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

Report by the Expert Working Group⁽¹⁾

GENERAL

In Eastern Europe, in the last six months we have seen evolving an increasing diversification in the attitudes of the various countries, both towards Moscow and towards each other. This trend is especially marked in Rumania, Hungary and Czechoslovakia.

2. It is in part attributable to the strain placed on internal discipline in the Socialist camp by the Sino-Soviet dispute. It is, however, also the result of what, relatively speaking, is a revival of national consciousness, which, with varying degrees of intensity, has emerged in the countries in question and which the USSR thinks it best to take into account by accepting a certain type of "polycentrism" within the camp.

3. Generally speaking, the development of the somewhat less oppressive climate which first appeared at the beginning of the year - prompted by the impetus given to the XXIInd Congress by the USSR - continued to operate: there was some relaxation of police pressure, more concern for living standards, and greater tolerance shown to intellectuals. Poland, however, which hitherto played the rôle of pilot in this evolution, has, comparatively speaking, lost ground.

4. The general trend has been clearest in the economic field. The countries of Eastern Europe have felt the need to seek contacts with the West to help them to develop a more varied pattern of trade, thereby enabling them to develop their national economies, and in some cases their political autonomy, with greater freedom. The corresponding efforts of Moscow to strengthen the ties between the different countries within COMECON have met with some resistance, the stiffest being that of Rumania.

(1) The Working Group finished this Report on 20th November, 1963

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DOMESTIC PROBLEMS

5. Destalinisation has continued in certain Eastern European countries. It took a rather spectacular form in Czechoslovakia, particularly Slovakia, where the proponents of more independence, helped by a disastrous economic situation, allied themselves with the advocates of a more flexible line to impose on the Prague Government long-delayed changes. Novotny may face increasing difficulties in remaining at the head of the Party and the country.

6. Hungary, rather than Poland, now seems to be the model towards which the eyes of the liberals in the other Eastern European countries are now turned. In Rumania, the authorities have set free some of the political leaders of the former bourgeoisie and no longer apply house-arrest to many of the middle class hitherto subjected to this treatment. In Poland, the only country in which the brake has been sharply applied, Gomulka has launched a full-scale attack against all aspects of a "liberalisation" which had penetrated fairly deeply into the life of the nation. In Bulgaria the situation remains virtually unchanged, but pressure on the Turkish minority there has been intensified. In Albania, the reins are held as before in an iron grip. Repressive measures taken by the régime to maintain its control have included increased pressures against ethnic minorities.

7. In most of the peoples' democracies, the religious situation, which had improved somewhat when John XXIII was Pope, has changed very little. In Poland, harassment of the Church has continued, accompanied by attempts to represent the hierarchy as out of step with the policies and ideas of Pope John XXIII. There have been no new developments in the case of Cardinal Mindszenty. Czechoslovakia released Archbishop Berán without, however, allowing him to resume his ecclesiastical duties. At the moment there would appear to be a pause which coincides with the reconsideration which is being given to current Vatican problems following the change of Sovereign Pontiff. Various churches of Eastern Europe are also making efforts to increase their relations with Protestant and Orthodox churches and with emigré communities in the Western world.

ECONOMIC PROBLEMS

8. A further slow-down in industrial growth rates was noted in all countries, with Rumania registering highest growth in the area. Agricultural results were similarly unfavourable in all countries, though less so in Rumania.

(a) Except in Czechoslovakia, industry has gone some way to recover from the ravages of the winter, which had been particularly severe in the Soviet Zone, Poland and Czechoslovakia. In Czechoslovakia, moreover, bad planning and misplaced investment in the past took their revenge, and industrial production remained below previous levels. Elsewhere, great divergencies have been noted in the annual rate of industrial expansion, which ranges from 3.3% in the case of Poland, to 11.7% in that of Rumania.

(b) Agricultural performance has been poor. Efforts to stimulate livestock production in some countries have led to increased feeding, and hence to a strain on supplies of feeding stuffs; this in its turn appears to have caused premature slaughterings (e.g. in the Soviet Zone). There have been signs that in an effort to improve a chronically unsatisfactory situation Hungary and Bulgaria are willing to show more favours to private plots. Crops in most of Eastern Europe also seem to have been disappointing. Moreover, the bad Soviet harvest has meant that nearly all the satellites have turned to the West for imports to meet food and feeding-stuff requirements.

(c) Generally speaking, recourse to foreign markets constitutes for all these countries a safety-valve which enables them - to the extent permitted by their holdings of the necessary currency or credits - to alleviate the most acute shortages. This accounts for the special attention devoted to the expansion of trade with Western countries.

