Soviet Union hopes to pursue détente on its own terms, and in particular, to differentiate between Europe and the United States, but has not so far demonstrated an ability to develop different policies in concrete terms. The Soviet approach to TNF has proved a case in point. Their propaganda campaign has not coped effectively with the NATO 12th December decision to deploy such systems. Rather than accepting the NATO offer of discussions on arms control, the Soviets restricted their freedom of manoeuvre by presenting the United States and its NATO Allies with a demand for a definite and officially announced decision to suspend implementation before talks on medium range nuclear weapons could be held. They have as yet shown no real sign of wishing to encourage détente in a practical sense by significant new initiatives on other aspects of disarmament and arms control, e.g. MBFR, CTB, etc.

34. It is yet to be established whether the USSR will try to restore a necessary degree of confidence for a useful Madrid CSCE Conference, though they and their East European partners appear to have decided to maintain their stress on "military détente" and the value of the CSCE process in general. The Scientific Forum in Hamburg turned out to be an encouraging step in the CSCE process.

35. The Soviets are probably waiting to see how Western policies will develop before deciding on their own. In the meantime, they have taken some steps to restrict the West from pursuing different policies towards the East Europeans from those towards the USSR, inducing their Warsaw Pact allies to cancel a number of planned high-level exchanges with Western countries. At the same time, however, Eastern European voices have been raised in favour of détente, no doubt with Soviet encouragement.

36. The Soviet Union has to take account of the fact that in the present East-West conflict situation, the policy of the West European countries reflects their Alliance membership and common interests. It is therefore difficult for the Soviet Union to drive wedges, which may account in part for recent renewed press attacks on various Western European countries.

37. The situation in and around Berlin has remained essentially calm. In particular, the Berlin problem has so far been kept out of the ramifications of the Afghanistan crisis.

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(c) Soviet Policy in the Middle East

38. The Soviet Union remains determined to exploit opportunities arising from the Arab-Israeli and Iranian situations to divert attention from its Afghanistan adventure, and to increase anti-US feeling in the region. A further consideration would be to ensure that the Soviet Union is not entirely excluded from a peaceful settlement of the Middle East conflict. Despite some successes such as the Friendship Treaty with the PDRY and expanded contacts with Syria and the YAR, the results have been limited. Furthermore the Soviet Union was unable to develop significant initiatives of its own, particularly following the sharp reaction of Muslim countries to the intervention in Afghanistan. Indeed, after the UN vote of condemnation and the Islamabad Conference Soviet efforts have been directed towards mending fences with the Arab world.

39. In response to the Egypt-Israeli Treaty, Moscow continues to rely chiefly on support for the position of the Arab rejectionist States and the PLO, and to insist that Egyptian support for the Treaty is a betrayal of the Arab cause. However, its efforts achieved minimal rewards. Furthermore, Soviet relations with Egypt suffered a further blow with President Sadat's announcement of a drastic reduction of the Soviet Embassy in Cairo and the expulsion of the remaining technicians in Egypt. Soviet-Iraqi relations were placed under a further strain by the events in Afghanistan.

40. With regard to Iran, Moscow's Afghanistan calculations probably involved a judgment that as long as Khomeini remained on the scene there was little chance of an improved Soviet relationship with that country. At the same time the US would be unable to exploit anti-Soviet feeling in Iran. Soviet efforts to curry favour in Tehran have met little success and the Iranian leaders remain suspicious of the USSR. Nevertheless, the Soviets continue to advise the Tudeh Party to give public support to the Khomeini régime. At the same time Soviet propaganda consistently defends the national minorities while cautioning patience and restraint lest precipitous action play into the hands of "reactionary and counterrevolutionary" elements.

(d) Soviet Policy in Asia

41. The continuing Soviet preoccupation with the "threat" of China has aggravated Moscow's relationships throughout Asia, particularly with the Asean States where security concerns have recently tended to focus upon Soviet-supported Vietnam's ambitions in Indo-China rather than upon China. The invasion of Afghanistan alarmed all the non-Communist countries of the area, as well as Communist China, which suspended the Sino-Soviet talks (and the Sino-Vietnamese talks).

42. Predictably, the Kremlin seized upon Secretary of Defense Brown's trip to China and the Pakistan visits of Chinese Foreign Minister Huang Hua and National Security Adviser Brzezinski to escalate its public charges of Sino-US "collusion" and of long-standing Sino-US interference in the internal affairs of Afghanistan.

