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ORIGINAL: ENGLISH/FRENCH
6th November, 1959

NATO SECRET
WORKING PAPER
AC/119-WF(59)117

COMMITTEE OF POLITICAL ADVISERS

THE SITUATION IN EASTERN EUROPE

Draft Report by the Expert Working Group

PART I: GENERAL

In recent months, the development of domestic stability and economic progress, particularly in industry appears to have continued in the Eastern European bloc countries. The stresses and strains resulting from forcing the pace of "socialisation" have been kept within tolerable limits and have not seriously threatened régime objectives. Basic weaknesses, however, remain. In spite of jubilant statistics, life in the people's democracies remains difficult. Their populations are still apparently by no means convinced of the superiority of Socialism, and resentment against Soviet hegemony continues.

2. The East European "People's Republics" have been closely associated with the efforts exerted by the USSR to obtain the withdrawal of Western troops from Berlin, the signing by the Western Powers of a peace treaty giving "de facto" recognition to the "German Democratic Republic" and the creation in Central Europe of a zone of reduced armaments, to include Federal Germany.

3. A new propaganda offensive against Federal Germany has been launched in all the capitals of Eastern Europe, especially Warsaw and Prague, aimed at representing the USSR as the only great power ready to guarantee the present frontiers of Poland and Czechoslovakia and the Soviet Government's policy in respect of the People's Republics as the only one in line with the national interests of these countries.

4. In September, the tour of the United States by the Chairman of the Soviet Council was hailed in the Socialist group of countries as a triumph for Soviet diplomacy and the start of a new and durable era of détente between East and West. Care was taken in this propaganda to avoid giving the impression that this détente proceeded from a desire for conciliation on the part of the West. It sought to accredit the idea that the spectacular achievements of the USSR in the scientific and technical fields and the growing strength of the Socialist camp had come as "eye-openers" to the Western leaders who now found themselves obliged to negotiate on

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Berlin, the peace treaty and disarmament.

5. Despite the enthusiastic reception accorded to Khrushchev's US visit and his disarmament proposals, there were indications that régime leaders in the more orthodox satellites had reservations about the possible effect of a genuine East-West détente on the internal situation in their countries.

6. Appropriate initiatives in support of bloc foreign policy have been taken by various satellites, notably renewed proposals for a conference of Balkan Prime Ministers (Roumania) and for a Baltic "Sea of Peace" (Soviet Zone of Germany); Bulgaria also proposed a 20-year non-aggression pact with Greece.

7. The satellites have continued to play their part in Soviet policy towards the uncommitted and under-developed countries (1). The People's Republics have focused their efforts on Iraq and Guinea multiplying with these two countries their relations at State level. Regular contacts have also been established with the Iraqi Communist "front" associations which seek popular support. Pankow has opened a Consulate General in Cairo, but the UAR Government have officially denied that this signifies recognition on their part.

8. Substantial gains have been recorded by the various régimes in their efforts to force the pace of socialisation and thus attain at least the outward forms required for their "transition to socialism" by 1965. A tightening of Party controls has been a necessary means towards this goal. The emphasis on this advance toward socialism, noticeable particularly since the Twenty-first Party Congress, has not prevented the Soviet Union from tolerating, and even endorsing, considerable divergencies in approach to the common socialist goal. Poland received Khrushchev's explicit endorsement of its gradualist approach to collectivisation. Stalinist policies pursued by other régimes have, however, similarly received Moscow's blessing, thereby demonstrating Khrushchev's essentially pragmatic approach to Eastern Europe, even though it is combined with insistence on ideological conformity. The visits of Mr. Khrushchev to various bloc states were intended to confirm both the positions and the policies of the present leadership in those countries.

9. Consolidation of the régimes has helped the satellites in carrying out their ambitious economic programmes, and this in turn has helped stabilisation of the régimes. In industry, almost all of the satellites have registered substantial advances, though not all goals have been reached. Even in agriculture, favourable growing conditions resulted in generally good harvests, though food supply difficulties plagued several of the régimes. Development in this sector continues to lag substantially behind that in industry.