THE COUNCIL OF MUTUAL ECONOMIC ASSISTANCE (COMECON)

9. Although it would be a mistake to under-estimate the progress already achieved in certain areas in the co-operation between industrial countries and in the pooling of resources of energy and certain transport facilities, the plans of the Council of Mutual Economic Assistance (COMECON) for increased integration of member economies appear to have suffered a serious setback. Proposals for centralised bloc planning under the aegis of the USSR have been shelved largely because Rumania balked at the rôle of agricultural supplier assigned to it in these proposals, and also because of the many other conflicting interests of the members of COMECON. As between the Soviet definition and execution of the general policy of COMECON, on the one hand, and certain national concepts of the member States on the other hand, there appear to be some divergencies.

10. For instance, the projects for the co-ordination of planning and for specialised production envisaged for the period 1966/1970, apparently the subject of separate negotiations between Poland, Czechoslovakia and the Soviet Zone, are to be finalised in the course of bilateral negotiations, for the recommendations of COMECON are only binding on the States which accept them. Rumania is in danger of finding itself isolated by the interplay of a great many bilateral agreements concluded without its participation.

11. COMECON's International Bank of Economic Co-operation begins its operations on 1st January, 1964. Among the difficulties it must face are its limited financing possibilities, which may hinder a solution of the problems of multilateral clearing, and the lack of a homogeneous price structure. The conversion rouble provides no quick solution to this latter problem. The Bank, however, will in future be able to extend its action to the Third World and establish contacts with "capitalist" banks.

INTRA-BLOC RELATIONS

12. For a number of years the Soviets have shown signs of seeking new, and less blatant, means of exerting their control over the countries of Eastern Europe, just as, domestically, they to some extent have modified their methods of control over the Soviet people. Their recent efforts to develop economic integration within COMECON reflect not only their desire to expand the economy of the bloc and to raise the living standards of the peoples' democracies, but also their hopes that COMECON could serve as an effective instrument for binding the satellites to Moscow. This general approach, however, is complicated by the fact that the Soviet ability to exert pressure on Eastern Europe has been reduced at present by the existence of China as an open opponent of the USSR within the Communist movement and by the acceptance of Yugoslavia as a "socialist" state.

13. If, as seems likely, the Soviets are seeking more indirect methods of control, it would also seem likely that a somewhat higher degree of autonomy for the régimes of Eastern Europe would be acceptable to them, and considered advantageous in some cases. The degree of acceptability of this autonomy would seem to depend upon the field in which it was exercised. Thus, the belated destalinisation in Czechoslovakia was probably considered not only acceptable, but necessary. The stand made by Rumania within COMECON to resist pressure has been accepted although with reluctance. Any satellite rejection of the Soviet position on a major East-West issue, or any dilution of a satellite Communist Party's monopoly of power - both at present highly unlikely in any case - would probably go beyond the limits of Soviet acceptance.

14. The Eastern European régimes, both because they share the Marxist-Leninist ideology of the USSR and because of their natural interest in self-preservation, are unlikely to seek consciously to extend their exercise of autonomy beyond these limits. The degree to which the populations of these countries attempt to exert pressure on their régimes will also be limited by the desire to avoid a repetition of the Hungarian experience of 1956.

REPERCUSSIONS OF THE SINO-SOVIET CONFLICT

15. The refusal of the Chinese to sign the limited Test Ban Treaty has given the satellites an opportunity once more to condemn Peking for its attitude, and to align themselves with that of Moscow. At its present stage, however, the Sino-Soviet dispute offers the satellite régimes certain opportunities for manoeuvre. This was reflected in the differences, sometimes important, which, one way or another, have become apparent in their attitudes as well as in the degree of support they have given Moscow. Bulgaria stepped meekly into line; Czechoslovakia made a show of zeal; the Soviet Zone of Germany, described in Peking as having been betrayed by Khrushchev, rallied wholeheartedly to the cause of Moscow; Hungary, at least at the outset, displayed caution and Poland, reserve; Rumania used the conflict for its own ends.

16. Albania, spokesman for China, continues to launch violent attacks against the "Tito-Khrushchev clique". The Albanian Communist Party has proved that, despite its small size, it can be a valuable ally to the Chinese, e.g. by encouraging anti-Khrushchev activities within the Communist Parties of Western Europe.

YUGOSLAVIA AND THE BLOC

17. Yugoslav policy represents an endeavour to achieve an integrated action everywhere by combining various elements which in themselves sometimes point in divergent directions.

