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WITHDRAWAL SHEET

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JET 5/5/2005

File Folder USSR-EASTERN EUROPE GENERAL

FOIA

F06-114/7

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YARHI-MILO

2501

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
9589	CABLE	UK CONTRIBUTION FOR NATO REGIONAL EXPERTS' MEETING ON USSR AND EASTERN EUROPE [1 - 1] R 7/7/2008 NLRRF06-114/7	1	2/26/1981	B1
9590	PAPER	UK CONTRIBUTION FOR NATO REGIONAL EXPERTS' MEETING ON USSR AND EASTERN EUROPE 3-6 MARCH 1981 [2 - 11]	20	3/3/1981	B1
9591	CABLE	FRG CONTRIBUTION FOR NATO REGIONAL EXPERTS' MEETING ON THE SOVIET UNION AND EASTERN EUROPE [12 - 12] R 11/24/2009 F06-114/7	2	3/17/1981	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

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2501

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
9592	PAPER	FRG CONTRIBUTION FOR NATO REGIONAL EXPERTS' MEETING ON THE SOVIET UNION AND EASTERN EUROPE [13 - 38]	52	2/20/1981	B1
9587	MEMO	HANDWRITTEN MEMO ON EASTERN EUROPE ECONOMICS [39 - 40] R 7/7/2008 NLRRF06-114/7	2	ND	B1
9588	MEMO	USSR-EASTERN EUROPE: CUTBACK IN SOVIET OIL EXPORTS [46 - 46]	1	12/7/1981	B1
9593	PAPER	THE USSR'S RELATIONS WITH ITS EAST EUROPEAN ALLIES [48 - 53] R 7/7/2008 NLRRF06-114/7	11	1/11/1985	B1

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AIRGRAM

90-0977

HANDLING	CLASSIFICATION CONFIDENTIAL	MESSAGE REFERENCE NO. A-02
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AMB DCM TO:
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12 FROM:

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DATE: FEBRUARY 26, 1981

E.O. 11652:

RDS-1 2-25-87 (Bennett, W. Tapley) OR-M

TAGS:

NATO, UR, PL, RO, CSCE, ECON, PEPR

SUBJECT:

~~(U)~~ UK Contribution for NATO Regional Experts' Meeting on
Soviet Union and Eastern Europe

REF:

DEPT. DISTRIBUTION 11
ORIGIN/ACTION
*Pm**

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XMB			

~~(S)~~ Attached for addressees' information is the UK national contribution for the NATO Regional Experts' meeting on Soviet Union and Eastern Europe, March 3-6. The contribution is a package of six short papers dealing with: (a) the Soviet Five Year Plan, (b) Soviet tactics at Madrid CSCE meeting, (c) the Brezhnev Persian Gulf proposals, (d) the Polish situation, (e) Romanian economic policy and (f) Yugoslav developments. None of the papers strikes us as being particularly exceptional -- most sticking to a straightforward treatment of the issue at hand. This is particularly true of the three papers on the Soviet Union. The paper on Poland, however, departs somewhat from this rather bland, factual approach, and we find interesting its development of the thesis "that a system of alternative institutions is being created matching those controlled by the Party".

1981 MAR 10 PM 3 52

BENNETT

WTB

cta
Attachments: As noted above.

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NLRR 606-114/7 #9589

BY *CN* NARADATE 7/7/88

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CLASSIFICATION

DRAFTED BY: *only*
POL:TMSavage/mlh

DRAFTING DATE
2-24-81

PHONE NO.
5717

CONTENTS AND CLASSIFICATION APPROVED BY:
W. Tapley, Bennett, Jr.

CLEARANCES:

D/POLAD: JHHawes *only for*
OPTIONAL FORM 247
(FORMERLY FS- DS-323)
MARCH 1975
DEPT. OF STATE

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HTP for WTB

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GPO : 1975 O - 579-100

(MAKE A NEW FILE ->)