10. The Council for Economic Mutual Assistance (CEMA) has continued to be emphasised in the co-ordination and consolidation of intra-bloc economic ties. Comecon held its Twenty-first Session

(1) The part which the satellites play in the bloc efforts to penetrate in the less-developed regions by economic means is discussed at annex.

in Tirana. Its decisions concerned the increased production of fuel and metals for the electric power industry (interconnection of the national networks) and the division of work between the member countries to be operated in the chemical and engineering industries. Work was reported to have begun in September on the pipeline bringing oil from the Volga fields to Poland, East Germany, Czechoslovakia and Hungary. The countries concerned are responsible for completing out of their own resources the sections passing through their territory, with all sections to be finished within three or four years.

11. Several of the satellite régimes have intensified their harassment of the churches and have stepped up anti-religious propaganda. At the same time, there has been increased pressure for conformity on the part of artists and intellectuals. Following the Soviet example, some of the régimes also introduced or further developed their own plans for polytechnic education. In addition to improving régime controls over the people, all these measures seemed designed to give substance to the "socialist" framework and to further the development of the "socialist man".

12. Poland's unique position in Eastern Europe was re-affirmed during Khrushchev's July visit to Poland when he explicitly endorsed the Polish régime and its considerable differences from current bloc practice in domestic affairs. Gomulka continues to adhere closely to the Khrushchev line on all major foreign policy issues, particularly the German question.

13. The East German régime has strengthened its position externally and internally in recent months. Party factionalism has now been virtually eliminated; the high rate of industrial development has been maintained; and Pankow's efforts to fulfill Soviet plans for its closer integration into the bloc and for the enhancement of its international status have met with some measures of success. Despite its improved external and internal position, the Ulbricht régime's destiny is inextricably tied to the problem of a German settlement, and thus East Germany remains in a relatively weaker position than Moscow's other European satellites.

PART II: COUNTRY STUDIES

YUGOSLAVIA'S RELATIONS WITH THE SOVIET BLOC

14. In major policy statements, attacks on Yugoslavia were dropped in April after a year of increasingly shrill polemics. Other developments since then indicate that the USSR and some Eastern European bloc countries are trying to normalize state relations with Yugoslavia. Party relations, however, have continued to be virtually non-existent, and the bloc's battle against "revisionism" has gone on unabated.

15. The emphasis of bloc criticism of Yugoslavia has shifted to the organization of the Yugoslav economy. The contention that the Yugoslav economy was going through a crisis was weakened by Yugoslavia's excellent harvest. In general the Yugoslavs have yielded no ground in their controversy with the bloc, while being careful to avoid provocation of the Soviet Union. They have continued to treat Communist China as the main instigator of the anti-Yugoslav campaign. In July, Vukmanovic spoke of the "revisionist perversion of Marxism" taking place in China, and pointed out that this "perversion" was ignored by other socialist countries, which should therefore be able to maintain good relations with Yugoslavia.

16. In reply to the Soviet greetings on the 40th anniversary of the Yugoslav Communist Party, the Yugoslavs intimated that differences could be settled by discussions "on the basis of full equality and mutual respect". Khrushchev's visit to Albania in May occasioned a halt in the anti-Yugoslav campaign, and the Albanian-Soviet communiqués referred to the willingness of both sides "to continue developing relations with Yugoslavia on the basis of mutual respect, equality and non-interference in each other's affairs". Since then, Yugoslavia has been virtually ignored in the Soviet press. The Yugoslavs, for their part, have maintained a sceptical attitude while refraining from direct criticism of the Soviet Union.

17. In the economic field, there has, in fact, been a limited improvement in Yugoslav-bloc relations. Nevertheless, Yugoslavia's request for observer status was rejected by CEMA in April, and negotiations over postponed credits have failed with Czechoslovakia, and remain inconclusive with the USSR.

18. The positions adopted by Belgrade on the major problems raised by East-West relations - the German question and disarmament - are very similar to Moscow's. Tito has also endorsed Khrushchev's plan for a nuclear-free zone in the Balkans and the Adriatic. (He had himself put forward a similar plan in February 1958.). Tito, moreover, supported Khrushchev's efforts to bring about a summit conference, and welcomed his visit to the United States.

19. Furthermore, the Yugoslav leaders continue to develop their good relations with the countries of Africa and the Middle East which have acceded to independence. They are accused by Soviet bloc propaganda of trying to make these countries suspicious of the initiatives of the USSR and the people's democracies, and even of attempting to promote a kind of "Arab Communism" independent of the Soviet-directed international communist movement.

