N A T O  S E C R E T

ORIGINAL: ENGLISH
3rd February, 1978

ISD/165(3rd revise)

To: Members of the Political Committee at Senior Level

From: Chairman

ALLIANCE STUDY OF EAST-WEST RELATIONS

I attach a third revision of the draft of Part One of the East-West Relations Study which incorporates the amendments agreed by the Senior Political Committee at recent meetings ending on 1st February. These amendments to the second revision are underlined.

2. I suggest that this latest revision should be considered by the Senior Political Committee at a meeting on 14th February at 3.30 p.m. It would be helpful if, before the meeting, delegations would circulate in writing any comments from capitals.

3. As well as considering any comments on ISD/165(3rd revise), the Senior Political Committee at its meeting on 14th February might also consider any written comments from capitals on Part Two of the study (ISD/176). It will be recalled that the Committee asked that these written comments should be circulated by 10th February (AC/119-R(78)10).

(Signed) E.F. JUNG

This document consists of: 51 pages
Annex of: 10 pages

ALLIANCE STUDY OF EAST-WEST RELATIONS

SOVIET UNION AND EASTERN EUROPE: TRENDS IN INTERNAL AND REGIONAL DEVELOPMENTS AND EXTERNAL POLICIES

The purpose of this paper is to provide a forward-looking analysis of trends in Soviet and East European internal and external policies, with particular reference to factors which will have a direct relevance to the conduct of East-West relations. The limitations of such an exercise are self-evident. While it is possible to identify certain trends which, on national assessment, ought to remain in the interests of the Soviet and East European leaderships for the foreseeable future - such as the commitment to the détente process - the uncertainties about developments in, for example, Soviet internal affairs in the years immediately ahead (the succession to Brezhnev, and the effects on both internal and external policies of a transitional phase in the Soviet leadership) make firm prediction both difficult and unwise. It is clearly not possible to chart each of a wide number of possibilities. It takes as its timeframe the period up to, but not beyond, the late 1980s.

## CHAPTER ONE: INTERNAL TRENDS IN THE SOVIET UNION

### I. INTRODUCTION

1. The Soviet Union is currently enjoying the longest period in its history free from war or traumatic social or political upheaval. The Brezhnev phase had introduced a certain sense of personal security and stability for the people which was totally lacking under Stalin and lacking to a large extent under Krushchev. Furthermore, there has been a perceptible, though uneven, improvement in living standards in the last decade. It is probably true that, whatever the cost of the stability, the majority of both officials and ordinary citizens continue to welcome it as a respite from the upheavals of former years. Added to this is the inclination of the people to adapt to the circumstances in view of the system in control and the overwhelming power of the police and the bureaucracy, and to

retreat into the private sphere. There is no evidence of a degree of dissatisfaction among the population which could endanger the stability of the régime. Nevertheless, given the inherent uncertainties in an oligarchic situation, and the relative time coincidences within the Warsaw Pact countries of such factors for instability as succession, economic difficulties and nationalism, the possibilities for discontinuity remain significant.

2. For the future, and taking into account the need to adapt to changing circumstances, one factor remains as the top priority of any Soviet leadership: to retain the Communist Party's total control over the country. The absolute primacy of the Party is fundamental to the whole Soviet system and cannot be challenged without grave danger to the system itself. Moreover, this is not just in the interests of the several hundred people at the top of the political ladder but also benefits the thousands of technocrats and the many thousands of lesser functionaries who exercise considerable power and authority and enjoy manifold privileges in the system. The Soviet Union has much to offer to the ambitious who put their skills at the service of the régime and who conform, though often more as a matter of convenience than conviction. The next generation of leaders may be even more attached than this generation to maintaining the material and other privileges that go with power in the USSR. Such an attitude would not necessarily mean that future leaders would limit themselves to conservative policies in all fields.

3. The factors outlined above suggest that in the Soviet Union both leaders and led have a certain common interest in eschewing dramatic changes in the next five to ten years. Politically at least, many signs point to a reasonably smooth transition of leadership once Brezhnev leaves the scene, although political turbulence cannot be excluded, because the institutional problems connected with the renewal of the leadership have not yet been solved. Barring the unforeseen, the future leaders will

have come up through the Party apparatus and been thoroughly schooled in its way of thinking. No one among the potential leaders so far stands out as showing exceptional talent. Yet the mere number of changes in the leadership over the next few years will in itself provide elements of insecurity and uncertainty.

4. Leaders will need to show some flexibility in the face of problems in Soviet economic, social and political life which seem bound to come to the fore in the course of the next decade and beyond. As these problems become more pressing, they may force the Soviet leadership to make hard decisons, particularly as regards the contradiction between the centralised political structure on the one hand, and the need to revitalise the economy and develop the advanced technological sector on the other. Although it is impossible to predict with certainty what attitude the future Soviet leadership will take to these problems, it may be assumed that they will have to be taken into account, at least to some extent. The difficulty will then be to reconcile the preservation of the Party's monopoly with the reforms needed to modernize the system's structures.

## II. ECONOMIC TRENDS

5. Although currently ranked as the second industrial power in the world, the USSR appears to be entering a prolonged period of reduced economic growth. From 1951-1970, high labour and capital inputs into the Soviet economy produced an average annual increase in real GNP of over 5.3%. Since the beginning of the 1970s, however, growth rates have been declining noticeably (1971-1975: annual average 3.8%).

6. As a result of the drop in the Soviet birth rate, the availability and quality of manpower are likely to become increasing serious problems, especially in the industrial and services sectors. Annual increments in the labour force will decline sharply in the 1980s, recovering only late in the 1990s.

In addition, regional differentials in birth rates will result in a decreasing proportion of ethnic Russians vis-à-vis Central Asian and Transcaucasian peoples. These ethnic minorities will be increasingly confronted with the need to move to industrial centres and adapt to sophisticated industrial activities.

7. The future leadership's options in dealing with the situation appear limited. Short of introducing radical measures such as forced labour movements from Central Asia, it might: lower the school-leaving age a little; reorganize incentives to induce manpower to move voluntarily and plans to shed their surplus labour; relocate industries to areas which have surplus labour; invest more substantially in labour-saving technology; retain or recall skilled older workers or even go so far as to reduce the period of national service.

8. The importance of energy resources, especially oil, to the future of Soviet economic growth cannot be overstated. Natural resources of oil and other raw materials, whilst not necessarily limited in the USSR, are becoming increasingly difficult to extract and more costly to develop in the newer energy areas of Siberia and Central Asia, at a time when the depletion of fuel and mineral resources West of the Urals is conceded by the authorities. Moreover, new oil deposits are reportedly not being found and exploited rapidly enough to offset declines elsewhere.

9. Continuation of the current energy policy could, by 1985, even result in oil consumption somewhat exceeding output, although this is still controversial. The implications of a shortfall are numerous: for example, oil exports accounted for almost half of Soviet convertible currency revenues in 1976. The consequence of oil production limitations would be far less hard currency available for technology procurement from the West. In addition, the USSR would have difficulty maintaining supplies

to the East European countries (Romania excluded) for the bulk of their oil and, indeed, gas. This, in turn, could produce exceptional economic pressures among the smaller CEMA members which would lack the financial means for oil purchases on the world markets, while they have to pay increasingly high prices for Soviet oil.

10. Consequently, in the shorter to medium term, a simple stagnation in the growth of energy output will unequivocally constrain economic growth in the USSR unless the Soviets find ways to save large amounts of energy or shift from a net exporter to a net importer of oil. But, areas for large oil savings are hard to find in the USSR, where industry is oil-based and there are few automobiles and most are for commercial or industrial use. Undoubtedly, the Soviets will make efforts rapidly to develop their large reserves of natural gas as a substitute for oil, both for domestic use and for CEMA export. Reactivation of coal mines may also help to forestall the effects of a decline in oil output, but coal is expensive to transport long distances, and much of the USSR's coal is of poor quality. Substitution of coal for gas is a longer-term solution with only minimal results into the late 1980s. Nor can nuclear power provide much relief for at least a decade. Should hard currency shortages occur, despite an increasing share of the world arms market, the Soviets might well try to seek to procure OPEC oil by barter for military equipment, although the oil-producing nations tend nowadays to demand covertible cash payment.

11. The Soviet Union has channelled very considerable funds into investment in previous Plans and will continue to do so, particularly in the energy, industry and transport sectors, in order to increase its economic power. Nevertheless, and despite huge investment in research and development, it will continue to lag well behind the West in terms of technology, probably by still as much as 5-8 years in certain essential branches of the civilian sector, and especially in electronics, and in oil extraction and transport in low temperatures.

12. The main current obstacles to progress, particularly the inhibitions on the free exchange of information between Soviet and Western scientists and technologists, the unwieldiness of the bureaucratic machine, the barriers between civilian ministries and between the latter and military administrations, the lack of co-operation between the civilian and military sectors of production, and the nature of the Soviet incentive structure, will in all likelihood still be there in the 1980s.

13. Imports of Western technology will therefore continue to be needed to meet growth targets in the medium term, particularly in promoting rapid growth in such fields as the chemical and automobile industries, computerization, micro-circuitry and petrochemicals as well as in the harnessing of oil and natural gas deposits in difficult geological conditions and in low temperatures. Although the absorption and utilization of imported technology will remain slow by Western standards, such technology will continue to boost capital productivity (in some instances, two and a half times the productivity of similar Soviet technology).

14. The need to limit the balance of payments deficit, will, however, put a brake on this systematic tendency to import Western technology on a major scale. The Soviet Union will no doubt be attempting to increase its exports in the eighties. This aim will be achieved with the help of natural gas, if not oil, and attempts will be made to secure certain markets for Soviet manufactures in the framework of trade agreements stemming from deliveries of technology and comprising buy-back clauses. The Soviet Union will also try to increase licensing arrangements and technical assistance and training. An increase in invisible earnings from merchant shipping and tourism can likewise be expected while arms sales may continue at the rate of approximately $2 milliards per annum.

