

DATE 9/17/86DOC NO EURM 86-20109OIR 3P & PD 1

DDI/EURA/EE

15 September 1986

## TALKING POINTS FOR DDCI ON EASTERN EUROPE

Regional Trends

Despite numerous problems facing the East European regimes, continuity and a "don't rock the boat attitude" prevail.

- o All the aging political leaders remain in place. None seems likely to succumb to health problems in the short-term nor to step down voluntarily. Nowhere in the region is there a significant increase in behind-the-scenes maneuvering by potential heirs apparent to force the issue.
- o There are no indications of major policy shifts in the wind. The regimes seem satisfied with their current course and are afraid that change would upset carefully maintained political balances.
- o Although economic stagnation is producing increasingly dispirited populations, there are few firm indications of rising social tensions that pose serious threats.
- o The East Europeans have heeded Moscow's warnings not to get out in front on relations with the West and not to go too far afield in economic experimentation. For its part, Moscow has opted not to force precipitous personnel or policy changes in East Europe probably out of fear of opening Pandora's box and because it has more important things on its agenda, including arms control and relations with the US.
- o Jaruzelski and Honecker will reestablish party relations with China during upcoming visits to Beijing. For the East Europeans, expanded contacts may bring economic benefits and increased international prestige. The East Europeans probably calculate that Moscow's encouragement of the process is a sign of Soviet acceptance of some diversity within the Bloc.

25X1

The inertia of the regimes is ill-suited to the economic challenges they face. Their flawed economic systems remain mired in low growth and eroding living standards that have plagued the region since the late 1970s.

- o Moscow's insistence that Eastern Europe contribute more to the Soviet economy limits the resources available to meet the region's needs.

EURM 86-20109

25X1



25X1

- o Although the East Europeans still look to the West for technology and other inputs, uncompetitive exports, large debts, and Moscow's suspicion of Western influence limit their access to the goods needed for stronger growth.
- o With the props of Soviet subsidies and Western credits removed, the regimes need to correct the basic inefficiencies of their economies. But ideological and bureaucratic resistance to reform remains strong. [redacted]

25X1

### Poland

Party leader Jaruzelski strengthened his control over the party at his June congress and probably will make further inroads against recalcitrant party officials in upcoming party elections. His increased self confidence and control is due in no small measure to strong signs of Soviet support.

To induce the US to remove sanctions and extend economic aid, Jaruzelski has released nearly all political prisoners, and proposed a "consultative council" with representatives from different social groups to foster national reconciliation.

- o Regime spokesmen remain vague on what the council would do, but it is clear Jaruzelski will not tolerate an official organization that would publicly challenge his policies.

Church-State frictions are coming to the surface. Church leaders have criticized the regime's plans to teach religion in the schools and called for autonomous social organizations. The Church also recently withdrew, in frustration, its efforts to create an Agricultural Fund. [redacted]

25X1

While opposition sentiment remains widespread, it is deeply fragmented and not inclined to seek confrontation. The recently released prisoners - including senior Solidarity officials - will probably take some time to reevaluate their position. [redacted]

25X1

### East Germany

The East Germans may be having more difficulty with Moscow than anyone else in the Bloc, stemming largely from Soviet desires to control the pace of inter-German relations.

[redacted]

25X1

- o Moscow is probably behind East German intransigence in responding to West German requests to staunch the flow of Third World refugees into West Berlin. A tougher stance on inter-German issues entails significant costs to East Berlin given the importance of Western links to the economy's success.

[redacted]

25X1

East Germany continues to record good economic results by East European standards. The highest living standards in the region coupled with tight controls ensure a quiet domestic scene. [redacted]

25X1

### Czechoslovakia

The stalemate within the leadership, which can only be broken by Husak's death or a push from Moscow, continues.