20. Soon after Khrushchev's visit to Albania, Bulgaria and Albania renewed their polemics against Yugoslavia, concentrating on local issues. Both Albania and Yugoslavia staged trials of spies and "diversionists". Yugoslav relations with Czechoslovakia remain aloof, but there has been a relaxation of tension with Hungary and Rumania. Intergovernmental relations with Poland are cordial and improving.

21. Tito has often said that Yugoslavia wants good relations with the bloc. But he and other Yugoslav spokesmen have repeatedly made it clear that they would not permit any interference in the way they "build socialism", or in their foreign policy. In view of the uncompromising positions held by Yugoslavia and the USSR, there seems little reason to believe that either would be willing to modify its policies to the extent necessary for more than the present limited détente. The continuing ideological battle could at any time overflow into other fields (as it has done in Albania) and adversely affect state relations. It is more probable, however, that Khrushchev will try to maintain the détente in state relations between Yugoslavia and the bloc for at least as long as he maintains his current campaign for peaceful co-existence in the world.

POLAND

22. Since 1956 Poland has been in a special position within the bloc. In spite of the lengthy process of re-adaptation directed by the Communist leadership, there still remain essential contracts between Poland and the other satellites in the domestic sphere. Those features of policy which are peculiar to Poland received explicit approval from Khrushchev during his visit in July. On major foreign policy issues Gomulka continues to adhere closely to the Kremlin line.

23. In view of the geographical position of Poland, there cannot be any effective independence in its foreign policy. The Polish people's friendship for the West (and the United States in particular) was spectacularly confirmed by the spontaneous enthusiasm of the reception accorded to Vice-President Nixon in August. This was in contrast to the rather subdued atmosphere during Khrushchev's visit to Poland some two weeks previously. Polish official pronouncements have, however, emphasised the differences between the United States and Poland, and reasserted Poland's loyalty to the bloc.

24. The question of the Oder-Neisse frontier has continued to occupy Polish attention. A number of Polish speakers, including the Foreign Minister, have called on the West to accept the present frontier, and Polish leaders raised the question with Vice-President Nixon. Although the Warsaw Government adopts the attitude that the de jure recognition of the present frontiers of Poland is unnecessary, it nevertheless reacts violently to any statement implying reservations in this respect, just as it welcomes with great warmth any statement into which can be interpreted as contributing to such recognition.

25. Gomulka's decisive victory over his ideological opponents at the Polish Party Congress last March, later confirmed by Khrushchev's endorsement, enabled the régime to concentrate on pressing economic and other internal problems. One of the more serious of these problems is that of the organization and productivity of agriculture. The régime's programme for the mechanisation of Polish agriculture with machinery owned by "agricultural circles" (i.e. voluntary co-operatives) is essentially a pragmatic one. At the same time it has the merit of bringing Poland's agricultural programme more nearly in line with that of the rest of the Soviet bloc, where fully socialised agriculture is an immediate objective.

26. The main obstacles in the way of the programme stem from expected peasant resistance, motivated both by immediate practical considerations and by fear of eventual collectivisation. In an effort to counter this resistance, the government is seeking more and better party organizations in the countryside, increased participation by party members in "agricultural circles", expansion of the existing "agricultural circle" network, and more effective central control of the circles. The departure of Mr. Ochab from the Ministry of Agriculture and his return to the Party Secretariat can be linked to this general problem.

27. At the very moment when the Government is introducing a policy likely to prove disturbing to the peasantry, it would appear to be in the interest of the Government to handle the Church with care. Gomulka has warned the ecclesiastical hierarchy not to infringe the laws of the State and has suggested that it had better not show itself unduly active as regards questions of faith. Nevertheless, the tone has at all times been comparatively moderate. True, friction between Church and State has never ceased and sometimes reaches such a pitch that it can legitimately be questioned whether a more serious crisis is not in sight. For instance, by means of a retrospective measure taken last February, the State is subjecting religious orders to the threat that they may be called upon for considerable tax arrears. Increased tension results from the firm anti-communist attitude of priests like the militant Bishop of Kielce, whom the government have recently attempted to unseat, going back on their former rehabilitation of this prelate. So far, however, a precarious balance has been maintained and it is doubtful whether a further trial of strength would be to the advantage of

the State. In spite of some ominous pronouncements and potentially retrogressive features in 1958 legislation, the area of individual liberties and intellectual freedoms has not shrunk appreciably.