SOVIET UNION/

12

AIRGRAM

PR10 041-1721

EASTERN EUROPE
GENERAL

POL-3 AMB DCM POLAD D/POLAD ODA-2 FILES	HANDLING	CLASSIFICATION CONFIDENTIAL	MESSAGE REFERENCE NO. A-03
	TO: Department of State		
	INFO: Belgrade, Berlin, Bonn, Bucharest, Budapest, Moscow, Prague, Sofia, Warsaw, U.S. Mission Berlin		
	FROM: USNATO	DATE: March 17, 1981	
12065: E.O. 11652x	RDS-1 03/17/88 (Bennett, W. Tapley) OR-M		
TAGS:	NATO, UR, PL, BU, GE ECON, PINT, PEPR, GW		
SUBJECT:	(U) FRG Contribution for NATO Regional Experts' Meeting on the Soviet Union and Eastern Europe		
REF:	(a) USNATO A-02 (NOTAL), (b) USNATO 1026 (NOTAL)		

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XMB			

- (C - Entire Text). *Eur*
- Attached for addressees' information is the FRG national contribution for the March 3-6 NATO Regional Experts Meeting on the Soviet Union and Eastern Europe. Part I of the paper focusses almost exclusively on the Soviet Union, concluding with brief treatments of the situations in Poland and in Bulgaria. (The section on Poland appears to have been prepared prior to the FRG assessment following the 8th Plenum contained in Ref (b) Part II deals exclusively (and notably separately) with the GDR. Part III addresses the situations in Czechoslovakia, Yugoslavia, Albania, Romania and Hungary.
- The FRG papers contain little new and stick to the basically factual format which national contributions for this semi-annual NATO meeting have assumed over the years. Its all-too-brief treatment of general trends in Soviet foreign policy (pp.6-7), however, does provide a forward-looking, analytical chapeau for the subsequent region-by-region review of Soviet policy, and, in doing so, also provides some interesting insight into the FRG's thinking on what is apparently perceived as Moscow's current predicament. The paper on the GDR follows closely the reporting from AmEmbassies Berlin and Bonn, and concludes that GDR foreign and domestic

MAR 31 PM 1 27

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OPTIONAL FORM 247
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MARCH 1975
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12A

policy during past six months "was determined to a decisive extent by events in Poland, with ideological aspects increasingly coming to the fore again".

4. The analyses of the situations in Czechoslovakia and Romania give heavy emphasis to the impact and import of events in Poland. The FRG sees signs that Prague will assume a more active military aid role -- especially in the Middle East -- to help relieve the Soviet Union. Manifestations of Romania's independent foreign policy have become rarer, in Bonn's view; but the FRG notes a "cautious opening" on Albania's part towards its neighbors. Trends in Hungary are addressed basically from an economic vantage point, while Yugoslavia is considered in terms of "post-Tito" coping.

BENNETT

from extensive to intensive? Is
stabilized system done for?

When

DECLASSIFIED/RELEASED
NLRR F06-114/7 #9587
BY Civ NARA DATE 7/7/08

Differences below. policy & reforms.

Em. reform to be accomplished must have market involvement. Others
are usually ordinative. (bureaucr. - but no real market).

NEM

1. Success story - Hungary got what it set out to do - correct large hard
currency debt. 1979-80 named & eliminated - it has been
accomplished. NEVITA 1989 to eliminate hard foreign debt.
2. Danes are pushing Poland to adopt Hungarian reform (not
Yugoslav style management) but right now this would be
disaster.
3. Hungary raises consumer prices steadily. 7-5% annual inflation.
4. Hungary is not a market economy - world prices are duplicated but
no free movement of prices - lot of price control. Even "free consumer"
prices are controlled. Agricultural prices quite exempt.
5. Right of enterprises to discharge workers -
6. Enterprises have no guarantee they will exist - bankruptcy feasible.
7. New wage differentials.
8. Owners: no bidding for investment credit, no capital market
(flexible interest rate).
9. Major obstacle: degree of insecurity (unempl. & bankruptcy) that
econ. efficiency requires not allowed. Investment cultures to be
wasteful. Firms are excessively secure.
10. He is not optimistic about future.
11. Trade with COMECON not based on real market.

In Hungary you can have people cooperate with econ. policy.

Agriculture wants best
tax possible plots.

Kuznetsov's population antedated.

Geckhorvukia : "Economic measures" work-practice of Kuznetsov & other
types - talk of making domestic prices related to world prices.
Mid central planning. Unplanned. Elected.

GON - relies on organizational steps, aimed to 1990.

Rumania 1978 NEM introduced. Neutral. on engineering not
economic. pay. "Worker particip." = representation (democracy -)
autocratic.

Dulgari. Afari mainly policy not structural.