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43. Moscow meanwhile continued to give unqualified support in public to Vietnam's continuing military presence in Kampuchea and to rally support for the Heng Samrin régime.

44. Soviet expectations of a quick improvement in relations with India following Indira Gandhi's election victory have yet to be realized. Moscow was evidently encouraged by its refusal to condemn the invasion of Afghanistan outright, but Foreign Minister Gromyko failed to obtain an Indian endorsement of the Soviet position on that issue during his visit to New Delhi, 12th-14th February. By warning Pakistan and wooing India, the Soviets are at present endeavouring to prevent the establishment of a US-Pakistani-Chinese de facto alliance or at least to counterbalance it by the inclusion of India into a Soviet-Afghan community of interests. In doing so, they are trying to exploit India's traditional fears of China and Pakistan as well as India's claim to the rôle of a leading power in the region.

45. Afghanistan has now become an important factor in keeping Soviet-Pakistan relations off balance, particularly given the presence of large numbers of Afghan refugees in Pakistan near the Afghan border. Moscow's current approach has been to keep Pakistan sufficiently uneasy to discourage significant support for the Afghan insurgents or too close an alignment with the US or China in that context. At the same time, it has tried to encourage Pakistan to leave the "Soviet option" open in its calculations of foreign policy strategy.

46. In recent months, Moscow has been downplaying the theme of a burgeoning "Washington-Tokyo-Beijing axis" in favour of a low-keyed approach to Japan emphasizing economic ties, exchanges and consultations with a broad range of Japanese leaders. However Japanese concern over Soviet military activity in Asia (including Vietnam) has been intensified by the invasion of Afghanistan and the prospects for early improvements in bilateral relations are not promising.

(e) Soviet Policy in Africa

47. There have been no significant changes in Soviet activities in Africa. The main objective of the Soviet Union has been the consolidation of positions previously gained. However, the USSR appears to have lost the initiative in a number of areas and has, therefore, become dependent on the evolution of events which it does not control. The invasion on Afghanistan, condemned in the United Nations by the vast majority of African States, may have created additional difficulties for new initiatives in the near future.

48. The Soviets continue to place great emphasis on their ties with Ethiopia, although they may not be entirely satisfied with the situation there. Military difficulties seem to persist, and an offensive intended to crush remaining guerilla outposts in Northern Eritrea was abandoned after the rebels defeated a force of Ethiopian troops. On the political front, the most important development was the December announcement of a plan for the formation of a commission to establish an Ethiopian Marxist-Leninist political party, which the Russians have long been advocating.

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49. Soviet comment was critical regarding the Lancaster House agreement on Rhodesia, sometimes adopting positions out of line with those of the Patriotic Front and "front line" States which favoured the settlement. Against this background, the outcome of the elections, the new Government in Salisbury, and Robert Mugabe's conciliatory statements may have placed the Russians in a less comfortable position than they expected.

50. Confirming previous reports, President Kaunda has announced that Zambia will be receiving sizeable deliveries of Soviet military equipment. It remains to be seen, however, if an increase of Soviet political influence in Lusaka will follow. Relations with Angola have not changed significantly. The country's new President, Jose Eduardo dos Santos, seems to be leaning on Soviet support to offset his internal weaknesses. Neto's attempt to improve relations with the West, have however continued. Soviet support for Polisario has become more apparent, with Moscow publicly subscribing to the view that the Polisario is the sole representative of the people of Western Sahara.

PART IV: RELATIONS BETWEEN COMMUNIST COUNTRIES AND PARTIES

51. The Foreign Ministers' and Defence Ministers' Committees of the Warsaw Pact convened separately in East Berlin and Warsaw in early December. Both Committees endorsed the Brezhnev TNF proposals and warned that a decision to modernize NATO LRTNF "would destroy the basis for negotiations". The Foreign Ministers' Committee renewed its May 1979 proposal for a conference on "military détente and disarmament in Europe", and suggested scheduling a multilateral preparatory meeting in the first half of 1980. The Foreign Ministers urged that the CSCE meeting in Madrid adopt a decision to hold such a Conference and that it cover Confidence-Building Measures (CBMs) and arms reductions, with the first phase of the Conference devoted to CBMs. They called for more intensive preparations for the Madrid meeting, which should give "a fresh impetus to the realization of the Helsinki Final Act" as an integral whole.