28. After two years of notable improvement, this year the economy experienced some serious setbacks. Industrial production continued to grow at the rate of approximately 10 percent, but agricultural production lagged significantly behind the régime's expectations. The government's erroneous pricing policy for agricultural products, and the population's increased purchasing power, caused a resurgence of acute problems in the supply of food, especially that of meat. The government was eventually forced to raise meat prices by a quarter, a measure which has caused widespread dissatisfaction.

29. The balance of payments position has deteriorated further. The current surplus of coal in Europe, resulting in low prices for Polish coal - \$9 per ton as compared to \$20 in 1955 - has reduced the value of exports, while imports continued to rise. The foreign trade deficit during the first six months of this year amounted to over \$120 million, and the year's total deficit is expected to exceed last year's \$143 million deficit.

SOVIET OCCUPIED ZONE OF GERMANY

30. Notwithstanding the prominence of international issues during the period under review, the most significant influences upon the viability of the régime have come from domestic factors. The aim of achieving 80% of the year's production targets in time for the anniversary celebrations was, in general, met. With the monthly increase in gross industrial production averaging 12%, there was a perceptible rise in the standard of living. The drought, however, had adverse effects on the harvest and this may require an increase in food imports. Furthermore, pay increases accorded during the period under review were made dependent on the introduction of new wage systems designed to increase productivity.

31. The control figures for the seven year plan (1959-65) indicate that the régime hopes to continue to expand the economy at a rapid rate with special emphasis on the chemical industry, in line with Soviet plans for the economic development of the bloc. The current plan, like previous ones, emphasises heavy industry at the expense of consumer items. Annual investment in the economy is to double, and half of investment is to be expended for rationalizing and overhauling existing plant facilities. Production of consumer goods is also to increase substantially, and it is claimed that by 1965 living standards will overtake the level achieved in the Federal Republic.

32. Serious difficulties in achievement of planned economic goals remain. The heavy emphasis placed on increased productivity reflects the régime's concern with the increasingly acute manpower problem. Accomplishment of the Plan also depends on the ability of the bloc countries to fulfill commitments to deliver hard coal, oil and equipment.

33. The socialisation of the economy and society has proceeded steadily. About 90% of industrial production, and three-quarters of the trade is now in state hands, while nearly half of the arable land is collectivised or state-operated. Under the plan, this trend is to be continued. In his speech on 30th September, Ulbricht emphasised that the Plan was not an end in itself but a stage in the integration of East Germany into the bloc. It was at the same time to be the foundation for German reunification under Communist auspices. In order to promote the "socialist transformation" of the society, emphasis has continued on developing new forms of "socialist competition", "polytechnic education" and the 10-year school system, and "socialist work communities". Faced with the régime's claim that 80% of the children leaving school in 1959 will have undergone "Youth Dedication" (Jugendweihe), the Church found itself unable to retain its ban on such young people being confirmed. Efforts to isolate the Evangelical Church have continued, practically severing this important institutional link binding Germans together. In the cultural field strict adherence to "socialist realism" is demanded. The repressive methods of the régime are illustrated by the fact that 269 persons were sentenced in the first nine months of 1959 to penal servitude or imprisonment for political reasons, many of them for long terms.

34. Within the Party, there is currently no known "faction" capable of effectively opposing either the current policies of the personal leadership of Ulbricht. In the country at large, economic developments and the turn given to International affairs have tended generally to induce apathy and resignation.

35. The attention of the East Zone régime has been concentrated mainly on the negotiations about Berlin and a peace treaty with Germany. The régime was undoubtedly pleased with the seating plan at the Geneva Conference and has repeatedly claimed that the arrangement amounted to de facto recognition of the "DDR" by the Western Powers. On the other hand, many of Pankow's officials and supporters have viewed Khrushchev's efforts to achieve a détente with less than enthusiasm, despite official propaganda which has followed the bloc line. Several reports indicate that much of the leadership is disappointed with what it feels to be an indefinite postponement of a Berlin showdown as a result of the Eisenhower-Khrushchev talks. The press and radio have played down the removal of the "time limit" on negotiations in an effort to save face before the East German public. Continuing "DDR" determination to obtain recognition of its separate status was shown by the passage at the end of September of a law distinguishing the East from the West German flag.