Solidarity is anti-reform.

REQUEST FOR APPOINTMENTS

To: Officer-in-charge
Appointments Center
Room 060, OEOB

Please admit the following appointments on Friday, April 17, 1981, 19

for Richard Pipes of NSC
(NAME OF PERSON TO BE VISITED) (AGENCY)

Jeremy AZRAEL Economic Reforms in Eastern Europe

Robert BARAZ

Paul COOK

~~Robert DEAN~~

Eugene DOUGLAS

Philip KAPLAN

Marty KOHN - *Briefs*

Martha MAUTNER

James NOREN

NSC:

Bill Stearman
Allen Lenz
Paula Dobriansky

MEETING LOCATION

Building OEOB

Requested by Francesca Lapinski

Room No. 305

Room No. 368 Telephone x5646

Time of Meeting 12:00 noon

Date of request April 17, 1981

Additions and/or changes made by telephone should be limited to three (3) names or less.

APPOINTMENTS CENTER: SIG/OEOB - 395-6046 or WHITE HOUSE - 456-6742

UNCL

42

DRAFT DRAFT DRAFT DRAFT DRAFT DRAFT DRAFT

TO WHITE HOUSE SITUATION ROOM

SOVIET / EAST. EUROP.
EMIGRATION

FOR: Mr. Mike Guhin

EOB Room 365

POLICIES / LEVELS

FROM: Ada Adler

SUBJECT: DRAFT LETTER OF TRANSMITTAL

Dear Mr. Chairman:

[On behalf of the President] I am pleased to transmit the information required by the Refugee Act of 1980 in preparation for the consultations on refugee admissions for Fiscal Year 1982. This document includes [the President's] the Administration's proposed admissions levels and allocations among groups of special humanitarian concern to the United States or whose admission is otherwise in the national interest. [The President] I will make [his] a final determination before the beginning of the fiscal year, after taking into consideration Congressional and other views expressed at the consultations. [The President] I welcome[s] your written comments.

Sincerely,

Enclosures:

1. Executive Summary of the Proposed Refugee Admissions and Allocations for Fiscal Year 1982
2. Proposed Refugee Admissions and Allocations for Fiscal Year 1982
3. Country Reports on the World Refugee Situation
Chinese Refugee Processing

2. Soviet Union and Eastern Europe

Proposed Ceiling. For FY 1982, the proposed admissions ceiling for refugees from the Soviet Union is 33,000 and from Eastern Europe 9,500.¹

The Administration remains both concerned with the plight of refugees from this region and committed to the principle of freedom of movement. Maintaining a ceiling of 33,000 for Soviet refugee admissions despite lowered intake in FY 1981 reflects this concern and commitment. A higher ceiling for Eastern European admissions in FY 1982 is proposed to enable the United States to do its part in the international effort to resettle the sharply increased numbers of Eastern European refugees who have been arriving in Western Europe, particularly in Australia, this year.

Soviet Union. The Soviet Government strictly controls the movement of its citizens and limits emigration to ethnic Germans, Jews and Armenians who apply officially to go to West Germany, Israel or the United States. Family reunification is the only justification officially acknowledged by Soviet authorities for emigration from the Soviet Union, although the vast majority of people actually leaving the Soviet Union cite dissatisfaction with the political system and discrimination on the basis of race or religion. By limiting emigration to individuals who qualify for family reunification, the Soviets effectively prevent many thousands of their dissatisfied and persecuted citizens from leaving the USSR.

Our policy toward Soviet refugee admissions is founded on a strong commitment to the principle of freedom of movement, which we have supported since the end of World War II. Our commitment has been strengthened by Congressional action, including the Jackson-Vanik amendment to the Trade Act of 1974 and our adherence in 1975 to the Helsinki Final Act. We pressed this commitment strongly this year at the Madrid meeting of the Conference on Security and Cooperation in Europe (CSCE).

International Resettlement. We anticipate that refugees admitted from the Soviet Union under this ceiling in FY 1982 will be principally Jews and Armenians.

