

10 October 1974

MEMORANDUM FOR: All OPR Staffs

FROM: 

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SUBJECT : An Overview of the East European Scene

1. Political stability within the Soviet East European sphere has always been fragile and as a working hypothesis this assumption is no less valid than before. At the moment, however, with the obvious exception of Yugoslavia, there are no observable untoward trends or developments which could unsettle Soviet confidence in dealing with the West, or present the Soviet leadership with new preoccupations which would divert attention from broader policy objectives. This is not to suggest that the management of Soviet interests and influence in Eastern Europe has become simpler or more routine. But a post-1968 equilibrium has emerged in Eastern Europe, governed partly of course by the more credible prospect of Soviet intervention, but perhaps even more importantly by the new parameters which derive from the Czechoslovak experience and which serve to define and restrain domestic experimentation.

2. Diversity in East Europe today is to be measured more by domestic economic arrangements than by relative levels of cultural permissiveness or political reform. At present most East European economies are in relatively good shape. The combination of consumerism and expanded foreign economic relations, which a few years ago displaced reform as the prime hope for growth and stability in most East European countries, has continued to produce sufficient, if unspectacular, success. Virtually without exception East European leaderships have acknowledged (and even articulated) a commitment to a continual rise in the standard of living, and the central place this now has in the preservation of domestic political stability and in pursuit of their own legitimacy. If domestic instability surfaces the cause is therefore likely to be popular frustration with the pace or

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the product of this nascent consumerism, the precedent being the Polish upheaval of December 1970 rather than 1968 runaway political experiment in Czechoslovakia.

3. For East European leaderships the link between improved living standards and political stability is at once a source of some anxiety as well as of leverage vis-a-vis the Soviet Union. A certain amount of latitude must be allowed national leadership if the potential of a domestic economy is to be maximized. In some respects this contradicts the search for bloc-wide conformity and fidelity to doctrine. But the flexibility of management and administration has produced a diversity of approach to development in Eastern Europe which the Soviets seem willing to tolerate. Thus, the Polish leadership vigorously encourages private agriculture and industrial and managerial expertise in Hungary assumes a priority earlier reserved for political loyalty. In every case the premium is on caution and only the most measured departures, the wholesale approach to economic reform of the mid-1960's having given way to a prudent gradualism. The limits are still narrow and the recent leadership changes in Hungary demonstrate an almost allergic retrenchment when things have gone too far.

4. The Soviet policy of detente is universally supported in East Europe, albeit with degrees of enthusiasm, because of the new latitude which it permits East Europe and its potential importance for national development there. Depending on the dimensions of future East-West interaction it promises to complicate the exercise of Soviet hegemony in East Europe--nevertheless, there is a genuine identity of interest here in the foreign policy sphere. The dangers of ideological pollution which detente carries with it also creates an identity of interest between Soviet and East European leaderships in restraining it. There are bound to be contradictions here in respective perceptions of threat, but on the whole, this is not something which threatens to disrupt Soviet-East European relations.

5. Turning briefly to the East European states individually-

a. Poland

Nowhere is the commitment to improving the standard of living greater than in Poland, and nowhere is the urge

greater to look Westward to expedite economic development. It is essentially this as well as the healthy respect Gierak has shown for the church, private agriculture, and the material aspirations of the industrial workers--which has given Poland's "national communism" its character during the last four years. Unverified reports of work stoppages in Gdansk in August, if true, show that the solidarity and determination of shipyard workers still exists. The regime would make any necessary concession to prevent open demonstrations, but would not eschew a last resort to force.

b. Czechoslovakia

The persistence of a divided but stabilized leadership, its inability--as well as the lack of any Soviet inclination--to resolve a situation of domestic malaise or to tamper with a safely consolidated party and body politic indicate that the situation in Czechoslovakia has remained essentially unchanged for the past two to three years. The incapacitated President Svoboda, who ceased long ago to be anything more than a hollow figure of political continuity, will be replaced in the near future but it is unlikely in view of the long period of anticipation that this will have any major immediate impact upon the profile of the leadership or in the direction of policy.