36. As in Poland and Czechoslovakia, a somewhat more moderate stance vis-à-vis the other Western powers has not led to a reduction in agitation against the Bonn "militarists" and "Revanchists". The GDR authorities have enthusiastically backed the efforts of Soviet diplomacy aimed at converting West Berlin into a free city

and concluding a peace treaty. They have made numberless attempts to initiate direct discussions between the two parts of Germany; a proposal for the creation of a Committee to hammer out a common German position at the Geneva Conference; a non-aggression treaty project; support for the Pan-German Committee proposed by the Soviet Delegation in Geneva. The Scandinavian countries were the target of the revival by Pankow especially in connection with the "Baltic Sea Week", of the proposal to turn the Baltic into a "Sea of Peace", free from atomic and rocket weapons. These initiatives met with no response. The complementary strategy of achieving recognition piecemeal was likewise unsuccessful. Although great prominence was given to the establishment of an East German Consulate-General in Cairo in September, the Government of the UAR made it clear that the granting of an exequatur did not constitute diplomatic recognition. Visits by national and local public officials, parliamentarians and prominent private citizens from non-communist countries have sharply increased in the last few months. All of these visits, whether public or private, have been played up by East Zone news media.

CZECHOSLOVAKIA

37. Czechoslovakia continues to present the appearance of the Peoples Republic in which the régime is the most solidly rooted and the most stable. Moscow's trust in and control over the Prague régime is evidenced by the vital role Czechoslovakia continues to play as a spearhead of Soviet bloc economic and political penetration of the uncommitted and underdeveloped countries. Prague remains an important centre of international Communism. It also serves as a base for the training of the executives of the many Communist "front" organizations, mainly for action in the Arab world and Central Africa.

38. Prague has supported the Soviet line unequivocally on all international issues. In the international propaganda field, the United States and West Germany continue as the principal targets for attacks. The holding on Austrian soil of the Sudeten German Congress in May was the subject of a violent press campaign directed against Austria and Western Germany, and of a protest to Vienna by the Czechoslovak Government.

39. Prague's leaders are not relaxing their vigilance as regards the "enemy at home". Early in the year, thousands of house searches were made among members of the former middle-class in the hope of finding hidden stores of arms and merchandise. A number of arrests were made. Certain pensions which were still in some cases being paid to pre-war property owners have been stopped. In the private sector, there has been a reduction in the number of persons engaged in domestic industries and retail trade.

40. The introduction into the factories of the new system of calculating wages is meeting with opposition from the working classes, and in June had still only been applied in a small number of works.

41. In the rural districts, where collectivisation is to be completed in two years' time, the socialised sector has increased from 75% to 80% since the beginning of the year. Pressure has been brought to bear on the peasantry, particularly in Slovakia. Agricultural production is still the weak point in Czechoslovakia's economy and the continued existence of shortages of foodstuffs is acknowledged. Mr. Bakula, the Minister for Agriculture was dismissed in April.

42. During 1958 and the first half of 1959, the pace of industrial growth was markedly accelerated, reaching a rate of about 11 percent per annum. The improved performance in industry has prompted an upward revision of some industrial targets of both the Second and the Third Five-Year Plans (1956-60 and 1961-65). The Third Plan was approved by the Party in September. Increased production is to apply mainly to capital goods (60%), consumer goods taking second place (30%).

HUNGARY

43. The Hungarian régime, while retaining the outward manifestations of political and economic stability, has failed to maintain the tempo of its accelerated "socialisation" campaign.

44. Khrushchev's brief visit to Budapest early in June appeared designed, in part at least, to bolster Kadar's position within the Hungarian Party. The announcement that the Seventh Party Congress, the first since the 1956 upheaval, would be held in November seemed to reflect Kadar's confidence in his ability to maintain at least a show of party unanimity.

45. The imprisonment and execution of people for activities during the revolt of 1956 and immediately after it, has continued. A decree on partial amnesty for crimes committed during the revolt, issued in April, covered only juveniles and compassionate cases. Repression has, however, been accompanied by public declarations of moderation, and by a resuscitation of some ostensibly democratic institutions.

46. The attempts to give the impression of a return to normal have gone hand in hand with efforts to win the support of various groups of the population. The régime has attempted to reassure the peasants who are apprehensive lest the rapid collectivisation drive be resumed. In an effort to win support from intellectuals, the Writers' Federation was reconstituted in September, but the absence of many imprisoned prominent writers and of others who refused to co-operate with the new body severely limited the success of this move. Kadar's relatively generous policy over the supply of domestic goods has, however, produced some results in that the workers are more contented with a rising standard of living.