¹See Table VI - REFUGEE ARRIVALS TO THE UNITED STATES FROM THE SOVIET UNION AND EASTERN EUROPE

A smaller proportion of Jews allowed to leave the Soviet Union have chosen to resettle in Israel in recent years. Soviet Jews leaving the USSR travel to Austria, where some leave for Israel. Refugees electing to resettle in countries other than Israel proceed to Rome where they are processed by INS and assisted by voluntary agencies. Approximately 80 percent of these refugees now resettle in the United States, less than 20 percent elect to resettle in Israel and the remainder go to Australia, Canada, New Zealand and Western Europe. Those entering the United States are resettled with the cooperation of the American Jewish community in locations throughout the country. Large numbers go to New York, Boston, Chicago, Dallas, and Los Angeles. Congressional concern over the situation of Soviet Jewry and support for admitting into this country those Jews who are able to leave the Soviet Union continues to be strong, as is Congressional interest in U.S. Government efforts to facilitate their emigration and resettlement in the free world.

Armenians who leave the Soviet Union are almost exclusively those with relatives in the United States. Armenians apply for entry to the United States under a Third Country Processing (TCP) program, which involves pre-screening in Moscow by U.S. consular officers, completion of security checks and verification of sponsorship in the United States before departure. They receive proforma U.S. visas, then fly to Rome, where they are interviewed by INS for admission as refugees, and finally fly to the United States.

Eastern Europe. During the first six months of calendar year 1981, there has been a dramatic increase in the number of Eastern European refugees and emigrants arriving in Western Europe, particularly in Austria, where 8,000 persons arrived between January and June. Austrian officials have estimated that if the trend continues, there may be as many as 20,000 Eastern European entrants in their country by the end of December. The greatest increase is in the number of Poles, although there are also considerably more Czechs arriving than in previous years. As a result of this sudden surge, refugee processing facilities and hotels are overcrowded and Austrian facilities and resources are strained. In addition to those who have claimed refugee status, there are reportedly thousands of Poles in Austria who have not yet requested asylum or third country resettlement because they are uncertain about political developments in Poland.

1. Asia

Proposed Ceiling. The proposed admissions ceiling for Asian refugees for FY 1982 is 120,000.

Of this number, 96,000 will be newly processed refugees and 24,000 will be refugees who were interviewed and approved by INS for U.S. resettlement during FY 1981. These 24,000 were not physically admitted during FY 1981 because employable adults from this group were placed in intensive English language and cultural orientation training courses prior to departure to the United States to facilitate their smooth integration into American society. Of the proposed admissions, 200 will be reserved for Asians other than Indochinese.

Justification. Progress has been achieved in reducing the Indochinese refugee numbers since the 1979 Geneva Conference on Indochinese refugees at which several nations undertook major resettlement commitments (including a U.S. pledge to double its resettlement rate) and Vietnam indicated it would cease expelling or facilitating the departure of large numbers of its citizens. Overall refugee camp populations have been reduced, significant resettlement has taken place in other countries,¹ some small-scale repatriation of refugees from Laos has been accomplished, and an Orderly Departure Program (ODP) negotiated with Hanoi and initiated in December 1980 has so far provided a safe and legal channel for the departure of nearly 1400 Vietnamese to the United States. Additional numbers of Vietnamese have gone directly to other countries under their own form of "orderly departure".

The Indochinese refugee problem, however, remains serious and requires the sustained attention and efforts of the international community. Because of the special humanitarian concern for these refugees generated by our historic involvement and continuing interests in Southeast Asia, it remains our policy to play a leading role in this cooperative effort to provide resettlement opportunities in the absence of other solutions.

As of June 30, 1981, there were approximately 300,000 Indochinese still in camps in Southeast Asia: approximately 100,000 from Laos consisting of ethnic Lao, Hmong and other hill-tribespeople; 100,000 Khmer; and 70,000 Vietnamese. Nearly 50,000 additional refugees were in

¹See Table IV - INDOCHINESE DEPARTURES TO U.S. AND THIRD COUNTRIES - APRIL 1975 TO JUNE 1981

ITEM RETURNED

TO NSC

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IN APRIL 1987

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INTELLIGENCE

~~(U)~~ THE USSR'S RELATIONS WITH ITS
EAST EUROPEAN ALLIES

~~(C)~~ Summary

The USSR regards its East European allies as crucial to its security. In the decades since World War II, the USSR has sought to bind these members of the "socialist commonwealth" into a tight alliance through a program of military, economic, and political integration. A variety of institutional links and trade patterns that developed over the years between itself and other members of the Warsaw Pact:

- give the USSR full control of most non-Soviet Warsaw Pact forces in the event of war;
- substantially tie the industry of the region to that of the USSR through dependency on Soviet raw material and energy sources as well as markets; and
- regularize coordination of Warsaw Pact foreign policy positions on major issues.