15. However, these receipts will probably not suffice to offset the value of imports and invisible payments such as royalties on patents and licences. Grain imports, depending as they do on unforeseeable climatic conditions, will be an unpredictable, but undoubtedly fairly costly element of foreign procurement. A graduated choice between different types of technological imports is therefore on the cards. Nonetheless, the USSR will no doubt risk an increase in its overall indebtedness to the West since, with its gold reserves and its extensive potential resources of energy and staple products, it will remain solvent. The level of indebtedness will, however, be held in check by two factors, namely the servicing of the debt, which could soon top $5 milliard, or over a quarter of foreseeable short to medium-term export earnings, and the need to provide an example of a strictly orthodox foreign trade policy for the East European countries, for whom external debts are creating more serious problems.

16. The contribution made by Western technology and the palliative of foreign indebtedness as a means of promoting import programmes on a par with minimum production needs will not be sufficient to produce the economic efficiency and output needed to meet the combined requirements of the defence sector, of industry with its crying need for investment and of consumers as a whole. Only fundamental planning and management reforms can give the necessary spur to labour and capital productivity and prevent the need for difficult choices over the next decade. It would be some time before these changes could lead to a pick-up in the economy, even assuming that the Soviet Government should decide to channel the funds released by any arms limitations agreements to the non-military sectors, and at present this is by no means certain.

17. A new leadership may perhaps try to bring about more effective work incentives and wider decision-making powers for local managers. However, such initiatives would meet with serious obstacles: an over-staffed and unwieldy bureaucracy will do all it can to torpedo reforms which would reduce its powers; Party members, clinging to the official ideology, would be fearful for their privileges and the military establishment will take steps to ensure that the means available to it for securing the State's external and internal strength are not encroached upon. Freedom to make major changes in economic targets and the allocation of resources, as well as to improve the lot of the labour force, will therefore be extremely limited. Inertia rather than reform may continue to be the rule of the day.

18. The above is not to say, however, that we should completely rule out that the severe economic situation likely to face Soviet leaders in the 1980s - a decline in annual GNP growth to perhaps as low as 3%, continued low labour productivity, rising consumer demands and expectations, and constricted ability to import grain and technology stemming from any decline in oil production - could force the régime out of its inertia and into a new phase of Krushchevian réforms. Brezhnevian incrementalism may be the preference of a successor régime, yet such a measured approach may prove no longer tenable.

19. The agricultural sector which generates around one-fifth of Soviet GNP will continue to be a major problem area for the Soviet leadership. Despite its huge size, the USSR is not over-endowed with good agricultural land. Farm production is well above the level of a decade ago, the result of very large investment inputs and rather favourable weather, which may revert to the more normal and harsher conditions of the early 1960s. There is no reason, however, to believe that agricultural resources in the USSR can be maximized under the current, ideologically influenced system, with its trend towards larger-scale farming and continuing huge capital inputs.

20. Around one-third of the Soviet work force is tied up in this sector, but an estimated 60-65% of the agricultural force consists of unskilled manual workers, hence the low return on each ruble invested in farming. Emphasis on smaller, more self-sufficient units could be the solution to improved productivity but this is unlikely even in the medium-term due to the very conversative Soviet approach to agriculture. In view of weather-related crop shortfalls, partial improvements can only be sought in greater inputs of chemicals and machinery with further earnings boosts for skilled farmers to induce them to remain in the countryside. The private sector, occupying around 3% of the cultivated area, but supplying over 25% of the gross farm output, seems assured of a secure existence in the longer-term.

21. In the industrial sector future policies are also likely to differ little if at all from current policy. While growth targets for both heavy and light industry should remain lower than in the past, heavy industry will still be given priority over the production of consumer goods, especially those sectors geared to meeting defence targets, primarily the metallurgical, machine construction and chemical branches. The USSR is the world's leading producer of iron ore and steel. Although Soviet intentions remain the output of better quality goods, preferably utilizing less raw materials and energy. Certain damaging patterns persist: plans continue to hoard skilled labour against unexpected future demands, targets are still geared largely to gross output which discourages innovation.

22. Unless productivity can be improved, the problem of resource allocation will most probably remain severe in the civilian sector. It is probable that as the demands of the population become more vocal and sophisticated, more of available resources will have to be allocated to the domestic needs of the worker. Reportedly, the Soviet worker remains relatively content as long as some improvements are made. However, if he is obliged to suffer a persistent threat to living levels, this could substantially affect incentives and, at worst, cause public unrest.

III. SOCIO-POLITICAL TRENDS

23. The régime's success in meeting the economic challenges of the future depends to some extent on the kind of leaders which emerge in the post-Brezhnev period. The process of finding a successor to the Party General Secretary has, to all intents and purposes, already begun, although it is not possible to distinguish clearly how the next leadership will be made up. The age of the immediate potential successors makes it likely that a new ruling group will come to power in the relatively near future. In fact, in recent years it has not been so much the elderly but the younger men who have been eased out of the Politburo, and if the senior members of the present leadership depart in quick succession there will inevitably be a period of uncertainty while the new leaders sort out their relations with each other and, most of all, secure the necessary backing of the Party. Indeed, the struggle for succession may well be intense and prolonged over a period of several years as aspirants jockey for support from the influential institutions and individuals within the ruling elite.

24. Over the short-term the centre of gravity may shift towards the Party's executive organs - the Secretariat and the Departments of the Central Committee. This should provide a large measure of continuity during a period when there may be a lack of sure judgement in major political questions. The security and military forces could provide an additional element of stability during any forthcoming struggles for power, bearing in mind that the Soviet military establishment has never exercised an independent rôle in Soviet political struggles.

25. In the event of conflicts within a new leadership, the importance of the Central Committee, as the body to which the Politburo and Secretariat are nominally accountable, may be expected to increase. Elected at the last Party Congress in March 1976 for the period until the next Congress in 1981, the Central Committee is more than ever dominated by Party and State executives; reflecting age and experience it may be expected to exercise its influence in the direction of caution and reliance on well-tried methods.

26. During the succession period, difficult and politically costly decisions are likely to be avoided or postponed. On the other hand, this period may see an unusual number of novel policy initiatives proposed by contenders for Party leadership. Once a new leadership finds its feet, it is likely to be as paternalistic and manipulative in character, and as fundamentally distrustful of the outer world, as its predecessors. It will seek to confine policy-making exclusively to the Politburo and Secretariat and protect the basic features of the Soviet system. At the same time, however, personal differences among the various leaders (age, background, interests), conflicting ambitions and professional responsibilities, and differing reactions to domestic and external pressures will continue to influence behaviour to some degree. There will also be continuing divergencies between those leaders more wedded to residual Stalinist orthodoxy and others taking a more confident view of the domestic situation and urging more flexibility. These divergencies make predictions difficult, especially beyond the short-term: the rising generation of potential Soviet leaders is not a homogeneous group, and no one can say with certainty what policy lines will emerge as dominant. Assuming conservatism and continuity, one may project "Brezhnevism" without Brezhnev; under a more optimistic hypothesis the succession struggle may give rise to one or more leaders able to accomplish with relative success what Krushchev tried and failed to bring about: a controlled transformation of Soviet society toward greater efficiency and openness; finally, we cannot exclude the possibility that the divisions within the ruling group and an abortive experiment in openness could lead to a more repressive orientation, which might have international repecussions. In practice, however, a new leadership may be likely to combine elements of these three approaches which could result in a mix which would differ significantly from any of those chosen by its predecessors.

27. On the whole, the fusion of ideology, historical precedents, and vested bureaucratic interests seems likely to perpetuate the present constraints on political thinking. Moreover, since the new leadership will probably represent a balance between differing policy approaches, it will be likely to remain attached to the principle of collective leadership. In these conditions a radical change of direction is improbable. However, as can be seen from the foregoing analysis, economic problems, which will become more acute in the years ahead, will be conducive to a process of controlled change. Nor is it possible to rule out the influence that might be exerted in a rejuvenated leadership by technocrats who are more fully aware of the needs connected with the modernization of the system. Social problems, national questions and persisting dissidence will continue to confront the future leadership with difficult choices. In these especially delicate areas, they will have to ally the need for flexibility with great caution.

28. Social problems may persuade a future leadership to attempt to revitalise the régime's ideology which no longer meets Soviet society's requirements both for a credible system of values and for a system which provides the means of answering the technological and social challenges of the times. One problem is the growing materialistic (as opposed to materialist) outlook on life, which is worrying to the authorities in that it implies that the future generation will no longer be prepared to give up so much of their energy to the more ill-rewarded tasks set by the State. Unsatisfied rising expectations for a more affluent society could also bring disturbances. The illusion of passing one milestone after another (the latest being the stage of "developed Socialism") while in fact no very spectacular economic or social progress is being made, forces both leaders and led to attempt even greater feats of self-deception. The problem for the present and any future leadership is that society is becoming more sophisticated; the leaders will

still want the people to think intelligently about scientific and technical matters, but not about politics. The contradiction between catch-words and hard facts may make the régime's position increasingly uncomfortable.

29. The nationalities question will also remain a delicate one for the foreseeable future. Although it has not yet posed a serious threat to the régime, national consciousness had increased in some areas and could increase further as the relative decline of the Russian population is accompanied by further efforts to maintain absolute control by the Great Russians and to submerge national characteristics in the artificial concept of the new "Soviet People". The strength of Great Russian nationalism practically rules out the possibility that a non-Russian will be General Secretary in the foreseeable future. Regional economic disparities will continue to aggravate the problem, as will the State's attempts to suppress religious groups associated with national minorities. A new leadership could be faced with demands for greater autonomy from the growing Moslem population in Central Asia; by the year 2000, one of four Soviet citizens will be of Moslem origin. The retention of the federal structure in the new Soviet Constitution testifies to the awareness of present leaders to the dangers of trying to move too fast - an awareness likely to be shared by their successors.