47. There was no let-up in the régime's attempts to subvert the church. Oaths of allegiance were exacted from the leaders of all major denominations, and high ranking church dignitaries complied with the régime's desire for at least token support of agricultural collectivisation. In June, the régime removed the Bureau for Church Affairs from the competence of the Ministry for Culture and named Karoly Olt, a prominent figure of the Rakosi period, as its head. Shortly after the change, the régime renewed its direct attacks on the Vatican after a lull of several months.

48. Mr. Kallai, Secretary of the Central Committee, stated in a speech delivered on 29th May that the new Five-Year Plan must ensure the triumph of "socialist production conditions" throughout the national economy, but particularly in agriculture. The plan aims at modernisation, higher productivity and a better quality as well as the more rational exploitation of existing facilities rather than the building of new factories.

49. On the international scene, the Hungarian régime did its utmost to gain a modicum of respectability despite setbacks to its prestige. At the same time Kadar made it abundantly clear that any East-West détente would not result in more liberal policies in Hungary or the withdrawal in the immediate future of Soviet troops.

RUMANIA

50. The Rumanian domestic scene continued to be characterised in recent months by a stability and rigidity harking back to the Stalin period. Though ambitious economic plans continue to be under-fulfilled, production is nevertheless expanding.

51. In international affairs Rumania has adhered completely to the Moscow line. On 8th June, Stoica repeated his proposal (first put forward in September, 1957) for a conference of Balkan Prime Ministers to create "a peace zone" in the Balkans, following Mr. Khrushchev's similar proposal a few days earlier. The proposal was communicated to Athens but was rejected.

52. The Rumanian Government has made noticeable efforts to improve relations with the West, especially trade relations, and a "window shopping" mission led by the Vice-Chairman of the Council of Ministers, Barladeanu, visited countries in Western Europe.

53. The campaign to tighten up internal controls - initiated by the June 1958 plenum - continued. In April it was reported that 15 prominent intellectuals and artists had been denounced for anti-régime attitudes. It was learnt in May that more Jews had

been arrested (the exodus of Jews from Rumania having been stopped in February). This campaign has been extended to the large Hungarian minority some of whose cultural and educational institutions have been closed or merged with their Rumanian counterparts. There are reports that similar measures are to be applied to the German minority.

54. In an attempt to gain support before the Party Congress in December, the party announced some measures of economic relaxation in July. These included certain reductions in income tax and in prices, and increases in wages and pensions. A new six year plan is to be launched at this congress which is designed "in the main" to complete the country's progress towards socialism, including the elimination of private ownership in agriculture and the private sector of trade and production, socialisation of the professions, and the elimination of "class enemies".

BULGARIA

55. The stability of the Bulgarian régime remains unaltered and the leadership continues to exhibit signs of confidence. All the top Bulgarian leaders appear assiduous in their loyalty to Moscow as the ideological protagonist of the Sino-Soviet bloc.

56. The Bulgarian internal scene has been dominated by the new "economic leap programme", i.e. the attempt to fulfil the Five Year Plan (1958-62) one or two years ahead of schedule. Bulgarian leaders have continued to stress that this prefulfilment campaign was designed to bring Bulgaria rapidly to the "Threshold of communism". The population, however, manifests no enthusiasm in carrying out the tasks laid upon it, and the plan continues to run into difficulties.

57. The Party is still subject to strict discipline. In April, Mr. Boris Taskov, the Minister for Trade, who had been dismissed in March, was excluded from the Political Bureau "for improper conduct and incompetence". It was later revealed that the main reason for his fall from grace was because he had expressed doubts as to the country's capacity to fulfil the current ambitious economic targets.

58. Subversion and organized opposition to the régime appear virtually non-existent. The Minister of the Interior, Mr. Tzankov, has nevertheless stated that the struggle undertaken in Bulgaria against the former "exploiting" had not yet ended and General Spassov has made references to the existence of "hostile bands". In order to create a more relaxed atmosphere and foster unanimous national support for the economic development programme, measures of amnesty were taken last September and many political prisoners freed or placed merely under house arrest.