Despite Soviet efforts to weave a strong net of common ties, there has always been tension between the USSR and its allies, stemming in part from diversities with deep historical roots. Developments in recent years such as the Soviet invasion of Afghanistan, unrest in Poland, and NATO intermediate-range nuclear forces (INF) deployment and USSR counterdeployment have exacerbated this relationship to the point where the USSR is encountering serious problems with more countries on its western periphery than at any time since the death of Stalin.

Many of these problems are traceable to conflicting policy signals from the Kremlin, or to lack of consistent guidance and/or consultation within the alliance. In addition, a resurgence of

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Report 994-AR (Rev.)
January 11, 1985



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BY CAJ NARADATE 7/7/08

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- ii -

nationalistic feelings in the region has led to public disagreement on the relative importance of national versus international priorities. The Kremlin's greatest concern at the moment is that Soviet allies keep their foreign policy meshed with that of the USSR.

Adding to the problem are lingering differences in approaches to socialism and attitudes toward the USSR combined with internal and external friction among Eastern Europe's many ethnic groups. The usual Soviet response to manifestations of local independence has been to suppress them and concentrate on strengthening bloc institutions (the Warsaw Pact and the Council for Mutual Economic Assistance--CEMA). In present circumstances, however, the widespread nature of East European resistance is making the traditional response more difficult than ever before.

* * * * *

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~~(C)~~ Pre-Andropov Period

The last six years of leadership uncertainty in the USSR has taken its toll on the Warsaw Pact alliance. Moscow's hesitancy in handling of the Solidarity crisis in Poland in the early 1980s--a period that coincided with Brezhnev's declining health--highlighted the lack of strong leadership in Moscow. The East Europeans sensed a loosening of the Soviet grip and quickly became accustomed to a freer hand in determining their own policies.

On the economic front, Moscow found it increasingly difficult to line up support in East European councils for its economic policies. In particular, the CEMA members have been unable to agree on integration issues, commodity pricing, energy and raw material supplies, and terms of trade. As a result, the CEMA summit proposed by Ceausescu in 1980 and Brezhnev in 1981 to settle the differences did not materialize until mid-1984.

Andropov Period

~~(C)~~ Andropov took over a Soviet leadership committed to restoration of bloc coordination and unity. In January 1983 he chaired the Warsaw Pact summit meeting which issued a declaration calling for "strengthening cooperation and cohesion" within the bloc and stressed that each country must pursue a "correct political line." In his June 1983 CPSU Central Committee plenum speech he repeated the call. Little happened, however. The deadlock on economic issues persisted and Andropov also failed to get a unanimous East European endorsement of his military response to NATO's INF deployments.

~~(S/NF/NC/OC)~~ Both the German Democratic Republic and Czechoslovakia did agree in 1983 to Soviet INF counterdeployment on their territory, but both populations and officialdom left no doubts they questioned the wisdom of this action. All non-Soviet Warsaw Pact (NSWP) members except Czechoslovakia reportedly resisted Soviet lobbying for a tough statement on countermeasures

to Western INF at the October 1983 session of Warsaw Pact Foreign Ministers. Previous disagreements had involved individual countries; this apparently was the first time Moscow ran into a broad East European opposition front. Andropov's illness throughout most of his time in office, meanwhile, prevented the personal interaction and contacts essential to reversing the trend.

~~(C)~~ Chernenko Takes Over

Chernenko's election as CPSU General Secretary was greeted with mixed feelings in Eastern Europe. Moscow's allies generally seemed to react to his accession somewhat more positively than they had to Andropov's, seeing in him an interim figure rather than an innovator. Some reportedly now expected a return to the less disruptive policies of the Brezhnev era.

The Chernenko regime nevertheless has continued the promotion of greater bloc cohesion, stressing Marxist-Leninist orthodoxy especially on questions of foreign policy. A New Times article published on the eve of the Warsaw Pact Foreign Ministers meeting in Budapest in April 1984 thus denounced tendencies of unnamed East European countries to follow an "independent foreign policy course" that differed from agreed Warsaw Pact policies. It also attacked suggestions that small communist states might have a role in facilitating "compromises among the superpowers." That same month Oleg Rakhmanin, first deputy chief of the CPSU Department for Liaison with Communist and Workers' Parties of Socialist Countries, warned that international tensions made close policy coordination within the bloc particularly important and complained that "in a number of fraternal countries" ideological thought had not reached the "necessary intensity and depth."