30. There are many individuals who, for ethnic, religious, intellectual, artistic, economic and other reasons, have dared to express openly their dissatisfaction with the system, and who have suffered for it. While the Final Act has not significantly altered the position of dissidents, it has given them a lever to use in their relations with the authorities, and has probably added to the authorities' circumspection in dealing with them. However, these dissidents are a limited and isolated group lacking any responsible position in the power structure of State and Party. Also, the bulk of the people, and even the bulk of the

intelligentsia, while often grumbling and dissatisfied, accept the system and are prepared to work within it. But this does not mean that a heightened critical sense, coupled with better living standards, will not cause criticism of the régime to spread under a new leadership, probably as strongly convinced as Brezhnev that no significant political dissent can be tolerated.

31. The first priority of a new leadership will be Party unity and the maintenance of Party control over all elements of Soviet society. A key task will be to assure continued full Party direction of the military and security organizations. The trend under Brezhnev has been for both of these groups to increase in importance and prestige while being at the same time more closely incorporated into the decision-making apparatus. A serious problem would arise if the Party, directly involved in all aspects of Soviet life, but perhaps lacking in strong central leadership, and confronted with numerous sectoral problems which may grow more acute throughout the 1980s, itself divided into factions which began to identify themselves more with the interests they were supposed to control - military, economic, ideological, agricultural and others - than with the interests of a unified Party.

## IV. MILITARY TRENDS

32. Despite the potential economic and socio-political problems which are likely to face any new leadership, a central priority in Soviet planning should remain unaffected: the continued all round growth and development of Soviet military strength, which Soviet leaders are likely to consider necessary in order to enable their armed forces to fill the defence and foreign policy rôles assigned to them (paragraphs 107-114) as well as internal security requirements. No major changes are expected in the structure and organization of the armed forces. Their manpower strength is also estimated to remain fairly constant while a continuous improvement in combat capabilities due to the introduction of new equipment should be

expected. Particular emphasis will be placed on firepower, mobility and versatility of the forces and weapons, enabling them to reach more distant targets from their peacetime deployment locations, and to operate more effectively in more distant areas. The military leadership is expected to remain subordinate and basically loyal to the political leadership.

33. The problem for the future, however, is that adequate resources to meet both the costs of military programmes and the régime's other economic requirements will be hard if not impossible to come by. In fact, with Soviet defence expenditures expected to grow faster than Soviet GNP in the foreseeable future, there will be progressively fewer additional economic resources available to meet increasing demands in the civilian sector. The incentives for the stance adopted by the USSR in arms limitation negotiations, particularly SALT, have not up to now been primarily economic(1). However, there are questions how the Soviets would use economic resources gained by such agreements: is their aim to employ for other military purposes the resources saved through an arms limitation accord, or would they invest such resources in other sectors of the economy such as heavy industry, raw materials or consumer goods?

34. Future Soviet leaders could be strongly motivated to consider curtailment of the increasingly high share of resources allocated to the defence sector, at present an estimated 11-13% of GNP according to Western standards. However, it appears unlikely that such would occur. Military programmes, some stretching over many years, have themselves great momentum and powerful Party and bureaucratic support. While the military will doubtless remain subordinate to Party control, it is inconceivable that any new leadership would choose to ignore its needs and concerns. Perhaps most important, the vast bulk of the Soviet population accepts without question the reasons advanced by its

(1) see paragraph 98

leadership for having a strong defence establishment, even if it means accepting more limited advances in the standard of living. Unlike in Western countries, Soviet public opinion and the economic and social system impose relatively little restraint on resource allocation and mobilization for the defence sector. This could conceivably change, should the claim by the leadership of an external threat lose its credibility.

35. The inevitable economic difficulties on the horizon are not likely to result in any cutbacks over the short-term in the amounts of resources already programmed for defence. Despite the likelihood of a lively debate over longer-term allocations, a new leadership will in the end probably be as ready as current leaders to burden the economy with defence spending at present or even high levels adequate to their perceived defence and foreign policy needs.

36. As for the possible effects of demographic developments, labour shortages as a result of the declining birth rate are not likely to bring about any reduction in the size of the Soviet armed forces, though the increasing proportion of rural non-Russian conscripts may pose training and indoctrination difficulties. Apart from this, the high standards of political motivation, patriotism and discipline in the armed forces should remain intact in face of possible socio-political problems.

## CHAPTER TWO: TRENDS IN EASTERN EUROPE AND IN SOVIET-EAST EUROPEAN RELATIONS IN THE 1980s(1)

## TRENDS IN EASTERN EUROPE

### I. INTRODUCTION

37. During the period ahead the governments of Eastern Europe (including the GDR) will be faced, to varying degrees, by a number of elements with a considerable potential for instability, markedly exceedong that for the USSR. Long-standing underlying tensions will remain - the relative unpopularity of the régimes, nationalism, the attraction of the West. Thirty years of Soviet domination have been unable to destroy the individual character of the East European countries and to recast them in the Soviet mold. To these tensions have recently been added new factors which are or could be destabilizing - the declining rôle and appeal of ideology, renewed dissident activity, and slower economic growth. Economic difficulties in particular are likely to be a source of considerable concern to East European governments.

38. On the other hand, the governments which will have to deal with these problems are well established régimes with a strong vested interest in retaining power. They are well practised in the necessary balancing act between accommodating public pressures and satisfying the Soviet Union. Apart from their shared ideology with the Soviet leaders, the East European régimes know that they need Moscow's support in order to stay in power (and, in the case of the GDR, to keep the State itself in existence). Obviously, they do not want to jeopardize the limited but real improvements in living standards achieved in recent years and at the same time they wish to preserve whatever freedom of manoeuvre the Soviet Union is willing to allow them, on the domestic front or in their dealings with the West. The East European populations for their part seem to be resigned to the fact that the Soviet Union will not tolerate any actions which put into question the cohesion of the Eastern bloc.

(1) Note: Yugoslavia is not treated in this Chapter

39. While it is possible to identify danger points in the period ahead, it is likely that the elements of instability in the Eastern European countries will be outweighed by the factors for stability. The decisive element will be the power and the will of the Soviet Union to preserve the general status quo in Eastern Europe. The analysis below is based on the assumption that, despite leadership changes, the policies of the Soviet Union in this respect will remain fundamentally unchanged.

## II. IDEOLOGICAL TRENDS

40. A propensity for change in some East European countries results from increasing assimilation by the régimes of the national past, thus accommodating, at least to some extent, the aspirations of their people, some of whom have memories of a pre-war past. This propensity for change probably results also from the influence of certain Western ways of thinking. Trends towards national self-assertion on the part of West European Communist parties could, depending on how they develop, further encourage a desire among East European leaders to follow their own national road to Communism. The Yugoslav example has already exerted some influence in this direction. In practice, however, most leaders will hesitate to stray too far from the Soviet pattern of ideology. This can be attributed to several causes: genuine conviction; the need for ideology to legitimise the régime's hold on power; the fear of Western influence in one sphere leading to unwanted results in other spheres, and, above all, the known narrow limit of Soviet tolerance for deviation. While, therefore, there is likely to be a tendency for somewhat more ideological flexibility among the leadership in some East European countries than in the Soviet Union, it can be expected to remain within rather modest parameters.

41. The people in general are largely apathetic as regards ideology. In several countries there is almost certainly widespread desire for Western freedoms, as well as admiration for a system which had produced such superior economic progress. Nevertheless, admiration for Western society is not unalloyed, and given a free choice, the people would probably opt to retain many facets of Socialism.

III. ECONOMIC TRENDS

42. The national economies and the relative material well-being of the people have grown significantly over the past 15 years. The two wealthiest East European countries, Czechoslovakia and the GDR, now have per capita gross national products similar to those of some developed West European countries. In certain limited areas, East European industrial capabilities match those of the West. Moreover, in the consumer sectors product availability is expanding, though often the goods are of inferior quality.

43. However, industrial output growth rates are now slowing down in all East European countries. It is likely to prove increasingly difficult to meet rising consumer expectations. There is therefore a considerable likelihood of growing consumer dissatisfaction. This dissatisfaction could also be compounded by probable rises in prices.

44. The region as a whole is resource-poor, with the exception of Poland and Romania. Even in good harvest years, the Northern countries are not self-sufficient in grain. Eastern Europe is especially dependent upon energy imports. Heavily reliant on foreign trade, these countries have in recent years also suffered the consequences of Western recession, higher prices for Soviet oil and raw materials, and larger grain import needs due to poor harvests. Manufacturing plants are obsolescent in important sectors. Productivity suffers from lack of incentives. Management is beset by the inefficiencies endemic to centrally planned economies. Economic growth may also be restricted in several countries by labour shortages resulting in part from continued slow population expansion.

45. Unable to generate sufficient exports to the West, all the countries of the region are accumulating a large hard currency debt. In order to keep new borrowing down, the East Europeans may be forced to restrict imports from the West while

attempting to maximise exports. But such a policy could lead to redirected investment and higher domestic prices. Moreover, rapid economic growth itself depends on imports of quality Western equipment and technology. The East Europeans have already scaled down their growth projections for the current (1976-1980) Five-Year Plan. There is reason to doubt that even these more modest projections will be met. In the background loom more severe strains in the 1980s, when a decline in Soviet oil exports will force increased East European hard currency purchases of oil. Although it is not yet clear what will be the impact of the increasing difficulties facing Soviet economy on the delicately balanced Eastern European economies, the stresses and strains on the Soviet side will doubtless have economic consequences in Eastern Europe.

46. All of these problems will renew the case for wide-ranging reforms - increased material incentives, realistic price structures and more decentralization. However, it is doubtful whether most of the East European leaders will embark on this road. While Moscow is likely to allow a greater degree of economic liberalization in Eastern Europe than within the Soviet Union itself, it will not countenance radical changes likely to result in liberalization of the political and social structure. In addition to sharing these misgivings, East European leaders may well want more, not less, centralised control at a time when hard economic choices must be made. Hungary and Poland are possible exceptions.