(a) Yugoslavia is seeking to consolidate its rapprochement with Moscow. It has sought to use the developments noted in the International Communist Movement in a way that fits in with the problems it has to consider in relation to the Sino-Soviet conflict. Concurrently with the improvement recorded in its relations with Moscow, it hopes to achieve closer relations with the satellites. In its dealings with its Balkan neighbours, Yugoslavia would like to reconcile this attitude with the considerations of domestic and Balkan policies which point to the desirability of turning to Greece for support while not hampering the rapprochement with Bulgaria.

(b) Yugoslavia is trying to humour both East and West at the same time. On the one hand, Khrushchev's visit to Yugoslavia highlights the convergence, on certain important points, of the policies of the two countries. The dispatch to Moscow of Yugoslavia's War Minister confirms this understanding. Moreover, both governments have made it clear that their policies with regard to appropriate areas of the Third World are complementary.

Yugoslavia, however, is anxious not to loosen its ties with the West and even wishes to have the possibility of

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developing its economic links with the West. It has retained its links with OECD and the Common Market. It has rejected the status of associate member of COMECON, and although it has accepted that of an observer, it has so far apparently not nominated a representative. It emphasises, moreover, the importance of Tito's journey to the United States.

(c) Finally, Yugoslavia seeks to maintain its position as an "independent" Communist country and thereby its prestige as a prominent member of the Third World. This also serves Soviet interest, as Yugoslavia can be relied on to counter the encroachments of Peking and its search for new supporters among these countries. There are already some signs, however, that it may be difficult for Yugoslavia to maintain its influence in the non-aligned grouping while demonstrating at the same time the close identify of its long-term objectives with those of the USSR and world Communism.

THE SOVIET-OCCUPIED ZONE OF GERMANY

18. The special position of the Soviet Zone set very narrow limits to any evolution on the lines observed elsewhere in the area. In spite of the burden which Ulbricht's rule represents for the Soviet bloc, the Soviet Union seems to see no alternative but to keep him in power. Ulbricht's 70th birthday was made the occasion for a demonstration of this support by the presence of Khrushchev and nearly all the satellite leaders (except Rumania's Gheorgiu-Dej).

The régime gave its fullest support to COMECON which it may envisage as an instrument, not only for consolidating its vital industrial rôle within the bloc, but also as an additional guarantee of its political survival within the camp. The continuation of an inflexible policy within the Zone and the need for the USSR to continue to support the régime it established there, may complicate and hamper developments in the satellite countries.

RELATIONS WITH THE WEST

19. Most East European countries have made attempts to improve their relations with the West during this period through the removal of some long-standing irritants in those relations.

20. Most of these countries, and especially Rumania, have shown an interest in expansion of East-West trade. This trend is illustrated by the conclusion of agreements with the Federal Republic of Germany under which German trade missions are to be set up in Poland, Rumania and Hungary. The fact that the satellites accepted the extension of these technical agreements to West Berlin is noteworthy.

21. Beyond this, there have been a number of positive acts by the various régimes easing their barriers to the influx of Western ideas. Taken separately, these acts are relatively minor, but taken together they constitute a definite part of the general trend towards improved relations with the West.

22. The satellites have also taken some steps to improve their relations with Austria. Formalities on the Austro-Czechoslovak and Austro-Hungarian frontiers have eased and two-way tourist traffic across these frontiers and with other satellite countries shows signs of increasing.

RELATIONS WITH THE THIRD WORLD

23. The Eastern European countries have pursued their efforts to penetrate the Third World, in spite of the ensuing domestic economic difficulties. This has led to a division of tasks among the various countries, as previously noted and now confirmed.

CONCLUSIONS

24. The experience of the past six months confirms the analysis set out in the document "Policy Towards the East European Satellites", (1) and there appear to be possibilities of further developing the policy outlined therein. There are limits imposed chiefly by overall Soviet control of the area, by satellite support for Soviet positions on fundamental East/West issues, and by Western interests, strategic and other. Within these limits, and bearing in mind the developments noted, the countries of the West would be well advised to take advantage of any opportunities for developing exchanges with the countries of Eastern Europe in the manner indicated in the Report referred to above.

25. Action of the kind advocated might help to reinforce the individual character of the régimes in the countries in question, and, in the normal course of events, should stimulate their propensity to practice a more independent policy within the limitations assigned to them.

(Signed) W.M. NEWTON
Chairman

OTAN/NATO,
Paris, XVIe.

(1) C-M(62)143 of 28th November, 1962