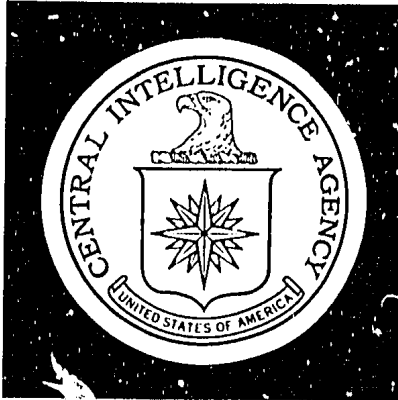


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OFFICE OF
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MEMORANDUM

Ostpolitik, Berlin, and the Prospects for Pankow

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31 August 1971

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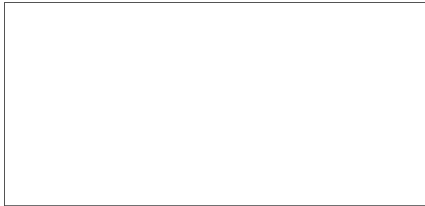
CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

31 August 1971

SUBJECT: Ostpolitik, Berlin, and the Prospects for Pankow

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CENTRAL INTELLIGENCE AGENCY

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31 August 1971

SUBJECT: Ostpolitik, Berlin, and the Prospects for Pankow*

SUMMARY

With the Four Power agreement concluding the first phase of the Berlin negotiations, the East German government will now take up an active role in the next phase. There will be heavy pressure on that regime, recently under new leadership, to adopt a forthcoming attitude in working out a new relationship with Bonn. Erich Honecker, were he free to choose, might prefer to continue along the inflexible course charted by Ulbricht, but the Soviet urge toward detente with Western Europe does not allow him that luxury. Honecker can be expected to move cautiously in adjusting East German policies; even so, the changes he makes are likely to complicate certain of the GDR's internal problems, economic as well as political. Over time, developments in East Germany may well cause concern in Moscow as well as in Pankow, raising anew the question of whether the Soviet Union's twin objectives in Europe -- the consolidation of its hegemony in the East and the expansion of its influence in the West -- are in fact compatible.

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* This memorandum was prepared by the Office of National Estimates and coordinated within CIA.

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1. Erich Honecker has assumed power at a pivotal point for East Germany. He must not only reinvigorate a troubled domestic economy but must also cope with the delicate problems generated for Pankow by Brandt's Ostpolitik, the USSR's Westpolitik, the Four Power agreement on Berlin and the various other factors working for political and economic change in Europe. His freedom of action will be limited -- as Ulbricht's was -- by considerations stemming from the GDR's geographic location and its status as a rump state dependent on the USSR for its very existence. Beyond this, Honecker will probably have appreciably less maneuvering room than Ulbricht had, for the Soviets have now clearly signalled that they expect Pankow to move in the direction they have set toward detente with Western Europe and more specifically, that they expect Pankow to show some flexibility in the inter-German phase of the negotiation on Berlin.

The Nature of Pankow's Problems with Detente

2. Most of Pankow's East European allies clearly welcome the trend toward a reduction of tensions in Europe. But for the East Germans -- now as in the past -- a critical element in any movement toward East-West detente is its

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effect on Bonn's regional position and influence. For Pankow the gut issue is survival. The internal foundations of East German statehood are still weak, or at least are thought to be so by the regime.

3. It was Ulbricht's policy to keep West Germany at arm's length, holding political and social contacts to a minimum and confining economic ties to the profitable and expanding exchange conducted within the framework of the Interzonal Trade arrangement (IZT). Ulbricht clearly wished no change in these circumstances -- at least until such time as he could confront Bonn from a more secure base. For Ulbricht that meant that there should be no real movement in inter-German relations until living standards in East Germany had approached those in West Germany, a distinct East German sense of national identity had developed, and East German sovereignty had been accorded widespread de jure recognition. Honecker, long a ranking member of Ulbricht's policy-making team, appears to share this point of view. And, like Ulbricht, he recognizes that fulfillment of these prerequisites -- or at least of the first two -- remains at best a very long term proposition.