c. Hungary

In Hungary, the March demotions of Rezso Nyers, the architect of the country's market-oriented economic reform (the New Economic Mechanism) and of Gyorgy Aczel, responsible for cultural policy, offer some indication of the limits to domestic experimentation in Eastern Europe. Retrenchment in the NEM, which dates back to late 1971 and particularly from late 1972, was preceded by the rejection of Hungary's concept of CEMA reform during the discussions over the integration program and by growing economic problems within Hungary, particularly in the investment sphere. Developments which preceded the departure of Nyers--notably the growing dissatisfaction of a segment of industrial workers with evolving wage inequities and that of some party officials with expanding managerial authority--demonstrated the importance of overarching conservative dicta defined and articulated by a coalition of conservative critics within the Hungarian party and the Soviet leadership.

The more negative portents of the leadership changes have not materialized, however. The NEM remains essentially intact, albeit with a less certain future; the expected wave of dismissals from the apparatus and a resurgent conservative ethos in the nation's cultural life have failed to materialize; and no evidence has surfaced that Kadar's political position has been weakened. Kadar's willingness to sacrifice elements of the reform as problems developed and to commit Hungary to integration and a degree of foreign economic policy coordination appears to have largely overcome Soviet reservations about Hungarian loyalties and intentions. In retrospect the party leader seems to have been the arbiter between rival elements in the party leadership, and probably acted out of political acumen rather than weakness. That the general cause of reform in Hungary, and in East Europe as a whole, has suffered a setback is, however, a fact. The repercussions of the Hungarian changes may not become clear until the HSWP Congress in 1975.

d. East Germany

Its international status more secure, the foreign policy concerns of the Honecker regime have become more diffuse. Much like its East European allies, this stepchild of the Soviet Union can now afford to pursue national interests beyond those of its very existence and survival. This in contrast to its past view that security was to be found in isolation. Alongside an emergent confidence one can expect cooperation with Western Europe to become an active objective of the GDR's foreign policy.

The mutuality of interests with the Soviet mentor of course continues, but, here too, there are perceptible signs of change. The earlier insistence on a bloc approach to the West appears to have faded, as the East Germans seek to preserve their exceptional economic ties to the FRG (and through it to the EEC) in a revised setting where there is little political rationale for them. During the past year or so there is evidence that the East Germans joined some other East European countries (Romania, Poland and Hungary) in resisting Soviet hegemonic designs for CEMA-EC relations by arguing for a minimum of bloc-to-bloc dealings and a maximum of bilateral contacts. This may be a source of tension in future between Moscow and Berlin; at the moment it serves to highlight the evolution of bilateral relations.

Lest the eased atmosphere of detente obscure its separateness from West Germany, East Berlin continues its vigorous campaign to "delimit" itself. As in the past primary attention is given to the educational and ideological dimensions of the socialization process, and as before the search for identity is based more on rejection than on a coherent concept of nationhood. Leadership insecurity and popular ambivalence will form the East German character for some time to come.

e. Romania

The Romanian challenge to Soviet hegemony remains as clear as in the past, and there are indications that either or both sides may have exacerbated an already uneasy relationship in recent months. But new tensions, if they exist, have not approached the dangerous level of summer 1971 when Ceausescu journeyed to Peking and alarmed the Soviet leadership with the prospect of a serious Chinese presence in Eastern Europe.

Romania continues to be unique in Eastern Europe, economically as well as politically. Blessed with its own oil reserves, it was the first country (apart from Yugoslavia) to turn to the West to extricate itself from overdependence on the USSR and the rest of CEMA, and it continues to maintain this policy. Largely because of Ceausescu's single-minded pursuit of forced growth, however, Romania has foregone meaningful reform and consumerism. These policies, or their lack, have contributed to a continuing inability to boost export earnings through the sale of manufactures in the West, which in turn has contributed to the accumulation of a huge debt to the West and to the formation of new ties with CEMA, e.g. through a belated joining of the Investment Bank and investment in Soviet raw materials.