47. The Soviet Union and East European governments presumably hope that Western credit, technology and trade will continue to bolster economic growth and enrich consumer supplies (though so far there is little evidence of significant benefits having worked through to the consumer sector). The need for economic links with the West will grow over the next few years, and, while increased trade with and credits from the West will

will not be a panacea for East European economic ills, they can be a considerable help. However, the West may not be politically or economically prepared to extend an unlimited amount of credit.

48. Increased economic difficulties do not augur well for political stability. But how far-reaching their political effect will be is not clear. With adroit economic tinkering and reasonable luck many or all of the East European régimes may ride out the various economic storms of the next few years, with the grudging support of people reluctant to risk their hard won, if limited, improvements in living standards. The greatest danger of political unrest being fuelled by economic dissatisfaction among the workers exists in Poland. Another danger point over the long-term is the GDR, where the attraction of the Federal Republic of Germany cuts very deep.

## IV. SOCIO-POLITICAL TRENDS

49. Three possible additional sources of unrest are the régimes' relationships with the dissidents, with nationalist currents and with the churches. In none of these areas by itself is dissatisfaction likely to pose substantial threats to the régimes. But the combination of several of them could do so, in particular in Poland, especially if also accompanied by economic discontent.

### Dissidence

50. The authorities of several East European countries have been concerned by the recent re-emergence of groups of people who, with varying specific objectives, all have as a general aim societies with greater personal and political freedom. A new factor is evidence of mutual support among some East European dissidents, though there is no evidence of co-ordination. Leadership performance is being judged against Western standards of human rights, at a time when economic performance is found wanting compared to that of the West. The influence of Eurocommunism has also been felt, while the Helsinki Final Act and the stand for human rights by Western leaders have added further encouragement.

51. However, the dissidents cannot be considered a real opposition movement. They lack a broad base among the people who perforce have had to adapt themselves to living within the existing system. The dissidents are likely to remain no more than small groups.

52. The degree of freedom allowed in each East European country depends obviously in the first place on what the Soviet leadership considers admissible, and in the second place on what the régimes themselves judge to be consistent with stability. It may prove possible gradually to extend the margin of tolerance, but only to a very limited extent.

53. Thus a fertile climate for dissident ideas will remain. But the problem of dissidents, while troublesome, is likely to prove manageable from the point of view of the Eastern governments. The only circumstances in which dissidence could prove dangerous would be if the local party were affected or if the dissidence movement were part of a concurrence of wider developments, in particular serious economic discontent.

Nationalism

54. National sentiment will remain strong. In particular, in most East European States the traditional anti-Russian feeling will continue to add fuel to dissatisfaction aroused by grievances in other fields. Soviet concern about this danger may serve to extend the margin of flexibility allowed to Eastern governments in handling their internal problems. But essentially the Soviet Union will restrain this, as other potential elements of instability, by the strength of its control over Eastern Europe.

55. Traditional national minority problems will also remain alive. However, a combination of strong central control as well as relatively enlightened internal policies towards minorities, should prevent such problems from threatening the stability and cohesion of the Eastern bloc.

56. Bulgaria or Albania could, in certain circumstances, adopt a more aggressive stance over their respective minorities in Yugoslavia in a post-Tito era.

Religion

57. While the degree of active hostility experienced by individual churches within each country varies considerably, in all East European countries the churches are allowed only a confined rôle and suffer from substantial disabilities. However, despite the difficulties they still experience, the major churches have managed to reach an uneasy modus vivendi with their respective governments. The limited accommodation has to some extent facilitated contacts between some East European governments and the Holy See.

58. At least as long as the détente process continues, the present treatment of the churches should not deteriorate, though the prospects for significant improvement are poor. Any eventual improvement would be confined within limits which both the Soviet Union and East European régimes deem compatible with national security.

59. If the present relative accommodation between Church and State is not upset by a return to repressive policies on the old scale, it is unlikely that the churches will take strong stands against their respective régimes. The biggest question mark hangs over Poland where the church could again associate itself with discontent among workers and intellectuals. The same could conceivably happen in a post-Kadar Hungary. However, an assertive stand by the churches would only pose a significant danger to East European régimes if it were allied to unrest from other sources.

V. LEADERSHIP CHANGES

60. In most of the East European countries the present leaders have a tight hold on power. The present leadership or its policies could remain unchanged during the period of this study. At the same time, changes in the Kremlin could impact on the fortunes of Eastern European leaders whose power is based, in part, on a personal relationship to Brezhnev. For example, Brezhnev's departure could reduce Husak's ability to fend off domestic challengers to his position by eliminating the apparent personal Brezhnev-Husak link. For Gierek, a different hand at the helm in Moscow could reduce the freedom of manoeuvre he enjoys through Brezhnev's apparent acquiescence.

61. Given the considerable amount of power wielded by the chief leader in each country, his removal (for example, by illness) could well affect overall stability, especially if the change should coincide with substantial economic difficulties. There could be a succession struggle in any of the countries which might encourage discontent to change to open unrest. New leaders might handle problems less adroitly than their predecessors: this could be particularly true in Hungary, and Romania's self-independent stance may not outlast Ceausescu.

VI. MILITARY

62. All East European forces should be considered efficient and, to a reasonable degree, loyal to their governments (particularly in the special case of Romania). East European Governments make a considerable effort of political indoctrination of their armed forces. The reliability of the forces is further encouraged by the highly centralised politico-military structure, as well as the self-interest of many of the career personnel. Their participation in the Warsaw Pact is presented to the personnel partly in terms of special national interests (in the case of Poland the retention of the Western territories).

63. On the other hand, there is widespread anti-Soviet feeling in several forces which might affect their general attitudes and efficiency. Apathy and a shortage of motivation seem especially prevalent in the Czechoslovak and Hungarian forces.

64. During peacetime, and as long as elements of instability in the countries remain reasonably quiescent, it can be expected that the loyalty of the armed forces to their governments will be maintained. However, in times of domestic upheaval or hostilities with the West, the reliability of Eastern European military forces will remain a question in the Eastern European capitals.

65. The major features of the situation in each of the East European States are set out in Annex I.

## SOVIET-EAST EUROPEAN RELATIONS

### I. INTRODUCTION

66. The analysis in the preceeding paragraphs (paragraphs 38-65) has identified considerable potential for instability in Eastern Europe and considerable forces pulling in the direction of greater independence from Soviet control- ideological divergences, economic difficulties, dissidence, nationalism, religion, possible leadership changes, and, generally, the need for the East European régimes to satisfy to some extent the aspirations of their peoples who are in many cases more open to Western influences than their Soviet counterparts. On the other hand, there are also considerable forces working for cohesion within the Eastern bloc - the presence of Soviet armed forces and Soviet control of the East European military, the dependence of the régimes on Soviet support for their survival, a common ideology, and economic interdependence. The balance between these centripetal and centrifugal factors will be determined by the high priority which the Soviet Union will continue to give to preserving the East European glacis.

67. Continued hegemony and control in Eastern Europe is a vital interest of the USSR for a variety of reasons:

- security (cordon sanitaire; added military strength from the non-Soviet Warsaw Pact countries; to some extent the prevention of German reunification; fear of repercussions within the USSR if the bloc should begin to disintegrate);
- ideology (need for maximum cohesion and inadmissability of apostasy in a movement with global ambitions; need for an ideological and political buffer zone);
- economic advantages (source of and market for industrial products).

Given the primacy of the Soviet interest, the geographical proximity, and the imbalance of power between the USSR and its allies, there seems no reason to doubt the Soviet Union's ability to retain control and its willingness to meet the costs involved.

68. It follows that the scope for independent action by the East European States is marginal, though the width of this margin will vary considerably from country to country. The important point is that there must be no significant threat to overall control by each country's Communist Party. This rule will most likely continue to apply in Eastern Europe for the foreseeable future.

## II. MEANS TO MAINTAIN SOVIET CONTROL

69. To maintain the status quo in Eastern Europe the USSR will continue to rely on the following methods:

(i) Ideological and political

70. Ideology in itself may no longer be a particularly dynamic factor in Eastern Europe, but it is ever-present and is used in a systematic manner to legitimise and help to maintain the influence of the USSR. Moscow is unlikely to abandon the principle of "Socialist internationalism", the official term given to what has been known as the Brezhnev Doctrine. Since the signature of the Helsinki Final Act, Moscow has attempted to strengthen the political and ideological links with its allies, re-emphasising the tenet that relations between "Socialist" states are of a higher order than others.

71. Ideology and the protection of "Socialist gains" will as before be presented as the basis of the extensive network of bilateral friendship treaties built up since 1968 which link the East European countries to one another and the USSR.

72. Regular bilateral contacts at government level give the USSR the opportunity to follow and to comment on the internal situation of its allies. The Soviet Communist Party maintains contacts at many levels with the Parties in Eastern Europe. As this is an essential instrument of Soviet control, it will not change in the foreseeable future. These contacts, plus the activities of the Soviet secret police, will be used both for applying pressure at the level required, and for gathering information about internal developments in Eastern Europe.

73. The Political Secretariat and Committee of Foreign Ministers established by the Warsaw Pact countries in 1976 may intensify the practice of multilateral consultation, but it still remains to be seen how this multilateral approach will develop; it seems probable that most Soviet-East European relations will continue to be transacted bilaterally.

(ii) Economic

74. In most of the East European countries there is a direct link between the stability of the régimes and the fulfilment of economic expectations. The Soviet Union will give high priority to playing its part to enable consumer demand in the East European countries to be satisfied by allowing the East European countries to trade with the West, supplying them with certain raw materials and energy at relatively cheap prices, and consenting to allocation of funds for consumer priorities rather than military expenditures. It is true that continuing Soviet demands levied on the industrial production capabilities of the East European countries, and the reliance of the latter on Soviet raw materials, especially energy, may lead to conflicting claims on allocation of production and resources. If the Soviet Union experiences an energy crisis in the 1980s, it will have to re-evaluate the trade-offs between continued economic support of Eastern Europe and its own exports for hard currency. At this stage, however, it appears that Moscow would continue to avoid any steps which could cause destabilisation in Eastern Europe.

