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THE SITUATION IN EASTERN EUROPE AND THE SOVIET
OCCUPIED ZONE OF GERMANY

Report by the Expert Working Group⁽¹⁾

INTRODUCTION

The evolution of post-Stalin policies in Eastern Europe during the period under review was affected by:

- (a) the stresses set up by the Cuba crisis and its effects on Soviet policy;
- (b) the intensification of the Sino-Soviet dispute;
- (c) the development of relations with Yugoslavia, promoted by the USSR;
- (d) the fluctuations of destalinisation;
- (e) the impetus given by the Soviet Union to the activities of COMECON (Council for Mutual Economic Assistance).

Internally there was an increase in diversity of response to the ideological and economic problems of individual countries. This was especially marked in the COMECON field. Externally, however, there was no breach in the support given to the Soviet Union in its policies towards the West and towards China. It remains to be seen, therefore, how far the increase in internal diversity represents a growth in the opportunities for Western policy.

EAST-WEST RELATIONS

2. There have been no fundamental changes in the relations between Eastern European countries and the West in the past six months. The satellites have continued to support Soviet policy, particularly on Cuba and on Berlin, in disarmament talks and the nuclear test-ban talks, in its attacks against the Common Market, and against the Franco-German rapprochement and the

(1) The Working Group finished this report on 24th April, 1963

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creation of a NATO nuclear force. Their policy in the Balkans has not softened, and Bulgaria, notably, has continued to maintain a basically negative attitude towards Turkey and Greece.

3. However, there were signs of a slight detente over the Hungarian question after the U.N. resolution of December, 1962 and the amnesty proclaimed by the Hungarian Government in March. These measures hold out prospects for a visit to Budapest by U Thant, which would be a concrete expression of the normalisation of relations with the Kadar regime.

4. In spite of continuing basic hostility to the Common Market on both political and economic grounds, many of the satellite countries have continued their efforts to intensify and broaden their commercial relations with the West. The signature of a trade agreement between the Federal Republic of Germany and Poland and the latter's agreement to the establishment of a German trade mission in Warsaw underline the importance which countries of Eastern Europe attach to such relations.

5. In addition, it would appear that some Eastern European countries have sought to improve their relations with the Vatican.

6. In varying degrees, there has been an increased interest on the part of some of the satellite governments in expanding cultural relations with the West. There is as yet no clear indication that the recent curbing of Soviet intellectuals has affected this trend.

RELATIONS WITH THE UNCOMMITTED COUNTRIES

7. The satellite countries expanded their efforts for ideological and commercial penetration in the underdeveloped world and there is some division of labour on the basis of geographical areas.

8. The 1962/1963 university year was notable for a further substantial increase in satellite cultural assistance for students from Afro-Asian countries. The serious incidents involving African students in Bulgaria were undoubtedly a major setback for the Soviet camp, but there has been no indication that this will lead to a reduction of bloc effort in this field.

THE SATELLITES AND THE SINO-SOVIET DISPUTE

9. The series of satellite Party Congresses at the turn of the year were the occasion for a further deterioration in Sino-Soviet relations, and involved the Satellites, with varying nuances, more deeply than before on the Soviet side. The criticisms of the Chinese positions voiced in Prague in December and in East Berlin in January were among the strongest so far made. However, and especially since the publication of the correspondence between Moscow and Peking, the USSR's European satellites have, not without some satisfaction in certain cases, complied with instructions to stop indulging in all polemics.

RELATIONS WITH YUGOSLAVIA

10. The Soviet-Yugoslav rapprochement has progressed in seemingly direct ratio to the deterioration in Sino-Soviet relations. During the past few months the Soviet leaders have pursued this policy which was adopted last spring. The visit of Tito to Moscow early in December introduced a more spectacular note into the policy.

11. It seems clear that the Soviet leaders' intention is to obtain the reintegration of Yugoslavia, if not into the camp, then at least into the family of Socialist States. To this end they have not hesitated to recognise in principle the socialist nature of the Yugoslav regime, while again insisting on the identical positions of Belgrade and Moscow in the main fields of foreign policy. From time to time, however, they have also mentioned the persistence of their ideological differences with Yugoslavia.

12. The satellites have fallen in with this policy: taking their cue from Moscow, all of the regimes made conciliatory gestures of some kind towards Belgrade. Some, however, did so with reservations.

13. Both parties derived advantages from the rapprochement. Yugoslavia has benefited from the degree of legitimation newly accorded to Yugoslav communism and from increased economic dealings with the Bloc(1); and the Bloc has obtained a closer identification of Yugoslavia with its purposes.