59. Bulgaria has continued to parrot the Soviet line on all international issues and, along with Rumania, has served as the purveyor of Soviet proposals relating to the Balkans. It reiterated its support for a conference of Balkan leaders and for an atom-free zone in the Balkans, reaffirmed its readiness to conclude a bilateral non-aggression pact with Greece, and campaigned against the establishment of missile bases in Greece. The Bulgarian leaders have faithfully supported Khrushchev's policy of "détente" as reflected in his United States visit, even though they might privately disagree with it. Steps have been taken for the restoration of diplomatic relations with the United States and Japan. Bulgaria has been particularly active in its contacts with the countries of the arab world, e.g. Iraqi, Syrian and Lebanese Communist leaders visited Sofia.

ALBANIA

60. The Communist régime continues to be stable despite Albania's geographic isolation from the rest of the bloc, the hostility of its neighbours, and the antipathy of the majority of the population. There has been no let up in oppression, and the country's two top leaders, Party First Secretary Hoxha and Premier Shehu, continue to rule in a manner essentially the same as during Stalin's days.

61. The position of the régime was further strengthened by Khrushchev's visit in the spring. The Soviet leader assured the Albanian leadership of Soviet support and concern for Albania's security as a communist state, declaring that although Albania is isolated "it has all the forces of the socialist camp on its side" and that the perfected equipment in Moscow's possession could defend Albania "even without sending our troops directly to Albanian territory". The Albanians have also threatened to come to an agreement with Moscow over the establishment of missile launching bases on Albanian territory should Greece follow Italy's example of accepting United States missile bases.

62. The population received Khrushchev without enthusiasm despite the fact that the USSR has given 526 million rubles in long-term credits to Albania since 1957. An additional 200 million rubles-worth of credits have also been extended by Communist China, Czechoslovakia and the Soviet Zone of Germany. For a variety of reasons, the results obtained from these credits have not been at all commensurate with the amount of money spent.

Palais de Chaillot,
Paris, XVIe.

THE SITUATION IN EASTERN EUROPE

PARTICIPATION OF THE SATELLITES IN THE
SINO-SOVIET BLOC ECONOMIC OFFENSIVE IN
THE UNDERDEVELOPED COUNTRIES

1. The satellites have been active participants in the economic offensive and accounted for 51% of total Sino-Soviet bloc trade with the underdeveloped countries in the first half of 1958 (Russia 33%, China 15%). The satellites seem to be genuinely anxious to increase their trade with the underdeveloped countries, which for example enables them to dispose of goods which are in temporary surplus in the bloc, and to import raw materials which they need.

2. Their approach to trade with the underdeveloped countries has on the whole been more business like than that of the USSR and China. For example, they have given loans only when these were needed to win export contracts, and even then the loans given have been usually small and have carried commercial rates of interest. The USSR, on the other hand, seems to be using more effectively than some years ago the economic strength of the satellites in support of her own trade and aid drive. The Soviet Union has, for example, been using them as sub-contractors in investment projects, or has been purchasing from them part of the equipment needed for factories which it is building in underdeveloped countries.

3. The activities of the different satellites in underdeveloped countries seem to be somewhat better co-ordinated than previously. Whereas in the initial stage of the economic offensive the satellites underbid each other on more than one occasion to win contracts, such practices seem to have been largely discontinued. No clean cut specialisation between individual satellites seems to exist, however, and co-ordination of their activities is apparently worked out very much on an ad hoc basis; in particular, it does not seem true that CEMA has so far played a large rôle in co-ordinating participation of various satellites in the economic offensive.

4. The most developed satellites - Czechoslovakia, East Germany and Poland - have played by far the greatest rôle in trade with the underdeveloped countries. Czechoslovakia has probably made the greatest investment in opening up new markets, by lavish participation in trade fairs, and maintaining large embassy and consular staffs. East Germany has played a notable rôle in providing scholarships for students in underdeveloped countries, as has Czechoslovakia. Poland's rôle has been on the whole less; it has, however, been able in a few instances to use its special political situation in the bloc to win the

confidence of governments in underdeveloped countries, and thus to conclude deals which other more orthodox satellites might have been unable to obtain. The most notable instances are Guinea's acceptance of a Pole as director of its Bureau of Mines, and Indonesia's acceptance of 51 Polish marine officers in its merchant marine.

5. The rôle of the four less developed satellites (Hungary, Bulgaria, Rumania, Albania) has, on the whole, been far less. Hungary, the most advanced of the group, has also been the most active. Rumania and Bulgaria have recently been able to obtain contracts to build development projects, apparently with some support from Russia.

6. A report giving a detailed listing of the economic activities of each Eastern European bloc country in relation to underdeveloped areas will shortly be distributed as a separate document.