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4. The efficacy of Pankow's policy toward West Germany has depended on both Soviet support and the cooperation of the other East European countries. Ulbricht certainly had moments of concern, but until late 1968 he was generally successful in persuading his Warsaw Pact allies to go along with his views of how Bonn should be handled. In essence, the policy he urged on Moscow involved managing East-West relations in such a manner as to contribute to the political isolation of West Germany -- both from the East and from its Western neighbors.

5. But the Brezhnev regime's motives in seeking to relax tensions in Europe were from the first too broad and complex to mesh easily with Ulbricht's parochial purposes. By the spring of 1969, those leaders in the Kremlin who favored a more active and forthcoming European policy could cite an impressive array of arguments -- including increased tensions on the Sino-Soviet border and disturbing evidence of renewed progress toward Common Market integration and expansion -- to support their case. In any event, the "appeal" adopted at the Warsaw Pact meeting in Budapest in March 1969 -- with its call for a European Security Conference and its noticeably mild treatment of West Germany --

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set the stage for renewed emphasis on detente. Gomulka's Soviet-endorsed offer to negotiate a border settlement with West Germany two months later contributed to this atmosphere (and clearly miffed the East Germans).* Even so, little movement was recorded in East-West relations until the fall when, as the result of the West German elections of September 1969, Brandt took over in Bonn. Since then, changes and trends affecting East-West relations in Europe have been particularly disconcerting for the East Germans.

6. Pankow has recognized that Brandt's vigorous pursuit of a more forthcoming and flexible Ostpolitik places the realization of some of the GDR's key objectives -- e.g., broad international recognition -- within grasp.

* Relations between Warsaw and Pankow (and between Gomulka and Ulbricht personally) were already at a low ebb. Long something less than cordial, they had deteriorated further in 1967 and 1968 as considerations of national interest widened differences over a number of economic, foreign policy, and domestic issues. Thus, when Gomulka made his bid to Bonn for better relations in May of 1969, the East Germans apparently felt free to convey their reservations to Warsaw in fairly blunt terms. In addition, Pankow is reported to have tried to persuade the Poles to include a demand for West German recognition of the GDR's sovereignty and western border in their negotiating position vis-a-vis Bonn.

But the East German leaders have remained at least as anxious as ever to preserve those bloc barriers which have served to protect their subjects and their East European markets against the penetration of West German influence. And in Pankow's view Brandt's Ostpolitik and the Kremlin's new Westpolitik now seem to be converging and to be pushing the normalization of Bonn's relations with the East much too fast and too far.

Problems at Home

7. The enthusiastic popular reception accorded Brandt during his visit to Erfurt last year served to heighten Pankow's concern. But this was not the only disturbing internal development in 1970. East German economic performance -- a key factor in Pankow's campaign to strengthen its position vis-a-vis Bonn (not to mention its position vis-a-vis its Warsaw Pact allies) -- slipped noticeably. In part this was due to the effects of two or three years of adverse weather. But the basic problems stemmed from the fact that Pankow had once again overextended itself in its drive for a higher rate of economic growth. The disruptive impact of its forced draft approach to development was magnified by

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the shortages and imbalances generated by deliberate concentration on a few selected branches of industry (the so-called "structure-determining" industries, such as petrochemicals and electronics). While the overall economic balance sheet was far from disastrous, the implications were sufficiently alarming -- even before the lessons of the December disorders in Poland -- to prompt an undoubtedly reluctant Ulbricht to forswear his former policies and to endorse a return to a more modest and balanced course.*

* Signs that East Germany's self-styled "economic miracle" might be in trouble appeared in 1969. By mid-1970 foreign trade deficits and domestic shortages had become serious, the backlog of unfinished investment was growing rapidly, and there were increasing signs of worker and consumer dissatisfaction. A reappraisal of the GDR's approach to economic development began in earnest in September 1970. Official year-end statistics for 1970 confirmed that performance had fallen short of expectations in a number of key areas. For example, in contrast with 1966-1968 when less ambitious goals were generally met or exceeded, figures for 1970 revealed that industrial production had risen by 6 percent instead of 8 percent as planned, worker productivity by 5 percent instead of over 9 percent, and investment by 7 percent instead of 11.4 percent. Pankow's problems were compounded by the fact that winter had brought even more than its usual share of extra shortages and bottlenecks -- necessitating the calling out of 8,000 additional workers (including 2,300 GDR and Soviet soldiers) to keep fuel supplies moving.