14. This situation is clearly not yet stable. Yugoslavia will seek greater influence in Bloc and international communist affairs without submitting to State and Party control by Moscow. It will want to retain the advantages of independence from the Bloc in its dealings with the West and with the non-aligned countries. The Soviets will seek to derive advantage from the closer ties with Belgrade, while hedging against its gaining undue influence in East European affairs, and will continue to be mindful of the criticisms of the "dogmatists".

RELATIONS WITH ALBANIA

15. The Soviet effort to tone down Bloc criticism of the Albanian régime and to offer a degree of reconciliation should be regarded primarily as a tactical move in the Sino-Soviet dispute. It has not led to a favourable response from the Albanians who continue to attack Khrushchev. China remains the chief prop of the Albanian economy, which is faced by even graver difficulties than previously. But the régime seems to be in complete control.

(1) In this connection the Greek Representative emphasised that Yugoslavia's economic difficulties made it particularly important for her to develop her trade relations with the Bloc.

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COUNCIL FOR MUTUAL ECONOMIC ASSISTANCE (COMECON)

16. The various activities of COMECON have been given fresh impetus in recent months as a result, on the one hand, of the internal economic difficulties of member countries and, on the other, the apprehension they feel in the face of the growing economic integration of the European Community.

17. During the most recent meetings of COMECON a number of measures were adopted with a view, not only to eliminating the worst short-term bottlenecks, but also to improving the co-ordination of long-term planning. In the financial sphere, it was decided to set up a bank of socialist countries which would provide funds for large investment projects and would ultimately be the centre of a multilateral clearing-system and to revise prices used in Bloc trade. On the other hand, no decision has yet been taken on the proposals put forward by Khrushchev in November for the creation of a planning organisation covering all the COMECON countries.

18. While COMECON appears to be ultimately aiming at a true integration of member nation economies, this raises a series of problems:

- (a) the establishment of a common plan presupposes the definition of economic criteria and the elaboration of a coherent price system for planned economies which have so far retained their own special features.
- (b) conflicting interests appear between member countries when the question comes up of defining specialisation for each country and establishing the order of priorities (Rumania, in particular, has expressed its misgivings on this score).
- (c) owing to the dominant position of the USSR in relation to the economies of the satellites, the development of joint planning may further reduce the autonomy of these countries and in some cases their freedom to trade with the West.

INTERNAL DEVELOPMENTS

19. The issue of destalinisation emerged once again at the Party Congresses in Hungary, Czechoslovakia, and the Soviet Zone. Soviet interest in this issue appeared to be governed by the question of the trustworthiness of the incumbent leadership. The USSR had taken an active part on the resolution of the leadership struggle in Bulgaria which - inter alia - facilitated the rapprochement with Yugoslavia. On the other hand, the Stalinist leadership of both Czechoslovakia and the Soviet Zone has been retained virtually without change by the recent Party Congresses, as there was no doubt about its loyalty to Khrushchev.

In Hungary, an uneventful Congress was turned into a demonstration of regime stability, and was followed by an amnesty of wide scope covering many of the victims of the 1956 revolution. The earlier Bulgarian and Rumanian amnesties were of much less significance.

20. In the cultural field there were indications of ferment in several countries. The reaction of the regimes to this development varied. In Poland and Hungary the "liberal" regimes showed little inclination to follow the new hard-line policies in culture and art currently being laid down by Moscow. On the other hand, writers and artists in the Soviet Zone and Bulgaria have come under sharp attacks by Party leaders for disregarding "socialist realism" in the arts. In Czechoslovakia, a movement in intellectual circles for greater freedom of expression went unchecked until Party leader Novotny made it clear, in March, that there were limits to free discussion and criticism which must be respected.

21. Similar diversity prevails in the approach toward persistent economic problems which on the whole are common to all the countries: a further slackening in industrial growth rates; decrease or stagnation in agricultural output; and failure to improve standards of living. These have all been aggravated by the exceptionally severe winter. While some countries did not make any changes in their economic policy, others adopted a more pragmatic approach. Thus both in Hungary and Bulgaria there was increasing emphasis on private plot production. Furthermore, in the Soviet zone of Germany, and especially in Hungary, there was a tendency in industry to put responsibility on technicians even when they were not party members. Continued failures led to the abandonment of their long-range economic plans by the Soviet Zone and Czechoslovakia in favour of one-year plans for 1963 and seven-year plans beginning 1964, while other satellites modified or revised their 1963 plan goals.

(Signed) W.M. NEWTON
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