~~(C)~~ Continued Resistance

The Soviets encountered East European resistance, however. Most NSWP countries that went along with Moscow's boycott of the Los Angeles Olympics made no secret of their reluctance to do so. Likewise, several NSWP states have made known their disagreement with the Soviet "revanchist" campaign against the Federal Republic of Germany.

The East Europeans also continue to resist Soviet efforts to forge a united front vis-a-vis the West in the economic arena. The Soviets recognize the advantages that flow from increased economic ties with the West but they are increasingly leery that these ties, if unchecked, can develop into dependencies that would make the CEMA countries more vulnerable to Western sanctions. The

Soviets also were concerned that East European determination to continue dealing with the West would undercut Soviet efforts to project an image of being unable to deal with the West because of INF. The recent Geneva talks have taken some of the edge out of these concerns, but the Soviets continue to be of two minds about the value and the wisdom of extensive economic dealings with the West.

In any event, the last-minute cancellation of GDR leader Honecker's and Bulgarian leader Zhivkov's scheduled visits to the FRG in September testify to the USSR's determination to control the scope and pace of its allies' activities vis-a-vis the West. The East Europeans for their part remain equally determined to maintain their contacts with the West, underscoring in the process the importance they attach to their individual approaches in these contacts.

Hungary's Kadar, who earlier raised the thesis that "small countries" could contribute to softening the East-West confrontation, has already hosted United Kingdom Prime Minister Thatcher, Italian Prime Minister Craxi, and FRG Chancellor Kohl. During his trip to Paris in October, Kadar again strongly defended cooperation between countries of different social systems, claiming that an "upswing" in economic relations would help detente and that no one would benefit if East-West economic cooperation "narrowed" and was "impeded" by political measures. And Romania's Ceausescu keeps reiterating his call for small countries to "take direct responsibility" for promoting detente and not "wait for results of talks" between superpowers.

~~(C)~~ Bulgaria

Political crises such as have occurred in Hungary, Czechoslovakia, and Poland are not likely to find counterparts in Bulgaria. Yet even the compliant Zhivkov was engaged in his own political opening to the FRG until Soviet pressure caused him to cancel his September 1984 meeting with Kohl. Since then, the Bulgarian Government has maintained a low profile on the international scene.

Bulgaria's greatest concern at the moment is the outcome of the papal assassination case. The Bulgarians fear, albeit without concrete grounds, that their formal implication in the plot might trigger Western economic sanctions that could deny them access to coveted Western technology. They also face a succession problem--Zhivkov is now 73--and the transition promises to be worrisome to Bulgarians and Soviets alike.

50A
(C) Czechoslovakia

Since the fall of Dubcek in April 1969, Husak has relied on the Kremlin for political and economic support and guidance and has become the most zealous East European advocate of greater political coordination within the Warsaw Pact and economic integration within CEMA. Even if the Husak regime had private reservations about the Soviet decision to deploy nuclear missiles on Czechoslovak territory, it publicly endorsed the decision-- despite public dissatisfaction and indications of uneasiness on the part of local officials. Whatever the domestic reaction, the Czechoslovak leaders evidently saw no alternative to what Moscow was demanding of them. The aging, faction-ridden leadership in Prague has shown increasingly little inclination to seek greater latitude in its foreign or domestic policy or to take any initiatives without prior approval from the Kremlin.

Mounting economic problems and popular disgruntlement over declining living standards eventually may force the regime to seek greater economic/financial ties with selected Western countries. Thus far, however, Czechoslovakia's only initiative has been to vent hostility toward the US, i.e., media attacks against virtually every facet of US foreign policy and society.

(C) German Democratic Republic

The GDR is the USSR's most valuable economic partner, accounting for more than 10 percent of its total foreign trade. As such it is also the most important source for advanced technology. Despite a long history of GDR adherence to Soviet policy lines, a degree of bilateral tension especially over the issue of inner-German relations surfaced last summer when Pravda warned that the FRG hoped to use its economic leverage to subvert the GDR.