52. The Communiqué noted that plans for observing the upcoming 25th Anniversary of the signing of the Warsaw Treaty had been discussed. It is not yet clear whether this Anniversary will be marked by more than routine ceremonial. However, the formulation used in the Communiqué could serve to launch a new peace propaganda initiative with a view to offsetting the damage to détente resulting from the Soviet invasion of Afghanistan. That invasion cut across the interest in détente of the East European allies of the Soviet Union and while they all eventually endorsed Soviet policies, except Romania, they did so with varying degree of enthusiasm. Soviet attempts to reinforce cohesion within the Warsaw Pact have so far produced uneven results, although there is little evidence that the Russians have yet insisted on strict discipline.

53. As far as CMEA institutions are concerned, no new developments have emerged. In October, the CMEA Executive Committee approved agreements and other co-operative measures which must be completed in draft before the next annual session in Prague in June 1980.

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Negotiations on bilateral trade agreements for the 1981-85 trade period have been intensified. The question of Soviet oil deliveries to other CMEA member countries and possible drastic increases in present prices have become the subject of intensified negotiations with the CMEA. At its January meeting, the Executive Committee submitted recommendations to member countries on the determination of contract prices applicable to the intra-CMEA trade agreements of 1981-85. The Communiqué from the Executive Committee meeting criticized the West for using economic sanctions against "Socialist" countries for political purposes (i.e. Afghanistan).

54. At the inter-party level, an international conference was held in Hungary on 11th-14th December, with representatives from 29 Communist Parties for informal discussions of relations with Socialists and Social Democrats. The Yugoslav, Albanian and Maltese Communist Parties were not represented, while the others sent representatives of uneven seniority and standing. The meeting focussed on the concluding document of the 1976 Berlin Conference of European Communist Parties as the basis for "concrete forms of joint action" with Social Democrats.

PART V: THE SITUATION IN THE MEMBER COUNTRIES OF THE WARSAW PACT

55. All countries of the Warsaw Pact have been faced with growing economic difficulties. Slower economic growth, stagnation in real incomes, barely concealed inflation, energy supply difficulties and housing problems have further increased dissatisfaction among the population. Appeals to increase productivity, to save energy and to curtail consumption have had little effect.

56. The intervention in Afghanistan, which the Soviet Union carried out apparently without consulting its allies, has clearly caused concern in Eastern Europe regarding the setback for détente. The Soviet action could have serious effects both at the State and individual levels. Warsaw Pact allies, with the exception of Romania, gave varying degrees of verbal support to the Soviet intervention according to their perceived freedom of action. They are concerned that the Soviet action will jeopardize the benefits of détente which have been obtained, not without difficulty, over the past several years. This, together with the possibility of increased defence spending, could further slow down the growth of national economies and could have a negative effect on the population's standard of living.

57. In spite of expected economic difficulties, no fundamental changes are expected in the domestic political situation of the Warsaw Pact countries in the short term, particularly as the State security apparatus will likely be strengthened during a period of international tension.

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(a) Political Situation

Bulgaria

58. Bulgaria's relations with Yugoslavia have been a little quieter than in other periods. Although polemics over the long-standing Macedonian dispute continue, both sides take pains to give the impression that they can nevertheless work their way around this problem to improve their relations in other fields.

Czechoslovakia

59. In the CSSR, a weak leadership remained politically immobile because of divergencies within the Party. The power of the parallel structure of bureaucracy and the Security Service has grown. The average Czech has repented through resignation into private life.

60. The harsh sentences of imprisonment imposed on the leading members of Charter 17 deprived the movement of part of its active core; but the régime failed to strike the hoped-for paralysing blow. Unmoved by vigorous protests in the West, the régime has continued massive repression of the dissidents.

GDR

61. The leadership situation continued to be largely stable. The dominant rôle of General Secretary Honecker is not endangered.

62. The containment of Western influence continued to be a main task for the authorities. In addition, the leadership has tried to conceal the ill-humour of the population by a propaganda campaign, first in connection with the 30th Anniversary of the GDR (when a number of political prisoners were amnestied) and afterwards, the Brezhnev proposals of 6th October 1979. The limited withdrawal of Soviet forces since December 1979 has also been accompanied by a massive propaganda campaign. Only the policy vis-à-vis the churches has been excluded from the increasingly restrictive domestic policy line so far.