8. But readjustment of the economy will take time; tangible improvements may not be visible for a year or two. In the meantime, the gap between economic conditions in East and West Germany is likely to widen further and to complicate the GDR's problems with Bonn's Ostpolitik.* This is particularly true in relation to consumption figures where, in sharp contrast to East German prospects, West Germany's rate of growth in 1971 has been unofficially projected at over 5 percent.

* It has been estimated that East German living standards presently lag 35-40 percent behind those in West Germany and that the gap has, if anything, been increasing during the past year or two. East German planners have found popular satisfaction a particularly elusive goal. For example, due in part to overtime and extra shift work, personal income grew faster than planned in 1970. But far from generating a heightened sense of well-being, the extra money in the hands of the population served to increase discontent with shortages of meat, butter, clothing, consumer durables, and fuel. Thus, with the Polish disorders firmly in mind, Pankow took a number of relatively expensive steps to mollify the population -- such as authorizing payment of year-end bonuses not earned on the basis of economic performance and decreeing price reductions on certain consumer goods. It also made much of consumer and worker welfare in the new five-year plan.

East German Efforts to Rebuff Ostpolitik

9. The East Germans have for some time fought a delaying battle against Ostpolitik -- arguing their case in Warsaw Pact councils and dragging their feet as much as possible with respect to moves which would remove various obstacles to the improvement to inter-German relations or which would facilitate even a limited Berlin settlement. For example, on 5 November 1970 -- the day after the ambassadors of the Four Powers announced for the first time that some progress had been made in their negotiations on Berlin -- East German spokesmen launched a vigorous campaign to publicize Pankow's especially hardline formulations on the status of West Berlin and the movement of goods and persons across East German territory. A few days later, Ulbricht seemed to expand the GDR's demands by preconditioning the commencement of bilateral negotiations with Bonn on the cessation of "any activity of other states" in West Berlin which "contradicts the international status" of that city or which "violates the interests of the GDR and of the other socialist states". Previously, Pankow had only insisted on the halting of "illegal"

West German activities in Berlin. Thus, Ulbricht's statement, which he claimed was carefully formulated, can be seen as an attempt to complicate the Four Power negotiations by raising a new challenge to the rights and activities of the Western allies. But Pankow was clearly out of step with Moscow, and on 2 December, at a hastily-convened Warsaw Pact summit meeting in East Berlin, the GDR was persuaded to adopt a more moderate posture.

10. In the propaganda field, the East Germans have developed two basic themes tailored to limit the impact of West German influence. The first of these, aimed at minimizing the internally disruptive effect of any FRG-GDR dialogue or agreements, combines rejection of the concept of "inner-German" relations with the thesis that a process of further "demarcation" (Abgrenzung) of the two Germanies -- as opposed to convergence or rapprochement -- is taking place. The thrust of this argument is that under the influence of totally different and mutually antagonistic social systems, the two Germanies are drifting farther apart in every possible way.

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11. The second and related theme, intended to educate East Germany's population and allies alike, concerns the subversive aims of Brandt's Social Democrats. In deference to the Soviets, who are now generally careful to focus their criticism of West German developments on the activities of so-called "revanchist" elements, the East Germans do make reference from time to time to the existence of potentially progressive trends and forces in the FRG. But, roughly speaking, where Moscow conveys a guarded sense of hope concerning the Brandt regime, Pankow expresses alarm. The East German leaders are afraid that Brandt and the Social Democrats will be able to seduce the East German people and deceive the Soviet leadership. And it is in Pankow's generally harsh treatment of social democracy -- including, on occasion, attacks on Brandt himself -- that the GDR leadership has departed most obviously and most frequently from the Moscow line.