The show of Soviet concern closely followed agreements in July for a second FRG loan of 1 billion Deutsche marks to the GDR (the first such agreement had been made the previous summer). The GDR for its part relaxed its emigration restrictions to allow some 40,000 East German citizens to go to West Germany by the end of 1984.

Symbolic of the improved atmospherics, East German party leader Honecker was negotiating a visit to the FRG in September. Although the Soviets undoubtedly had been consulted throughout, they became increasingly concerned that the publicity, speculation, and expectations generated by these developments were injecting too much of a dynamic into the inner-German

relationship. Although the East Germans reaffirmed an intent to move ahead with the FRG and to "limit the damage" caused to inner-German relations by the INF deployments (as Honecker put it in 1983), and although the GDR had widespread support in Eastern Europe for efforts to improve relations with the FRG, Honecker nevertheless postponed his visit to Bonn.

(C) Hungary

Since the suppression of the 1956 uprising, Hungarian-Soviet relations have been characterized by an informal trade-off of Hungarian support of Soviet foreign policy initiatives for a relatively free-hand approach in domestic affairs, especially in the economic sphere.

Economic stagnation and the rise of a new generation of Hungarians oblivious of the lessons of 1956 have affected the country's domestic stability. Hungary's desire to move forward with economic reform--which is far more advanced than that of other East European countries--and to pursue greater economic ties with the West has run afoul of Moscow's stress on restoring cohesion within the Warsaw Pact.

The element arousing greatest Soviet concern was the degree to which Kadar was promoting "dialogue" with Western partners at a time when the USSR's own relations with the West were stagnating. Hungary's declaration that "small- and medium-sized countries in both camps" have a role to play, especially during the period of US-Soviet chill, also has come under attack from the USSR and other orthodox allies.

The Kremlin evidently intends to extract a price if Kadar wants to maintain his present course. As it has done to other East Europeans, the USSR already is insisting on an even greater share of Hungary's exports salable in the West. The USSR continues to press Budapest to tighten domestic controls. The outlook is thus for a continued tug-of-war as Kadar seeks to reconcile the conflicting need of maintaining the Western economic ties to meet Hungary's hard currency requirement.

(C) Poland

Polish-Soviet relations received their severest test with the rise of Solidarity in 1980. Although the imposition of martial law in December 1981 blunted the challenge, the Kremlin continues to have serious reservations about the way Jaruzelski has gone about achieving "normalization." It has taken particular issue

with his failure to revitalize the party, restore it to traditional prominence, and reduce the military's involvement in running the country; his cautious handling of the opposition and the underground; and the regime's benign toleration and outright courting of the Catholic Church as a way of maintaining domestic peace. The Soviets also have criticized Poland's heavy economic reliance on the West during the 1970s which now renders largely ineffective efforts to tilt Poland's economy closer to CEMA (i.e., the USSR) and Warsaw's chronic inability to collectivize agriculture (some 75 percent of land remains in private hands).

Jaruzelski must avoid a situation in which Moscow and Warsaw hardliners force his regime to crack down on the Solidarity opposition. Such a course would set back what little progress was made with the July 1984 amnesty, complicate Jaruzelski's relations with the church hierarchy, and interrupt the recent thaw in Poland's relations with the West. But as long as there is no crackdown, Polish-Soviet relations probably still will be characterized by strain and a good deal of suspicion. Even so, the Soviets appear to have concluded that they have no practical alternatives to the Jaruzelski regime no matter how troublesome they find it. Their efforts to exert pressure on Poland have foundered consistently on the resistance of an independent Polish society that is now increasingly radicalized.

~~(C)~~ Romania

Romania's longstanding policy disputes with the Kremlin appeared to have worsened during the past few years. Ceausescu was the only Warsaw Pact leader who failed to endorse bloc counter-measures against NATO INF deployments: Instead, he criticized both superpowers, arguing that no new missiles should be deployed by either side and that those already in place should be removed. In defiance of bloc discipline, Romania did not send a delegation to a December 1983 meeting of ideology secretaries which met in Moscow. (Romania was the first Warsaw Pact state to have missed such a meeting since these annual high-level consultations began in 1973.) And, despite apparent Soviet pressuring, Romania broke with the USSR's boycott and sent a team to the Los Angeles Olympics.