63. The GDR gave very strong vocal support to the Soviet invasion of Afghanistan but subsequently showed increasing signs of uncertainty. The GDR is probably aware of the possible negative effects on its own standing in the Third World; notably, it had to defend the Soviet more at the United Nations as a newly-elected member of the Security Council.

64. In the face of the crisis in Afghanistan, the GDR is trying to maintain stable relations with the Federal Republic of Germany and other West European countries.

Hungary

65. Although elections for all important posts in the leadership of the Party on national and local levels are due to take place in the period before the XII Party Congress on 24th March, no major changes are expected.

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66. As concerns the dissident movement in Hungary, there are signs that the Hungarian authorities have reacted a little more strongly than before to protest letters to the Hungarian leaders over the dissidents' trial in Czechoslovakia, which is possibly due to Soviet or even Czech pressure.

Poland

67. At the VIII Congress of the PUWP, Gierek's position was further strengthened by the appointment as Prime Minister of Edward Babiuch, who enjoys his full confidence. A unity of the Polish leadership thus seems to have been achieved which has not existed since Gierek's assumption of power in 1970. Prime Minister Jaroszewicz, whose resignation had been expected for some time - although not at the Congress - was removed in a quasi-democratic manner.

68. The position of the Church in Poland continues to be strong. At the Party Congress, Party Chief Gierek expressly pointed out the Pope's action for peace and détente in Europe. In order to secure domestic stability he continues to seek the support of the Church, which plays a fundamental rôle for national unity.

69. Party and Government have continued their policy of limited toleration of dissidents which they believe to be a better method to cope with the problem than the Czech model of harsh repression through use of the police and the courts. However, the Polish leadership cannot remain inactive vis-à-vis the growing self-confidence of the dissidents if there should again be major demonstrations in Warsaw or other Polish cities.

Romania

70. The major domestic political event during the review period was the XII Congress of the RCP. Apart from the unexpected attack on Ceausescu by Constantin Pirvulescu, it was a well orchestrated affair and served to underline Ceausescu's firm grip on the reins of power. Although there were several changes in the Party hierarchy, no changes in domestic policy are expected. The increased importance of the Socialist Unity Front, (renamed the Socialist Democratic and Unity Front) as a rallying point for non-party members, should also strengthen Ceausescu's and the Party's control over domestic developments.

71. In the foreign policy field, Romania was the only Pact country which refused to endorse the Soviet intervention in Afghanistan. It has, moreover, made determined efforts to promote high level contacts not only with the West but major Third World countries, as a means of maintaining the process of détente and meeting the threat to its limited autonomy in foreign affairs. Gromyko's unexpected visit to Bucharest was clearly designed to put pressure on the Romanians who, however, have maintained their basic position.

(b) Economic Situation

Bulgaria

72. Although the world economic situation did not leave the Bulgarian economy unaffected, modest successes were achieved in 1979. National income rose by between 6.5 and 7.2% and agricultural production rose considerably, cereal production by 800,000 tons.

Czechoslovakia

73. The economic situation of the CSSR remained unchanged. While national income was planned to grow by 4.3 per cent in 1979, actual growth was 2.8 per cent. This is the lowest rate of increase in the past 15 years. Plan targets were not achieved in many industrial branches. Agricultural production decreased in 1979 so that the CSSR will have to import about 2 million tons of cereals this year.

74. Obsolete facilities, an inefficient economic structure, waste of energy and raw materials, low work morale and productivity as well as cumbersome and incapable management have remained the most striking features of the economy. In spite of official praise for the Ler experiment, it does not appear to have produced any significant results.

Hungary

75. The state of the economy has deteriorated in 1979. Plan targets were lowered but they were still not met. Prices of basic commodities were increased considerably. As wages were not raised at the same rate, living standards of the majority of the population declined. On the other hand, increased export to Western countries (14 per cent in 1979) have reduced the trade deficit.

Poland

76. The Polish economy continued to stagnate in 1979, with national income falling by 2%. Industrial production exceeded 1978 output by only 2.6%. Agricultural output fell by 2% mainly because of the poor grain harvest which dropped to 17.2 million tons. Poland will have to import about 9 million tons of cereals in 1980.