12. When Ulbricht stepped down from his Party post last May, he could look back with mixed feelings on his record in blunting the perils of Brandt's Ostpolitik. There had been some concessions on the East German side. Deprived of bloc

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support for its goal of full West German diplomatic recognition, Pankow was forced to accept a less satisfying formula calling for the establishment of "equal relations" between the two Germanies "on the basis of generally valid principles of international law". And by indicating his "consent" to Polish plans for diplomatic relations with West Germany, Ulbricht conceded that even this watered-down objective is not a prerequisite for the normalization of Bonn's bilateral relations with other members of the Warsaw Pact. Beyond this, the East Germans were persuaded to resume their own bilateral talks with Bonn and to disavow some of their previously stated preconditions for substantive negotiations -- such as the demand cited earlier concerning cessation of the FRG's "illegal" activities in West Berlin.

13. The East German concessions have been offset to some degree by the steady improvement of Pankow's international standing. As late as April 1969, only 13 states -- all Communist -- accorded East Germany de jure recognition. In the following month, Iraq and Cambodia became the first non-Communist states to establish full diplomatic relations with the GDR. By mid-1971, 15 other non-Communist states in Africa, Asia, and Latin America had followed suit. Beyond this, the

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East Germans now claim to maintain various kinds of official consular or trade relations with another 31 countries. And the West's experience at the ECE environmental meeting in Prague last spring indicates that Moscow now intends to render somewhat more vigorous and consistent support to East German efforts to exploit their diplomatic gains for the purpose of winning membership in various UN-affiliated organizations (and, eventually, in the UN itself). Indeed, even if the Western powers do not decide to modify their opposition, it seems likely that the GDR will gain membership in one or more UN-affiliated organizations within the next 12 to 18 months.

14. But whatever the balance of gains and losses, the strategy pursued by Ulbricht cannot be extended as a long-term prescription for meeting the problems created for the GDR by the easing of East-West tensions in Europe. First of all, the strategy's effectiveness had depended to no small degree on Ulbricht's internal and international stature as a veteran Communist leader and on his personal political skills. These attributes had served over the years to increase the GDR's influence in Moscow. They had also helped

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to contain and control disputes and factionalism within the East German leadership. But what worked for Ulbricht then is hardly feasible for Honecker now.

15. Information as to the attitudes and alignments of various East German leaders is fragmentary and frequently of dubious reliability. It would appear, however, that while there is broad agreement on the fundamental considerations which underlay Ulbricht's response to Ostpolitik, some differences exist. It would also appear that Ulbricht had been steering something of a middle course between the lines of action favored by some of his more unbending lieutenants on the one hand and by an allegedly pragmatic group of government and Party leaders on the other. Honecker's name has generally been associated with the hardline grouping -- which is said to favor a rigid and aggressive approach to countering Bonn's Ostpolitik. In contrast, the pragmatists reportedly are skeptical of Pankow's ability to stem the trend toward improvement of East-West relations and fearful of the economic consequences for East Germany if it is left behind in this process. As a result, they are said to be inclined toward a relatively forthcoming approach to inter-German problems.

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16. Be that as it may, the GDR's "solutions" to the problems raised by Ostpolitik may raise more potentially divisive questions than they resolve. For example, East German emphasis on the need for greater bloc political integration -- which Pankow conceives as a means of achieving greater security for the GDR -- may be difficult to reconcile with the program to develop a form of East German nationalism and with the related need to secure the full trappings of independent statehood. Similarly, the GDR's efforts to bind its economy more closely to that of the Soviet Union -- thought to be a way to protect East Germany from growing Western and West German competition in bloc countries -- would seem likely to dim prospects for the type of economic modernization which would be required to make East German products competitive on the world market. Finally, emphasis on the GDR's sovereign status and the concept of Abgrenzung risks losing the advantages -- including access to the Common Market -- derived from the IZT arrangement. About 10 percent of the GDR's foreign trade is currently conducted with the FRG and East German staff economists have estimated that loss of IZT benefits would cost Pankow about \$137 million a year in terms of trade alone.

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The Outlook Under Honecker

17. Honecker has so far made no great effort to project a "new broom" image. On the contrary, the emphasis has been on continuity, both of personnel and of policy. In part, of course, this has been eyewash -- part of the careful stage-managing calculated to make the transition period as painless as possible and to demonstrate to both internal and external audiences that (in contrast to what happened in Poland) Ulbricht's retirement was a routine development.