Despite the troubled relationship, Ceausescu seems to have decided to work more closely with the Soviet Union in the economic-commercial area. As one result, the Soviets apparently agreed during Ceausescu's June 1984 visit to Moscow to increase their deliveries of oil and other raw materials over the next several years in return for Romanian agricultural produce and possible participation in joint projects.

Although an increase in Romania's economic dependence on the USSR and Soviet influence in Bucharest may result from these arrangements, the warming trend is likely to be evanescent. Ceausescu does not appear ready to abandon his independent stance even though Romania's domestic economic problems are serious. For example, he proceeded with a trip to Bonn in October after Honecker and Zhivkov had postponed theirs.

~~(C)~~ Role of CEMA

Economic issues traditionally have been a chronic source of friction between the Soviets and their East European partners. The inability of CEMA to agree on integration issues, commodity pricing, energy and raw material supplies, and terms of trade prevented the convening of a CEMA summit from 1980 until 1984. Even then, the meeting resulted in only superficial agreements on these and other matters, leaving the final resolution of contentious issues up to working groups that may take years to work out details.

The most public disagreement between the USSR and its East European partners has been over trade and credits with the West. The Soviets openly fear that too much dependence on Western credits, goods, and technology increases Eastern vulnerability to economic pressure (e.g., the sanctions imposed after the invasion of Afghanistan and the institution of martial law in Poland). They also are concerned that economic ties to the West could encourage greater economic and political deviations, as they have in Hungary and Romania. The Soviets thus have argued for a reduction in the level of such contacts and have encouraged a revival of intra-CEMA trade. Their campaign has met with strong resistance in the GDR and Hungary, in particular, but has gotten a better reception in Poland and Romania, where economic pressures have made increased Western trade a less viable option.

More recently the Soviets also have demanded from their European partners increased investment in Soviet energy and raw material production and transportation facilities, backing up the demands in some cases with threats of cutbacks in energy deliveries. Such pressure tactics are certain to exacerbate East European grievances about supplies and pricing.

A further area of controversy within CEMA has been the pressure from non-European members (Cuba, Vietnam, and Mongolia) as well as a number of observer states for development aid. The European members do not feel financially strong enough to engage in even

token developmental assistance and continue to resist pressures to increase their level of trade with the non-European members.

Warsaw Pact

(S/NF) The USSR controls almost all military aspects of the Warsaw Pact. The Pact General Staff, its commander, and its chief of staff are Soviet officers; NSWP members of the staff have no significant effect on Pact military policy. In case of hostilities, the Soviets have established procedures that effectively remove all meaningful control of NSWP forces from their national command authorities. The one exception is Romania, which has refused to accede to these procedures.

(C) Most of the NSWP nations, however, have resisted efforts to involve them in the recent Soviet anti-US campaign. All reportedly opposed INF counterdeployment initially; the GDR and Czechoslovakia agreed only reluctantly to the stationing of such missiles on their soil, and most NSWPs failed to endorse counterdeployments unambiguously.

(C) Most also have been resisting Soviet pressure over the past several years for force modernization (many NSWP military forces are still equipped with 1950s- and 1960s-vintage weapons). Given serious economic problems bloc-wide, the NSWPs prefer to utilize their resources for more productive purposes. Poland, Hungary, and Romania in particular, but also Bulgaria and Czechoslovakia and to a lesser extent the GDR, have been slow to fulfill Pact agreements on military modernization.

(C) Persistent attempts by the Soviets to strengthen permanent Pact political organizations in order to exert the same control over the political side as they exert over the military have made only slow progress. NSWP resistance on this score is just as persistent as it has been in other areas.

(S/NF/NC/OC) The Warsaw Treaty will expire in June 1985 and Moscow currently is negotiating a renewal. Romania, tacitly supported by Hungary and others, evidently is still pushing to have the term of validity much shorter than that proposed by Moscow. Romania apparently is engaged in this dispute primarily to extort some economic concessions from the Soviets--no Pact members will refuse to agree to a renewal--but is helped by the strong undercurrent through Eastern Europe of dissatisfaction with the idea of blocs in general. While the East Europeans accept some limits on their autonomy--as a ranking Czechoslovak party official lamented

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recently regarding Soviet missile deployments in his country, "we were obligated"--they continue to seek maximum flexibility for policymaking where they can.

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