- o Despite various Soviet hints that it would prefer a more dynamic leadership, Moscow clearly does not want to endanger stability by forcing change.
- o Despite a gradual economic slowdown, the leadership's immobilism has ruled out actions to correct highly orthodox central planning and the decay of the industrial base. [redacted]

25X1

Although there is wide-spread antipathy toward the regime, we do not expect significant increases in overt opposition. At most, some will seek involvement in the Church.

- o The security service keeps very close tabs on dissidents and recently arrested dissident jazz musicians. [redacted]

25X1

### Hungary

The inexorable approach of a succession combined with economic stresses has produced political paralysis and a fraying of the social contract. A growing volume of reports depict a broadly shared sense among Hungarians of policy drift and discontent over stagnating living standards.

- o Some [redacted] believe Kadar has lost interest in governing. Others say the problems are just overwhelming.
- o Despite growing concern in the regime about the economy's downward spiral, the leadership is unwilling to push ahead with its reform program because this could entail reduced political control and greater austerity.
- o There are only scattered indications of increased open ferment among workers; the dissidents, though vocal, are not well organized or influential. Nonetheless, the regime, with an eye on the upcoming 30th anniversary of the October revolt, has shown a tougher line toward dissidents. [redacted]

25X1

25X1

### Romania

The Ceausescu clan continues its absolute rule with some recent evidence of increased prominence of Elena. Rumors of Ceausescu's imminent demise for health reasons are exaggerated. Elena's increased influence on her husband may lie behind the trend toward more open displays of xenophobic nationalism.

25X1

- o Bucharest has recently increased domestic restrictions on contacts with foreigners, from East as well as West. [redacted]

25X1

Soviet-Romanian relations have been characterized by efforts of both sides to look for areas of common interest and to tone down differences, but signs of rapprochement are few.

- o Romania's dire economic situation has compelled it to look more toward Moscow, but the Soviets reject Romanian requests for assistance.
- o Ceausescu remains uncompromising in declaring Romania's maverick foreign policy.

With Ceausescu unwilling to alter his disastrous economic policies, the question is whether there is a limit to the population's patience. [redacted]

25X1  
25X1

### Bulgaria

25X6

Zhivkov [redacted] did not name a second-in-command at the party congress in March or at recent National Day celebrations as had been widely rumored.

- o He is a shrewd politician who knows how to keep potential successors in their place.
- o Moscow may have been signaling its favorites when it recently gave Politburo member Chudomir Aleksandrov and Foreign Minister Mladenov the Red Banner of Labor award on their 50th birthdays. Other contenders have not been so honored. [redacted]

25X1

Earlier this year, Zhivkov responded to Soviet criticism of Bulgarian economic performance by shaking up government and party bureaucracies, echoing Gorbachev's nostrums about modernization, but not doing anything really significant.

### Yugoslavia

More than six years after Tito's death, nonaligned Yugoslavia is stable and resilient but centrifugal regional forces and ethnic tensions are hampering Belgrade's ability to govern.

- o Economic problems are the top concern of the new Mikulic government, but regime policies still do not address the basic problems of inflation and excessive foreign debts.
- o The greatest threat to stable relations among the many ethnic groups continues to come from the Serbs and Albanians. Kosovo Serbs staged several demonstrations in recent months and the national leadership had to intervene to promote calm.

25X1

- o Belgrade has been encouraged by Gorbachev's restrained policy toward the Non Aligned Movement as well as his arms control initiatives and is actively negotiating to buy MIG 29's. Nevertheless, the Yugoslavs still see the Warsaw Pact as the gravest threat to their security and continue to look upon Moscow with suspicion. [redacted]

25X1

[redacted]

25X1

TALKING POINTS FOR DDCI ON EASTERN EUROPE

Distribution:

- Orig - DDCI
- 3 - C/DDI-DDCI Ex Staff
- 1 - ER
- 1 - DDI
- 1 - D/EURA
- 1 - C/EURA/EE
- 1 - DC/EURA/EE
- 1 -
- 1 - PS
- 1 - ORIGINATOR
- 1 - PRODUCTION
- 1 - CHRONO

25X1