The most recent difficulties with the USSR stem from the latter's demand for routine access for military transport through Dobruja in eastern Romania. What form this might take is obscure, as indeed are the reports themselves. Speculation extends from an extraterritorial corridor to a bilateral framework agreement which would obviate the present practice of negotiated permission for transport on a case by case basis. Whatever the putative Soviet request, it may

foreshadow new and selected Soviet pressures to force Bucharest into a more cooperative relationship with the Warsaw Pact. Reports concerning the April Pact conference in Warsaw tend to corroborate this. On the Romanian side, Ceausescu's asperity was given new form in the new party program which codifies long-held positions of sovereignty and independence and the denial of a single doctrinal center for the communist movement. The document complicates rather than alters the Romanian-Soviet relationship, another of those muted provocations which have come to underwrite the Romanian posture.

The timing of the party program is of some interest, however, and possibly more significant than its content. Perhaps the most worrisome development which the Romanian leadership has to look forward to is the departure of Yugoslavia's Tito and the uncertainties which attend a possible realignment of Yugoslav and Soviet policies. Soviet intervention in Yugoslavia in the wake of Tito's death or the emergence of a pro-Soviet regime would be catastrophic for the Romanian position, and one could predict its fairly rapid erosion in such circumstances. Judging from Soviet policy as it has taken shape over the past three years, however, a less dramatic scenario is more likely, one in which an accelerated policy of accommodation on the part of an insecure Yugoslav leadership would vitiate any commitment or support to a Romanian policy of independence. The recalcitrant Ceausescu would clearly be forced into compromises of his own.

f. Yugoslavia

Broader Soviet policy considerations of detente and stability in East-West relations would tend to argue against active Soviet military intervention in Yugoslavia, assuming the domestic political situation remains stabilized after Tito goes. Should a leadership crisis ensue or should civil disorder break out (in Croatia, for example) the opportunities for Soviet policy and the liabilities of inaction might be so great as to prove irresistible. Moscow's preferred course of action, one in evidence since September 1971, appears to be cultivation of a stable Yugoslavia and a stable Yugoslav leadership, and to encourage an ever-closer approximation of Soviet practices in party organization and control, and stricter bounds in the cultural and economic sphere.

A stable Yugoslavia and a stable Yugoslav leadership, however, may be beyond Moscow's capabilities. The success of Tito's energetic efforts to fashion a Yugoslav variant of collective leadership which will withstand the impact of his departure from it, or the shock of a nationality or economic crisis, is doubtful. Domestic dissent is Hydra-headed and political opposition has emerged both on the right and the left of the Yugoslav political spectrum. No sooner had liberal elements been purged from the republican parties in 1971-72 than conservative, hard-line critics emerged demanding a more authoritarian approach to political non-conformity. The reforms of the Federal State System, the overhaul of the economic management system, and the renewed emphasis on ideology as a vehicle for eliciting popular political commitment are in their incipience and cannot significantly alter the political situation in the shorter-term. This the leadership knows. Hence, the focus on insuring the country's internal security by adopting a less tolerant attitude to political dissent, invigorating the judicial system and the security services, strengthening the federal party apparatus, and placing the army in a more direct and visible political position.