75. In CEMA, the USSR will press forward with attempts to build "Socialist integration", i.e. mutual economic dependence. There is already considerable economic inter-dependence and this is likely to grow. The Soviet Union and the East European countries need one another, both as producers of certain industrial goods, and as markets for their products which often cannot compete in the world market. An increasing tendency toward economic co-operation projects serves to reinforce East European dependence on the Soviet Union and vice-versa, particularly joint investment projects in infrastructure fields, notably energy, which normally involve long-term credits repayable in kind. Also,

in the absence of the development of new energy sources by the East European states, their dependence on Soviet energy will restrain them from taking overly independent courses in the economic field.

Warsaw Pact military organization

76. Soviet control of the East European military exercised through the Warsaw Pact organization, together with the presence of Soviet forces in most East European countries, constitutes a major factor for Eastern bloc cohesion. Nevertheless, political indoctrination as well as Soviet supervision and control throughout the bloc military organization have gone a long way to ensure that Moscow can depend on their armed forces.

77. Romania is the only Warsaw Pact country which has achieved a certain degree of independence from the Soviet Union in military as well as in foreign policy. It has refused to host Warsaw Pact troop manoeuvres on Romanian territory and has resisted Soviet pressure to participate fully in joint military activities.

78. Aside from modernization of equipment, no major changes are foreseen for the 1980s as regards the structure of the East European armed forces and the rôle they play under the largely Soviet-staffed Warsaw Pact command. Their missions will continue to be threefold: to defend territorial integrity and assure order and the preservation of the status quo in their respective countries, and (except possibly in the special case of Romania) to augment and support the Soviet military posture and purposes. There are qualitiative differences among various East European forces within the Warsaw Pact: the armed forces of the GDR, Poland and Bulgaria appear to be the most effective, albeit in each case for different reasons (modern equipment, size,

political reliability). It should be stressed that all East European armed forces, including those of Romania, are largely dependent on the USSR for their equipment and logistical supply.

Use of Soviet military force

79. The present East European system was established by force, and it will be preserved by force if necessary, even at a considerable political price. However, it can be assumed that the Soviets will use military force only as a last resort. They are no doubt aware that they would risk reversing détente and losing its benefits, and that their relations with the Western Communist Parties would be gravely impaired. Hence the Soviet decision-making process can be expected to take somewhat greater account than in the past of the effects of military action on the West and the non-aligned world.

80. Should a critical situation develop in one of the East European countries, the Soviet Union might decide, in the light of its experience in Czechoslovakia, to apply political and/or economic pressures at an earlier stage rather than risk inaction until the situation has developed to a point where Moscow sees no alternative to military force. It is possible that public opinion in the East European country concerned might get out of hand too quickly for the USSR to be able to influence events through persuasion and pressure. In such a case the use of military force seems probable to restore Soviet control. The likelihood of intervention with force would increase if two (or more) critical situations occurred simultaneously.

C. OUTLOOK

81. The above analysis suggests that, while the forces for instability which are present in varying degrees in all East European countries may intensify during the period ahead, the governments of those countries should in general

be able to contain the situation. The decisive factor will remain the undoubted determination and ability of the Soviet Union to maintain a high degree of political cohesion and conformity. The Soviet Union will be able to exploit the close ideological and political links between Eastern bloc countries, their increasing economic interdependence, and the military cohesion of the Warsaw Pact organization. Above all, they can rely on the lessons of the Prague Spring: the ultimate sanction of Soviet military intervention will be forgotten by no-one in Eastern Europe.

82. The main potential source for discontent and instability lies in the growing economic problems being experienced by all East European countries, which are likely to make it increasingly difficult for governments to satisfy rising consumer demands. On the other hand, the relative improvements in living standards already achieved will probably still remain, and the people would hesitate to put these at risk. By themselves, dissident activists will nowhere seriously challenge the régimes: still less will the churches or nationalism do so. Nor are the East European leaders likely to follow Romania in seeking any significantly greater independence from Moscow in the conduct of foreign affairs.

83. The overall picture is likely to be one of resignation on the part of the populace and stability on the part of the régimes. However, there are some possible flashpoints. In Poland the various strands of dissatisfaction - workers, intelligentsia, Church, anti-Russian nationalism - could again fuse together. An explosion of a force sufficient to bring down Gierek and even conceivably to lead the Soviet Union to restore order cannot be ruled out. The situation is likely to be less unstable in the GDR, but the régime will not find it easy to balance its economic and other needs for

closer relations to the West with the split personality effect those relations have on the East German population. Leadership changes could also bring difficult times for any of the régimes; however, these should not prove beyond the power of the régimes to manage.

84. Developments in Eastern Europe will continue to be affected to some extent by the various aspects of East-West relations covered by the process of détente. Eastern Europe economic needs have been and will continue to be one of the East's underlying motives for détente. Western economic ties make a significant contribution towards Eastern economic growth and thus towards stability in Eastern Europe, and their importance in this respect may increase during the period ahead. At the same time, there are also influences for change inherent in the economic and other aspects of the process of détente, though these are less easy to quantify. To the extent that East European governments give priority to domestic, especially economic, problems, they may exert a moderating influence on Soviet foreign policy. Détente has helped at least some East European governments to gain slightly more latitude in their dealings with the Soviet Union. Western economic contacts arouse, as well as cater to, consumer aspirations, and also carry a significant political message. The awareness of Soviet and East European leaders that repression of internal unrest has an adverse effect on Western public support for détente policies has encouraged them to mitigate their internal rigidity to some extent. The follow-up to the Helsinki Final Act could further encourage this development, even if within narrow bounds. However, the Soviet Union will continue to keep the degree of openness to Western influence and to Western contacts permitted to Eastern Europe within limits compatible with its judgement of the desirable level of overall political conformity.

## CHAPTER THREE: AIMS AND TRENDS OF THE FOREIGN POLICIES OF THE WARSAW PACT COUNTRIES

### I. INTRODUCTION

85. For obvious reasons, it is difficult to dissociate the foreign policies of the Warsaw Pact countries from Soviet foreign policy. In the following analysis, therefore, the focus will be on the aims and trends of the latter.

86. While Moscow has been obliged to exercise greater moderation in contrast to the immediate post-war period, there has been no sign that it has given up its ambitions to spread Soviet influence and undermine that of the West. In view of the likely caution of the Soviet leadership and the multiplicity of their aims, it cannot necessarily be assumed that they are following a blanket policy of expansionism. Their efforts to extend their influence will be pursued on an opportunistic basis and in relation to their other aims. Nevertheless, although the quest for new gains may not be paramount, it remains in the background of Soviet foreign policy, ready to be translated into action should the opportunity arise and the risks be considered worthwhile. In particular, Moscow's determination to assert itself as the dominating power in Europe remains. The Soviets presumably view their continued hegemony over Eastern Europe and the prevention of German reunification as central to this goal.

87. In pursuit of its policy the Soviet Union has steadily built up its strength and influence to its present world power status. It has created a military force designed to enable it to exploit opportunities to expand its sphere of influence on a world-wide basis. The USSR has been especially concerned to remedy certain of the disadvantages of its geostrategic position, thereby achieving aims already pursued by Tzarist diplomacy: the European glacis, ensured

access to warm waters, forward defence (particularly through the deployment of increasingly capable naval forces to even more distant areas). The policies it pursues in Northern Europe and in the Mediterranean (attempts to secure naval facilities, particularly in Yugoslavia) stem from these considerations.

88. Soviet foreign policy will frequently reflect a degree of ambivalence between the assertion of the Soviet rôle as leader and model for the "Socialist" countries and the pursuit of policies dictated by state interests. The Soviet leadership will always seek to justify foreign policy in ideological terms. In practice, Soviet policy will continue to be based on a pragmatic mixture of state and ideological considerations.

## II. MAIN AIMS

89. Soviet foreign policy is governed by three main aims which are likely to remain valid over the next decade:

### A. Preservation and consolidation of existing advantages

#### (i) Territorial defence

90. Territorial defence will undoubtedly remain Moscow's first concern. This must be seen as a prime motive for the top priority given to military forces in the allocation of resources. While the traditionally perceived need to defend Communist gains against "revanchist capitalist" countries remains a prime motive of Soviet policy, the potential threat from China as perceived by the Soviet Union has become another major consideration: although the Soviet Union probably does not believe that there is an immediate danger of Chinese attack on the USSR, fears of Chinese moves will grow as Chinese power expands in relative terms. Soviet defensive capabilities also have important offensive characteristics.

The capability which has been created is far in excess of the Soviet Union's purely defensive requirements. Moreover, increasing emphasis is being placed on offensive weapons.

(ii) Protection of the European glacis

91. This will remain an area of vital interest. High priority is given by the Soviet Union to the preservation of the European glacis formed by the Warsaw Pact countries, which it considers essential from every point of view (military, ideological, political and economic). Moscow's main concern is to preserve the cohesion of its camp and to avoid any destabilisation in Eastern Europe. To this end, it has formed a network of constraints, both bilateral and multilateral, as well as military, political and economic. These are discussed in paragraphs 66-80 above.

(iii) Special case of Berlin

92. The Soviet attitude on the Berlin issue provides another example of Soviet efforts to consolidate their gains while striving at the same time to extend their hold. While the city's position has improved, on the whole, since the Quadripartite Agreement, the USSR and GDR continue their efforts to enforce their concept of an "independent political entity of West Berlin", and both governments regard it as desirable that in the long run Berlin (West) should lose its character as an enclave of the Western world. Soviet and East German policies, which are very close as regards Berlin, are designed (1) to loosen the ties between Berlin (West) and the Federal Republic of Germany; and (2) to establish direct links between Berlin (West) and the Communist states. The essential connection between the Berlin situation and détente in Europe, which the West constantly emphasises, is likely to influence the way in which the Soviets will pursue their long-term goals in the Berlin question.

