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Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

28 September 1984

Romania-USSR: Improving Ties

Summary

In recent weeks, Romanian President Ceausescu has demonstrated once again his willingness to act independently of and to embarrass the USSR: he defied the Soviet-led boycott of the Olympic games this summer, and has indicated his determination to proceed with a trip to Bonn in mid-October despite the postponements--at Soviet behest--of similar visits by East Germany's Honecker and Bulgaria's Zhivkov. Such free wheeling behavior contrasts with increasing signs since the first of the year that the two countries may be moving closer in the areas of economic and interparty relations than at any time since Ceausescu came to power in 1965.

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This memorandum was prepared by , East European Division, Office of European Analysis. It was coordinated with the Office of Soviet Analysis. Comments and questions are welcome and should be addressed to , Chief, East European Division, Office of European Analysis, .

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Signs of Warming Trend

The greatest movement has come in recent economic agreements and understandings which, if realized, will significantly strengthen economic links between the two countries. Foremost among them is an agreement "in principle," reportedly reached during a visit by Ceausescu to Moscow in June, for the Soviets to increase oil sales to Romania substantially over the next several years. [redacted], Soviet sales would quadruple to six or seven million tons annually by 1990, or about 60 percent of current total oil imports. The sales reportedly would--for the first time--be made at the CEMA price.

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[redacted] the Romanians have agreed to invest further in Soviet coal, iron ore, and natural gas extraction in return for additional deliveries of these commodities on a long term basis. Details have already been worked out on a gas deal, which provides for Romanian assistance--with equipment and manpower--in developing a natural gas field in Turkmenia and for Soviet delivery of an additional 0.5 billion cubic meters of natural gas on top of the 1.5 billion cubic meters now being supplied annually. The Romanians reportedly also agreed to coordinate their 1986-90 plan more closely with the Soviets. [redacted]

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In the political realm, Soviet diplomats in Bucharest have told US and West German Embassy officials that Ceausescu agreed earlier this year to Soviet demands for a "radical" improvement in party-to-party relations as a prerequisite for improved state-to-state ties and broader economic cooperation. Specifically, the Romanians agreed to improve Moscow's currently very limited access to senior Romanian party cadre, to consult with the Soviets on ideology, to increase the frequency of party-to-party exchange visits (to about 20 groups a year), and to exchange faculty members and lecturers for party schools. Ceausescu also has agreed, according to the Soviet diplomats, to raise no obstacles to the renewal of the Warsaw Pact treaty in 1985 and to

* Purchase of Soviet oil at CEMA prices--long sought by the Romanians--involves no bargain since CEMA oil prices currently match the world level. If world prices increase, however, the CEMA price would lag behind world levels for at least several years. [redacted]

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increase military cooperation, both in the Warsaw Pact and bilaterally. [REDACTED]

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The Soviet sources may have overstated the magnitude of Romanian team spirit, but it does appear that Bucharest has been more cooperative toward the Soviets over the past several months. On INF, an issue that has provoked sharp disagreement between the two countries the past several years, Bucharest has generally moved closer to Moscow's line. Although Ceausescu has steadfastly refused to endorse Soviet countermeasures to NATO deployment of INF, he has on several occasions--both privately and publicly--asserted that NATO INF deployments "forced" the Soviets to take countermeasures and that NATO deployment must be halted and missiles already deployed in Western Europe must be withdrawn before INF negotiations can be resumed. In addition, the Romanians in March--in a rare display of solidarity with their Warsaw Pact allies--presented NATO Embassies in Bucharest with a Pact proposal for a freeze and subsequent reduction of military spending. Finally, the behavior of the Romanians at the CEMA summit in June appeared unusually tame; their subsequent press treatment of CEMA issues has been bland or favorable. [REDACTED]

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Romanian Motivation

Romania's deteriorating economy is the main force behind its move toward a closer relationship with the USSR. Bucharest wants Moscow to help it alleviate energy and raw material shortages which have been largely responsible for the decline in economic growth the past three years to its lowest level since World War II. Hard currency problems--caused mainly by overexpansionary policies, increasing dependence since the late 1970s on costly oil imports, and lagging hard currency exports--forced debt reschedulings in 1982 and 1983 and have led the regime to impose harsh stabilization measures the past two years. Bucharest has slashed imports from the West by half, which has further slowed economic growth and led to a severe decline in living standards. Popular morale has plummeted and, although there has been little overt antigovernment activity recently, criticism of Ceausescu has become widespread, even within government ranks. [REDACTED]