The Soviets have by no means adopted a hands-off approach to Yugoslavia. The expansion of party, government, military and economic contacts, and like developments in bilateral Yugoslav-East European relations, show the Soviets eager to place themselves in as influential a position as possible now and post-Tito. Among the most notable multilateral examples is the upgrading of Belgrade's ties with CEMA. Visible Yugoslav concessions thus far include a new law which provides strictly-limited naval repair facilities to the Soviets. It is reported that Moscow continues periodically to raise the question of expanded porting rights. Perhaps the most serious infraction of the new mutual accommodation, one which suggested Soviet duplicity by meddling in internal affairs, was the April discovery of a group of exile "Cominformists." With the ostensible support of the USSR a group of exiles resident in Kiev and Prague infiltrated Montenegro to hold an alternative party congress in the hopes of establishing a base of influence and expanding it to other areas of the country. The effort itself appears feckless, but the active support of the Soviets has alarmed Tito and undermines his public claim of last spring that the

country has nothing to fear from the East, and with it no doubt the political support of some of his lieutenants for such a policy.

6. Multilateral Issues: Integration Depoliticized. Since the adoption of the Complex (Comprehensive) Integration Program in 1971 the integration issue has been depoliticized to a considerable degree. With the measures agreed upon in the program beginning to be implemented, most issues are now micro, e.g., the scope of operations of an association or the willingness to invest in a joint project. The primary difference between the USSR and some East European states at the moment appears to be over the content of the "coordinated plan for multilateral integration measures" which was agreed upon in principle a year ago. A major issue continues to be whether obligations assumed under the integration program are to be incorporated into state plans, a step to which some, but not all, East European countries have agreed.

7. With "integration" accepted in principle the Soviets can be expected to continue pushing for closer and more stringently enforced joint planning. Unless an East European country (e.g. Romania) appears to be successfully distancing itself from CEMA, however, it is unlikely that they would be willing to make a major issue of this or of other integration issues because a quiescent Eastern Europe is so central to their "peace offensive," especially in Europe.

8. Oil--The Emerging Problem. While the political aspects of integration have faded somewhat as an issue between the USSR and Eastern Europe, recent international economic developments have created the basis for a major new economic and political problem. With few exceptions the East European economies are highly dependent upon imported fuel and raw materials, and with the increase in world prices of these commodities--most notably oil--far exceeding that for Eastern Europe's major exports (above all, manufactured goods), the economic future of the area has become clouded within the past year. The principle supplier of fuel and raw materials to Eastern Europe is, of course, the USSR, which has reaped the benefits of higher commodity prices--including that for gold--in its trade with the West.



9. So far, changes in world market prices have had relatively little impact on Soviet-East European trade because of long-term contractual arrangements and the way prices are set in CEMA, but the present five-year plan ends next year and trade prices are due to be renegotiated with recent world price trends taken into account. Therefore, the single, overwhelming question looming in Soviet-East European economic relations is: what will be the price of Soviet oil during the next five year plan and, if it is sharply raised, how will Eastern Europe pay the bill? To date there are no good indications of what position the USSR will take on this question, but there is evidence that the Soviets are well aware that this is a difficult, complicated issue which will ultimately have to be decided at the top political level.

10. There is a certain irony in this situation, for it was the Soviet Union which insisted that Eastern Europe develop a heavy industrial base and then supplied the oil, beginning in the early 1950's, which enabled Eastern Europe to develop its petro-chemical and other petroleum based industries. More recently the Soviets have led the drive for socialist integration and foreign economic policy coordination within CEMA and have touted CEMA experience as a model for the world which would attract other socialist states to CEMA and non-socialist states to socialism. While elsewhere, as a marginal supplier, the USSR can follow world price trends with relative impunity, should it be seen as emulating OPEC by putting the screws to its major customers, the parallel between the situation in Eastern and Western Europe would be evident and could provide an impetus for East and West Europeans to look to joint cooperation in solving their mutual fuel problems. For these reasons, as well as their great stake in East European stability, the Soviets will be very reluctant to provoke cries of exploitation by sharply jacking up prices or to accept the political risks which would accompany economic hardship.

11. At the same time, however, the Soviet oil industry has been increasingly running into problems. If its surplus for export is curtailed there will be an even greater temptation to channel oil--and other commodities--to lucrative Western markets in which earnings can quickly be translated into top quality equipment and technology.