(iv) Preservation of the USSR in its rôle as leader of the international Communist movement

93. The Communist Party of the Soviet Union (CPSU) has never renounced its rôle as leader and model for world Communism and will continue to strive to assert itself as the arbiter of ideological orthodoxy (see paragraph 115).

B. Creation of a new type of relationship with the Western countries (in particular through the policy of détente

94. The Soviet concept of détente coincides on a number of points with Western views (the desire to avoid a military confrontation and to maintain a certain measure of stability in East-West relations) while differing widely on others (continuation of the world revolutionary process and limitation of détente to inter-governmental relations in Europe and North America). The Soviet Union considers détente as a tactic within the overall strategy of peaceful coexistence, and thus an instrument for changing peacefully the world co-relation of forces in its own favour and increasing its influence in Western Europe: the West on the other hand regards it as a means not only of reducing tension but of advancing towards a constructive relationship with the East. This relationship implies respect for human rights and the realisation of self-determination by all European nations. An important Soviet aim in pursuing détente is to maintain conditions in which Western technology, credits and certain Western supplies are available as a means of offsetting some of the weaknesses of the Soviet and East European economies.

95. A major Soviet preoccupation is to secure recognition of at least parity in the political and strategic spheres. They will continue to attach high importance to the dialogue with Washington as a means of:

- consecrating the special rôle of the USSR in world affairs;
- trying to participate in crisis control and to prevent a secondary conflict escalating into nuclear warfare;
- controlling an arms race which could have incalculable negative effects on the Soviet economy;
- preventing a rapprochement between Washington and Peking which could affect the sought-after balance between the USSR and the United States.

96. In this respect, the Soviets have a special interest in the SALT negotiations. They seek results which will strengthen their security, endorse parity of nuclear strategic systems and reduce the need for massive competition in a renewed nuclear arms spiral. The economic incentives to the Soviets to conclude such agreements may be a greater factor in the period ahead in view of the likely Soviet economic difficulties. Soviet acceptance of the principle of parity is, as with the West, dependent on the degree to which it can be negotiated consistent with Soviet security needs.

97. Soviet foreign policy efforts to use both military power and détente vis-à-vis the Western system will continue to manifest themselves most conspicuously in Western Europe. A principal Soviet objective is to preserve the status quo as created by the Second World War. This has been the main Soviet motive in the CSCE context. Moreover, the USSR has persistently sought to secure recognition of its post-war position as the dominant military power in Europe.

C. Search for new gains

98. The intensity of the search for new advantages, which is Moscow's third main aim, will continue to depend on the opportunities available. Even if it is most apparent in the Third World, therefore, it will by no means be limited to this area. In general terms, the USSR pursues the following objectives:

(i) to harness the "anti-imperialist" liberation movements and to win over the new states of the Third World as allies against the West and/or China. The Soviets see the Third World as a primary arena for USSR competition with the West and China. A further essential objective of Soviet foreign policy is to undermine the relationship between the states of the Third World and Western industralised nations, with a view to reducing Western influence in the Third World as much as possible. This might weaken the West by endangering its sources of raw materials and by closing markets in the Third World;

(ii) to consolidate and expand the Soviet Union's position as a world power in strategic and geo-political terms.

99. In terms of regional priorities, primary Soviet interests lie in the Middle East which will probably remain the major recipient of Soviet military supplies; in South Asia with the objective of countering Chinese influence; and in Africa which offers favourable opportunities to undermine Western interests. In the areas adjacent to the Soviet Union, the USSR seeks at the same time to ensure that no local power or combination of local and external powers develop the ability to pose military threats to Soviet security.

## III. TOOLS AND TACTICS

### A. Political

#### (i) Vis-à-vis the West

100. In its dealing with the West, the Soviet Union will no doubt continue to make full use of the traditional political instruments of contacts with and propaganda appeals to the public. These will be aimed especially at undermining Atlantic solidarity by trying to exploit or promote differences between the allies, including North American and European allies. It will furthermore try to frustrate developments likely to strengthen Western European political or military power: the Soviet Union will no doubt maintain efforts to limit further progress towards a Western European political entity and, even more so, a possible military entity, and try to divert such a trend inter alia by its advocacy of pan-European security co-operation.

#### (ii) Vis-à-vis the Third World

101. The Soviet Union continues to regard insurgencies and liberation movements as instruments to advance its position. In making capital out of Third World claims and by the use of its ideology and propaganda, the USSR is aiming to impose an image of the Soviet Union as the supporter of liberation movements, the champion of the anti-imperialist struggle and the dispenser of disinterested and effective aid. Moscow tries to gain acceptance for the idea that the USSR and these countries have a "natural" identity of interests, and that the Soviets have successfully presented themselves as selfless champions of their interests. Military aid has been Moscow's principal instrument in the Third World, and its use is likely to increase, together with providing military advisers and technicians. The Soviets also manipulate the flow of spare parts to enforce a client's dependence.

102. In recent years the Soviet Union and the East European states have been able to increase their influence in some regions of the Third World, but they have also suffered serious setbacks. The successes which the Soviets have scored can be explained to a great extent by the capital which they have made out of favourable situations and by the convergence - at least temporary - of their interests with the interests of those that they support. The Angolan affair provided an example of how Moscow could take calculated risks, in the face of a passive West, to use a political vacuum for its own ends. On the other hand, experience has shown that Soviet successes in penetrating certain countries can be reversed once the requirements of the national liberation movement or régime in question are no longer primarily military. Some of the Soviet Union's failures are partly the result of its blatant and determined efforts to strengthen positions of power, a policy which has alerted the Third World to the danger of a new dependence (imposed by the "imperialistic super power", according to Chinese propaganda). A further point about Angola is that it introduced, for the first time on a major scale, the use of Cuban combat forces in a Third World crisis situation. In the long-term, Cuban predeliction for involvement in "liberation" wars in the Third World could not only increase the temptation for the Russians to adopt a forward policy in such situations, but also increase the pressure on them to do so. In this sense the Cuban dimension could, to some extent, become an awkward stimulus to Soviet foreign policy planning.

103. Other obstacles to the spread of Soviet influence include:

(a) the intense nationalism and increasing influence of religious movements in most Third World countries; presence of regional powers reluctant

to see any outside power play a dominant rôle; adherence of some of these countries to a position of military non-alignment; and vicissitudes of Third World politics;

(b) limited ability to compete with the West in cultural, political, economic and technological terms. In particular, the contrast between far-reaching Eastern political ambitions and the narrow limits of their economic possibilities is becoming increasingly obvious. In addition, the Third World countries have been disappointed by the little support which they have received from the Eastern countries for their claims in the context of the North-South dialogue. In comparison with the West and in absolute terms, the foreign trade and development aid of the Eastern bloc countries are very modest (see also paragraph 118(ii));

(c) continued Western development aid and political support as well as the presence of military forces in the Third World inhibit the extension of Soviet influence.

(iii) Vis-à-vis Yugoslavia

104. While the Soviet leaders seem prepared for the present not to meddle grossly in Yugoslav affairs, it is quite possible that they would seek to take what advantage they could of significant disruptions in the post-Tito period in order to bring Yugoslavia back into their orbit. Yugoslavia's viability as a nation-state, and hence its ability to withstand Soviet threats or blandishments, will depend largely on the people and institutions which survive Tito. Although ultimately untested, these people and institutions have had many years to prepare, due to Tito's remarkable longevity. It seems almost

certain that the successor leaders will have the desire; and there is a good chance that they will be able to maintain the policies of "self-management" at home and non-alignment abroad, and hence remain independent of Soviet domination.

(iv) Vis-à-vis China

105. Moscow is intent on isolating China internationally, in particular by warding off a possible rapprochement with the United States. The long-term concern of the Soviet Union will remain the alliance of American and/or Japanese credits and technology with Chinese national and human resources. A significant reconciliation between the USSR and China will be unlikely in the foreseeable future.

B. Military

106. The Warsaw Pact land, air and sea capability is continuing to rise rapidly and to an extent which exceeds the Pact's apparent defence requirements. Moreover, the emphasis is being placed on weapons systems having significant offensive capabilities. The Soviet Union has developed from a country weakened by civil war and isolation and inferior to the West in every respect into a super-power exercising hegemony over its allies. The importance and rôle in the world of the Soviet armed forces have grown correspondingly. This raises the question of the place which this growing military potential will occupy in Soviet foreign policy in the years ahead.

107. The prime priority given to defence of the Soviet Union on both its Eastern and Western frontiers and to maintenance of control over its East European glacis has already been noted (paragraphs 90 and 91). While the Chinese threat is seen mainly as a long-term danger, the Soviet Union considers there is an immediate need for a large and visible military presence in order to discourage any Chinese adventurism, to maintain the morale of

the relatively small Russian settlements in Siberia and to discourage any possible pro-Chinese aspirations among the Asian peoples of Soviet Central Asia.

108. In addition to these defensive rôles, the peacetime strength, readiness and deployment of the Soviet armed forces will greatly facilitate any potential military initiative against the NATO area in Europe. They should be expected to retain and increase their capabilities to cover a great variety of contingencies up to and including a large-scale attack on short notice against Central Europe and simultaneously attacks on NATO's flanks. They will undoubtedly improve their ability to intervene in distant areas, particularly in the Middle East and Africa.

109. However, it is generally assumed that in the main the Soviet Union will aim to use its military forces for the exertion of political pressures rather than the conduct of armed conflict, since the Soviet leaders are well aware that, given the defensive strength of the Alliance, armed conflict would be bound to jeopardise their hard won achievements. The Soviet Union will continue to see its military strength largely as a political weapon which, by its demonstrative effect, can change the "objective conditions" of the international scene in its favour.

110. In accordance with this approach, their military power will remain an important adjunct to Soviet foreign policy in neighbouring countries such as Finland, Sweden, Afghanistan, India, Pakistan and Iran. On a wider scale, while Soviet military strength is neutralised within the Alliance area by the balance of forces maintained by the Allies, Soviet military forces will continue to support efforts to extend Soviet political influence in Third World countries. They will retain and increase their already significant capabilities for rapid and sizeable arms supplies to client States.