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Ceausescu also may be looking eastward because he feels he has been treated shabbily by the West. The recent debt reschedulings were humiliating to him, and he has expressed anger both at "interference" in Romanian economic decisionmaking by Western bankers and the IMF and at criticism of Romanian human rights policies at MFN hearings. Ceausescu may have decided to seek relief from the USSR in order to reduce the risks associated with too much economic dependence on the West. [REDACTED]

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In addition, Ceausescu appears to have become uncomfortable with the tensions that had developed in Romanian-Soviet relations

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since 1981 as a result of clashes over INF, defense spending, and ideological differences. It has long been his practice to seek accomodation with Moscow following periods of strain. He may have viewed the death last winter of Andropov, with whom he had particularly difficult relations, as an opportunity to put bilateral ties on a better footing. The Romanians both privately and publicly have expressed their pleasure at the succession of Chernenko, whom they view as a proponent of Brezhnev's more tolerant approach. The apparent waning of the ailing Chernenko's authority in recent months and the possibility of another Soviet succession before long introduces an element of uncertainty, however, as the Romanians do not appear to have had much contact with leading contenders, such as Politburo member Gorbachev. [REDACTED]

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Soviet Motivation

The Soviets appear to have discarded Andropov's tough, almost combative treatment of the Romanians, which may have goaded Ceausescu into even greater defiance and thereby damaged Moscow's efforts to increase bloc unity, in favor of a more conciliatory policy. Moscow may have concluded that a positive approach in the economic sphere would render Romania more cooperative politically, thereby making it easier to control other members of the bloc. [REDACTED]

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Moscow may also be laying the groundwork for increasing its influence in Bucharest after Ceausescu leaves the scene. By helping the Romanians out now, the Soviets may hope to earn some good will which they could spend later. Increased contacts could provide the Soviets with better insights into the Romanian political scene and, possibly, opportunities to coopt key figures in the new leadership. [REDACTED]

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Prospects

Moscow and Bucharest clearly want to improve relations and the evidence suggests they have established a basis for doing so. In addition, the arrangements worked out so far this year have the potential--depending on their magnitude and the degree to which they are fulfilled--to increase Romania's economic dependency on the USSR and to increase Soviet influence in Bucharest. [REDACTED]

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There is reason, however, to question the strength and durability of the current warming trend. Details remain to be worked out on many of the agreements made the past several months, and the negotiations could bog down on the issue of Romanian contributions. Romania reportedly has had difficulty

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coming up with the hard goods to pay for 1.5 million tons of Soviet oil already contracted for this year, which suggests it may be hard pressed to meet obligations associated with significant future increases. [REDACTED]

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The political and military concessions reportedly made by Ceausescu could even be more ethereal. The agreement to allow increased Soviet access to the Romanian leadership and more frequent exchanges could be so hedged with restrictions that Ceausescu could easily prevent significant "influence peddling" by the Soviets. There are already indications of Bucharest's refusal to alter its previous independent behavioral patterns. Participation in the summer Olympic games and Ceausescu's decision to proceed with his Bonn trip are only the most visible examples. Despite several bows to the Soviet INF position, the Romanians have continued from time to time to take a line somewhat at variance with that of the Soviets. Bucharest also intends to introduce a resolution on INF at the fall session of the UN General Assembly which--in its present form--calls for the total elimination of both NATO and Soviet INF in Europe--a formulation likely to annoy Moscow. According to a variety of sources, Romania also appears to have worked from time to time in recent months with East Germany, Hungary, and Bulgaria to urge a more moderate stance by the Warsaw Pact on East-West relations. [REDACTED]

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In addition, the Romanians have continued to pursue good relations this year with the USSR's main adversaries--the United States and China. The Romanians have requested a visit by Secretary of State Shultz, and Ceausescu's personal emissary--Vice President Manescu--held high-level talks in Washington this week, possibly to test the waters for a future Ceausescu visit. Romania and China also have maintained a heavy schedule of exchanges, including First Deputy Prime Minister Dinca's visit to Beijing in June and visits to Romania by the Chinese Chief of General Staff in July and President Li Xiannian in August. [REDACTED]

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Romania and the USSR also have good reason to limit any improvement in bilateral relations. Ceausescu cannot afford to be seen as betraying Romanian sovereignty because that would eliminate his sole remaining source of domestic legitimacy. It would also put him at the mercy of Moscow, which has little reason to like or trust him. The Soviets, for their part, would prefer not to expend substantial and increasingly scarce resources to bring Romania into line, particularly when their more loyal East European allies have had to accept reductions in Soviet subsidies the past few years. [REDACTED]

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