77. During 1979, Poland somewhat reduced its trade deficit with Western countries. Still, the country's hard currency debt is increasingly a cause for concern: at the end of 1979 it amounted to about 18 billion dollars. Accordingly, Poland will require, for the medium term, the extension of existing credits or fresh financing.

Romania

78. The economic situation remains a central issue for the Romanian leadership. Energy problems lie at the root of current difficulties to fulfil plan targets in the fields of industrial production, agriculture, investments and foreign trade. Declining domestic oil production and reduced access to Iranian supplies have forced Romania into hard currency markets. A recent agreement with the Soviets could lead to some dependency in the energy field. With respect to the 81-85 Five-Year Plan, targets have been lowered but will continue to remain the highest of the Pact countries.

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PART VI: THE SITUATION IN YUGOSLAVIA AND ALBANIA

(a) Yugoslavia

79. President Tito's illness has marked the beginning of a new era which presents uncertainties. However, the country has been carefully preparing itself for some time to meet the situation that will arise after his demise. Preparations have been based on the principle of collective leadership which, because of Yugoslavia's ethnic, economic and religious mosaic, appears to be the only practicable system of government, at least for the time being.

80. As to the international scene, the Soviet intervention in Afghanistan aroused apprehensions in Belgrade, where it was also seen in the context of a more general deterioration of the international situation which could weaken or endanger the main features of Yugoslavia's foreign policy - non-alignment and equidistance vis-à-vis the alliances - or damage the process of détente.

81. In addition to a spectacular increase in political contact with Western countries in the first two months of this year, Yugoslavia also endeavoured at the same time to continue the dialogue with the WP countries (Prime Minister Djuranovic in the GDR, First Vice-Minister of Foreign Affairs Pesic in Moscow, Party contacts with Poland, Romania and Bulgaria). At the same time, Yugoslav political leaders have made various declarations which aim to give a clearer and more complete articulation of the positions and the interests of Belgrade, taking care not to give a pretext for pressures from the Soviet Union. For these reasons, Belgrade is working for an extraordinary meeting at Ministerial level of the non-aligned movement, for a more direct and larger rôle for the United Nations, and supports the idea of a declaration on non-interference in internal affairs and against the use of the force in general.

82. In the economic field, which in the present situation is of outstanding importance to political stability, high rates of inflation, low productivity and high unemployment will continue to be a source of serious concern to the Yugoslav authorities. Belgrade continues to look for more intensive economic contacts with the West, as demonstrated by the agreement for co-operation with the EEC, initialled in Brussels at the end of February.

(b) Albania

83. Further evidence of Albania's traditional hostility towards the major powers has been provided by its stand over Iran and Afghanistan. Although basically unwilling to change its foreign policy, Albania made some effort to move from its self-imposed isolation.

84. As far as Western countries are concerned, the Trade Ministers of Greece and Turkey visited Tirana and their Albanian counterpart went to Rome and Ankara. Germany and the United Kingdom had contact with Albania regarding the possible resumption of diplomatic relations. A small number of Albanian students are to be found in France, Austria, Italy and Sweden.

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85. However, there was no Albanian participation in a meeting of communications and telecommunications experts of the Balkan countries held in Ankara as a means to boost sluggish Balkan co-operation. A scheduled air service between Tirana and Rome has just been started.

86. Regarding Albanian relations with Socialist countries, there has been a distinct tendency to improve relations with Yugoslavia. Commercial exchanges in 1979 reached the value of about \$80 million (as compared to \$60 million in 1978), thus making Yugoslavia Albania's top foreign commerce partner. The Yugoslav Trade Minister visited Tirana last October. Co-operation in the cultural field has intensified with the Kossovo authorities; an agreement on building a railway line between the two countries was recently ratified, and Yugoslavia was given renewed public assurances that she can count on Albania, should she be invaded by the USSR. A plausible explanation for the conciliatory attitude of Albania may be that after Tito's demise Yugoslavia may fall under direct or indirect Soviet control and thus bring the USSR to Albania's threshold.

87. The internal situation has hardly changed. The aging Hodja-Sehou tandem hold power firmly in their hands. Economic conditions remain almost primitive. But with a population giving no signs of discontent, Albania is likely to remain for a long time to come a political anachronism in Europe.

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