111. The Soviet emphasis on military strength will also continue to be seen by Moscow as an essential means of ensuring the status of the Soviet Union as one of the two super-powers. Lacking economic and technological equivalence with the West, and identified with an increasingly unattractive ideology, the Soviet Union relies for its position as a world power predominantly on its military strength.

112. In addition to these major rôles seen for their massive military power, there are a number of other important factors which will continue to encourage the Soviet leadership to give high priority to military forces: the historic experience of foreign invasions which leads to over-insurance; the importance of the military establishment and industrial/military complex whose demands the leadership need to satisfy; and the traditional wish for "masses of everything".

113. An increasingly important instrument for the Soviet Union in the world-wide confrontation between the systems is its considerably strengthened navy. The political task of the Soviet navy is to demonstrate the global range of Soviet power and to underline the Soviet claim to comprehensive super-power status. Soviet naval deployments - like their air deployments - serve to enhance the Soviet ability to assist client States by supplementing local defences, as well as generally to demonstrate Soviet support for Third World countries. These deployments will grow significantly in capability, even though they will be affected by base shortages (naval) and the necessity to obtain overflight and staging privileges (air) which might prove difficult. The Soviet Union can also be expected to make increasing use of naval port visits to "show the flag". Soviet merchant ships, civil aircraft and fishery vessels are operating on a world-wide scale. While the USSR is much less dependent than the Western countries on outside markets, these growing foreign trade and maritime interests have to be militarily protected. It is doubtful, however, whether this is a very significant factor in the expansion of the Soviet navy.

114. The build-up of Soviet military capabilities in Northern and Southern Europe is motivated by the various rôles for their military forces described above.

In general Soviet aims are no doubt to seek increased influence in the Nordic area and to weaken the links of the area with the rest of the Western world. In practice Soviet policy seems to have adapted to the present alignment of the Nordic States in the field of security policy and to pursue Soviet aims mainly by traditional means of diplomacy, contacts and co-operation.

However, the strategic importance of the Northern regions of Europe (the Barents Sea, Norwegian Sea and Svalbard with surrounding waters) has - not only for military, but also for economic and political reasons - been steadily increasing over the last decades. A reflection of this development since World War II, has been the strong Soviet military build-up in the Murmansk-Kola area and the corresponding increased Soviet naval activity in Northern waters. The Soviet Union has in this context demonstrated an ambition to be able to control in an emergency the Barents Sea and the Norwegian Sea as far out to the West and the South as possible. The Soviet Union has also tried to secure to the maximum, Soviet interests and control in connection with the delimitation of shelf areas and establishment of economic zones in the Barents Sea and to maintain Soviet presence and interests in Svalbard.

However, the Soviet military build-up at Murmansk-Kola is not considered to be primarily directed against Norway or Scandinavia as a whole: it should rather be seen as an important element in the central strategic balance.

In the Baltic area, the Warsaw Pact military activity has increased considerably over the past years, and the weight of especially air activity and amphibious exercises has steadily

moved westwards in the Baltic Sea, thus complicating NATO's warning problem. The Soviets undoubtedly consider this area vital to their security and as a keystone in their military strategy vis-à-vis as well the Northern as the Central region, the North Sea area and the Atlantic.

In Southern Europe, the now permanent presence of a Soviet squadron in the Mediterranean reflects a threefold aim: to remedy the handicap constituted by the Turkish Straits and to overcome the restrictions and limitations as regards rapid deployment and reinforcement from the Black Sea; to provide a launching pad for Soviet politico-military initiatives in the Mediterranean area, and to reinforce its political influence in Southern Europe, the Middle East and Africa. The permanent presence of a Soviet squadron will require further Soviet attempts to gain access to additional naval facilities in the Mediterranean.

C. Ideological

115. The Soviet Union's determination to be seen as the leader of the international Communist movement can easily be explained by its use of ideology as one of its instruments for foreign penetration. On the other hand, it is precisely because there has been a growing awareness outside the Soviet Union that Moscow has no hesitation in using ideology to further its interests, and if necessary in subordinating ideological interests to Soviet State interests (particularly in the Third World), that the magnetism of its message has lost a great deal of its pull. During the past sixty years, the USSR has been compelled to wage a defensive action against challenges to its ideological monopoly.

116. In the Third World the main Soviet concern will continue to be to counter Chinese influence both at inter-State and where appropriate, inter-Party level. Within Europe the problem is more

complex. The development of a more independent stance by certain Western European Communist Parties on matters of both tactics and substance is weakening the cohesion of the European Communist movement as a whole and will constitute a continuing challenge to the CPSU's authority. The Russians are faced essentially with the task of reconciling an acceptance of the need for Communist Parties to take account of local circumstances and in particular electoral realities, with their apprehension that the position adopted by some of the parties concerned may lead to substantial splits within the movement and, at worst, eventually provide a pole of attraction for members of the Communist Parties in Eastern Europe (in addition to that already provided by the Yugoslav experiment). There is no sign that the CPSU has yet resolved this dilemma to its own satisfaction.

117. For Moscow to win back the upper hand, it would be necessary for it to spark off a new ideological impulse based on the values of the October Revolution but adapted to the changes that have taken place in international society since 1917, thereby demonstrating that the CPSU is a continuing and genuine source of inspiration for Communists the world over. However, this ideological renewal shows no sign of occurring. If Soviet military might did not exist, ideology in itself would constitute an insufficient vehicle for the promotion of the Kremlin's foreign policy.

118. The effort which the CPSU will inevitably be making in the years to come to strengthen its grip will therefore be a very difficult one. Moscow will have to take much more account of the diversity within the Communist movement. The major concern of the Soviet leadership will be to ensure that the various tensions within the "Socialist" camp do not eventually start up a process of ideological disintegration in Eastern Europe. In the Third World, Soviet efforts will have to be buttressed by arguments that are more persuasive than ideology alone; in other words, arms and economic aid.

D. Economic

119. (i) East-West relations

During the 1980s, trade will remain one of the Soviet Union's means for developing or limiting its relations with the West. The highly centralised nature of the Soviet economy makes it possible to use foreign trade for this purpose. However, Moscow's room for manoeuvre will be narrow because of its relatively small share in overall Western trade and because of its dependence on agricultural and capital equipment imports, which only the Western countries can provide, as well as on the necessary credits to buy them. By contrast the West would, if necessary, almost invariably be able to replace imports from the Soviet bloc by procurements from other sources, particularly in the Third World.

(ii) East-South relations

Because of their own economic difficulties, it seems unlikely that during the next few years the Communist countries will be in a position either to boost substantially their development aid, or to provide non-tied aid, or to take part in multilateral aid schemes. On the other hand, the conclusion of long-term trade agreements is the easiest form of economic co-operation with the Third World since it fits in with the organization of the foreign trade of Eastern countries. In the years to come it could prove one of the favourite economic instruments for Communist bloc penetration of the Third World.

IV. OUTLOOK

120. The ideological weapon has lost some of its credibility as a tool of Soviet foreign policy, and the economic factor can only play a marginal rôle. This leaves the considerable armaments effort in both the conventional and nuclear fields. The question which arises is to what ends this effort, which weighs so heavily on the Soviet economy, is directed. Possible answers are that:

(i) the USSR has still not, sixty years after the October Revolution, outgrown its siege mentality and believes that this effort is essential to its security, to control Eastern Europe, and to deter the designs attributed to the Western powers and to China;

(ii) the Soviet leaders, now that their diplomacy has achieved universal dimensions, want to have ready the military means of carrying through any political move when and where they consider appropriate.

121. The full explanation will doubtless have to incorporate these various considerations. This being said, the spirit of the régime and the characteristics of Soviet activity abroad, marked by a deeply ingrained mistrust of anything smacking of the empetuous, make the first answer more plausible while not entirely ruling out the second. However, this order of priority could change if the West showed signs of weakness.

122. One last point needs to be made. The aims and concerns of the Soviet leadership embrace an apparent contradiction - détente versus preservation of empire and push for further gains(1). The Soviet Union has given and undoubtedly will

(1) See also paragraph 94

continue to give priority to what it regards as essential in each case. If forced to choose between détente and the preservation of its empire, it will certainly choose the latter. On the other hand, to the extent that the search for further gains would jeopardise détente, it would opt for prudence and restraint while remaining ready to take a chance when Western countries seem unlikely to react strongly.

ANNEX to
ISD/165(3rd revise)

## TRENDS IN INDIVIDUAL EAST EUROPEAN COUNTRIES

### BULGARIA

1. It is likely that Bulgaria will retain its position as the most politically stable of the East European countries. There is evidence of some popular dissatisfaction with economic and social conditions, but this makes itself felt more in passive forms (e.g. worker indifference) than in active dissidence, and the chances of significant unrest seem remote. Both the Orthodox Church and national minorities are under firm central control. However, the narrow concentration of political power in Zhivkov's hands, intensified by recent high level purges, could result in a succession struggle, which in turn could affect overall stability.

2. Bulgaria's economic growth has so far been impressive, thanks in part to close economic ties with the USSR. A continuation of rapid development may be difficult. In particular the large hard currency deficit with the West may force a curtailment in the acquisition of Western technology. Low productivity, a growing manpower shortage and looming energy problems in the East as a whole also make it doubtful whether the economic growth rate of the past few years can be maintained.

3. Bulgaria is unlikely to change its close affiliation with the Soviet Union, and will continue to carry a spear for Soviet foreign policies. Bulgaria is a Slavic and Orthodox country like the Soviet Union, and, unlike other East European countries, there is no discernable anti-Russian feeling among the population. In addition to its high degree of economic dependence on the Soviet Union, including for certain key raw materials, the régime sees Moscow as a guarantor of its continuation in power and security against its neighbours.