18. But the continuity theme has some substance as well. Although Honecker has on occasion shown signs of being less tolerant of innovation than Ulbricht was, it would appear that he has no serious quarrel with the basic thrust of the policies he inherited. If anything, he has placed even greater stress on the Abgrenzung theme. Similarly, he has given no indication that he intends to moderate Pankow's campaign against the twin evils of social democracy and West German "imperialism". And on the home front, the chances that Honecker might attempt to allay potential popular unrest through a genuine relaxation of internal controls seem destined to remain virtually nil for a long time to come.

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19. Nevertheless, there have been some subtle changes in Pankow's posture and tactics. Honecker probably realizes that Ulbricht could get away with many things which he -- for the present, at least -- cannot. Of necessity, then, teamwork now figures more prominently in the GDR regime's approach to internal and intra-Bloc affairs than in the past. This is reflected in Honecker's stress on collective leadership, in the GDR's more cooperative attitude regarding CEMA integration efforts, in the current absence of East German claims about having developed an advanced system of socialism, and in Pankow's more amiable policy toward Poland.

20. And where the Berlin Agreement is concerned, Pankow has evidently bowed to the inevitable. (Ulbricht would probably have had to do the same, but there might have been some bitter-end resistance; as it was, Gromyko seems to have secured Honecker's approval for the agreement fairly quickly and relatively painlessly on a flying visit to Pankow just before the four Ambassadors finished their work.) The GDR has now publicly and effusively declared its satisfaction with the terms and gratitude to the USSR for achieving them. In fact, as evidenced by his remarks to a Neues Deutschland interviewer on 27 August, Honecker apparently intends to ward

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off any potentially destabilizing reactions to the terms of the tentative agreement as they become known by portraying the agreement as a victory for Soviet and East German efforts to ease East-West tensions and to strengthen East German sovereignty and territorial integrity. Of course, Pankow may be expected to take tough, and even obstructionist, positions on some matters during the course of the impending inter-German negotiations. But, in the end, the East Germans will follow the course which the Soviets have laid out for them.

21. In any case, the development of closer bloc relations with West Germany and other changes in the overall European environment -- changes which could conceivably include an agreement on mutual and balanced reduction of forces (MBFR) in Central Europe -- will pose further difficult tests for Honecker. He can be expected to move with considerable caution in adjusting his course. Even so, the unique forces which bear upon the East German scene suggest that the process of change could take some unexpected -- and from Moscow's point of view, disturbing -- turns.

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22. In a detente environment, Pankow is likely to be more preoccupied than ever with the closely interrelated issues of economic progress and state-building. In both fields local requirements will argue in favor of moves which could cause strains between the GDR and its Warsaw Pact allies. For example, Honecker will probably feel constrained to continue to try to develop a sense of separate national identity among the East German population. But any effort to manipulate nationalistic sentiment in Communist East Europe holds certain perils -- and this is particularly true in the GDR.

23. Honecker is hardly a potential Ceausescu. But freed of Ulbricht's shadow and faced with the responsibilities of his new office, he could move in ways not suggested by his past behavior. For example, the GDR's economic problems could prompt Honecker to adopt a more innovative approach to reform and to take a more independent posture in dealings with both East and West. In such circumstances East German nationalistic stirrings could gradually assume a more clearly anti-Soviet coloration or take on a pan-German character. Indeed, some of Pankow's allies have already grumbled that the emphasis in what they consider to be an emerging spirit of East German nationalism seems to fall on the word "German".

24. There are other contingencies which the Soviets must consider. For example, since it is likely that worker and consumer discontent in the GDR will remain relatively high for some time to come, there will be a possibility of disorders. Similarly, factionalism in the East German party could become unmanageable. It must be assumed that Moscow's stake in the GDR is so high that the Soviets would respond promptly -- with military force if necessary -- to any clear evidence that things were getting out of hand. In such an event, there would seem to be no question that the Kremlin could control and correct the situation. But the very need to take forceful action would raise anew the question of whether Moscow's twin objectives in Europe -- the consolidation of its hegemony in the East and the expansion of Soviet influence in the West through a policy of detente -- are compatible.

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