The "special" relationship with the Soviet Union is reflected in Bulgaria's strong support for integration with the Warsaw Pact and COMECON. The Kremlin will continue to control Bulgarian responses to Yugoslavia over the Macedonian nationality issue. However, if Soviet and Yugoslav succession crises were to occur simultaneously, Bulgaria could follow an independent and possibly more assertive policy towards Macedonia.

CZECHOSLOVAKIA

4. The Husak government has the country under tight control, subject to close tutelage from Moscow. The prospects for internal liberalisation in the human rights or economic areas are dim. The present stability is based on widespread resignation and apathy among the people, as well as a reluctance to put the fairly high standard of living at risk to no avail. The success of the régime in silencing many of the Charter 77 dissidents must have confirmed this mood of pessimism. Nevertheless the dissident movement is likely to continue and to maintain a certain amount of pressure on the régime.

5. The Catholic Church has comparatively little influence, and its position will probably gradually erode further. Despite rivalry between Czechoslovakia's two main national groups, Soviet influence is likely to be sufficient to prevent this from becoming an important political factor.

6. All these elements suggest that the mid-1980s are unlikely to see a Czechoslovakia much different from today. The main danger to stability could come if there should be a prolonged stagnation of living standards resulting in worker discontent. Considerable economic problems will no doubt continue to face the régime. Soviet and Western price increases have hit hard, the industry sorely requires modernisation and productivity is far from adequate. Continuing

manpower shortages may require the authorities to accept increased numbers of immigrant workers. Industrial output growth rates are already declining and are likely to continue downwards. These problems could create difficulties for Party unity, as they have in the past. But they would have to become much more acute than at present to rouse the public from its post-invasion apathy.

7. If there is to be any change in internal policies, it is likely to come from within the Party. The present leadership are not all hard-liners, but memories of the Dubcek crisis will make them anxious to avoid any impression of disunity. Its present political colour is likely to remain unchanged into the 1980s. However, the death of a key figure could bring about a struggle for power.

8. In foreign policy the government will faithfully follow the Soviet line.

GERMAN DEMOCRATIC REPUBLIC

9. In the GDR the Honecker leadership has not been successful in winning general domestic allegiance to Communism. A long-term problem of a particular nature is the German question which remains unsolved. The GDR has countered the political aim of the Federal Republic of Germany to "work towards a state of peace in Europe in which the German people will regain its unity in free self-determination" by the thesis that the German question had been disposed of a long time ago and that this had been confirmed by the Final Act. However, the GDR cannot eliminate the rights and responsibilities of the Four Powers in regard to Germany as a whole, which are being claimed also by the Soviet Union, although perhaps only tacitly. Nor has the leadership achieved by free, democratic means an acknowledgement by the populace of East Germany as a permanent nation state.

10. A decisive factor for the stability of the régime remains the presence of 20 Soviet divisions within the GDR. The people are only too familiar with the real power situation. But the Federal Republic of Germany and the West continue to exert a strong attraction and remain a main point of comparison for the people. Since the publication of the CSCE Final Act the GDR population in general has evinced growing self-confidence in relation to authority. This is demonstrated, inter alia, by the large number wishing to emigrate to the West. The restrictive reaction by the authorities to emigration demands shows the measure of their concern. While discontent, particularly in relation to prices, has been growing, vocal dissidence is not yet an important problem, although more intellectuals are beginning to express their dissent openly and clashes between young people and the police are on the increase. An organized dissident movement does not exist and is not likely to develop in the foreseeable future. This prediction rests in part on the policy recently adopted by the régime to expel overly recalcitrant members of the intelligentsia, a policy of which balladeer Biermann was the first victim.

11. Economically East Germans are among the most prosperous people in Eastern Europe and they are well aware of it. Nevertheless the régime is now facing a number of economic problems, including a serious shortage of hard currency. The overall rate of growth is already noticeably reduced compared with earlier years, and the economy is increasingly unlikely to be able to fulfil popular demand for rising prosperity. In the late 1980s and 1990s the GDR is expected to be faced with an increasing manpower shortage and a growing economic burden from having to provide for a large number of pensioners.

12. However, a dramatic deterioration of the supply situation and of the conditions of work and life is not to be expected. This should mean that widespread discontent will stop short of turning into serious unrest among the workers, though there may be temporary unrest in the event of steep price rises. In the medium term the GDR's internal stability is unlikely to be significantly endangered. In the long term, however, the pull of the West may make it increasingly difficult for the authorities to contain pressure for improved standards.

13. The Honecker régime will no doubt continue to attach high priority to its policy of delimitation from the Federal Republic of Germany. Although political considerations incline it toward closer links with other CEMA countries, as proposed in the 1976/81 Five-Year Plan, the GDR will continue to need Western trade and technology and is, therefore, likely to have an interest in the maintenance of good economic relations with the Federal Republic and other Western states.

14. As far as foreign policies are concerned, the GDR will always try to be rigidly behind the Soviet Union.

HUNGARY

15. It seems likely that the Kadar régime will continue to pursue the present innovative economic and cultural policies which are among the most liberal in Eastern Europe. These policies have succeeded in neutralizing potential dissident pressure and in reaching accommodation with the Catholic Church. Relations with the national minorities are also on the whole good.

16. However, beneath the surface, the potential for disaffection remains, as does strong hostility to Russian domination. A marked change in the country's economic or political situation could quickly lead to disaffection among the intelligentsia and workers; and a return to harsher internal policies could lead the Church to take a stand against the régime.

17. The most likely source of difficulty lies in the economic field. While Hungary has achieved considerable economic growth in the past, it is no longer being maintained at the same rate. Serious problems face the development of the economy and are likely to remain, e.g. high indebtedness to the West, a severe deficit in hard currency, and a growing labour shortage. Hungary has embarked on a planned reduction in the rate of growth of real wages. The régime has so far pursuaded the population of the need for this, but it is not clear how long this acquiescence will last. Meanwhile Hungary's economic links with the Soviet Union are becoming more and more important.

18. As long as Kadar remains in control these difficulties should be manageable. It is less sure that his successor will be able to continue a similar feat of political acrobatics with the same success.

19. As part of the price paid for greater internal flexibility, Budapest faithfully follows the Soviet lead on foreign policy issues and will continue to do so.

POLAND

20. Gierek's energetic attempts, through large-scale industrial investment and administrative reform, to restore the credibility of the régime after the 1970 unrest, appeared for a time to succeed, but recent events have revealed that a large gap still remains between the régime and the populace. Nevertheless, a significant segment of public opinion regards Gierek as still the best (or the least of the evils) among the various possible leaders at this juncture. The amnesty measures taken last Summer may be interpreted as a sign of his ability to maintain a moderate line even though he continues to be associated with the hard-liners of the Party.

21. Before the abortive attempt to raise food prices which sparked off the workers' riots in 1976, there was already widespread discontent among most social strata with continuing shortages of consumer goods, including food. The intellectuals, for their part, resented the tightening of the ideological reins following the Helsinki Conference and the decision to amend the Constitution to emphasise its socialist character and links with the Soviet Union. For the first time, the currents of opposition among workers and intellectuals fused. They received support from the powerful Catholic Church which, though putting into question the partial accommodation reached between Church and State, stood out strongly in defence of human rights. To this was added support from university students, perhaps partly motivated by their dim job expectations.

22. Although the government has largely ridden out this storm, the main underlying grievances are likely to remain during the period ahead, and similar trouble could reoccur.

23. The key lies mainly in the economic sector. Despite considerable economic progress in certain sectors, fundamental economic problems remain, including a heavy external debt and an archaic agriculture. Gierek has announced a series of ideologically unorthodox reforms designed to increase the supply of consumer goods. But the government will be hard pressed to juggle an acute balance of payments problem with the maintenance of economic growth. Consumer dissatisfaction is likely to remain a danger to the stability of the régime over the coming years.

24. Some Party and government changes in coming months are a possibility. The Soviet Union has apparently chosen not to interfere substantially with the régime's handling of the internal situation. They would not hesitate to do so, however, should they judge it necessary in order to restore control.

25. The leadership will continue to follow the Soviet line in foreign policies. However, Poland is second only to Hungary as the East European country most open to the West.

ROMANIA

26. Rigid centralism is still the order of the day for internal policy. An outward tolerance towards the many ethnic minorities cannot conceal the vigorous affirmation of Romanian cultural values.

27. The conservative mentality of the régime does not prevent vigorous policies in two areas: a drive for industrial growth and an assertion of national identity and of national interest in its dealings with countries, including those of the Warsaw Pact. This diverts public attention from the régime's authoritarian features and makes for a closing of ranks around the ruling group. There has been dissidence in Romania too, but it has remained very limited. There have also been strikes, particularly at the Jiu Valley coal mines.

28. Romania remains the fastest growing East European economy as far as GNP is concerned, though the consumer has benefited only to a limited extent. Industrial output is increasing at a fast rate, and the régime has confirmed its commitment to forced industrialisation. Nevertheless the country is experiencing a slowdown in many sectors and in the economy as a whole. Manpower, energy, productivity and indebtedness problems will prevent the fulfilment of the ambitious Romanian plans, although substantial growth will continue in the short term.

29. Ceausescu continues to dominate public life; his leading position in the Party and the State is uncontested at present, but may be eroded in the years to come.

30. In foreign policy, Romania will continue its attempts to combine contacts with the West and the Third World with the obligations stemming from the Soviet alliance and the political, economic and military links which go with Warsaw Pact membership. It is essentially on economic considerations that Bucharest aims to base its partial "desatellisation" policy, as characterised by its resistance to attempts to develop the CEMA in a supra-national direction and its efforts to obtain Western recognition as a developing country, with all the economic benefits this entails.

31. The RCP's policy of Marxist-Leninist orthodoxy internally, and assertion of a right to autonomy in relations with other Parties, can be expected to continue on essentially the same lines, at least as long as Ceausescu remains in power. In the particularly delicate sphere of relations with Moscow, Romanian policy will probably continue to have its ups and downs, with a correspondingly greater or lesser degree of independence.

ALBANIA

32. The Seventh Congress of the Albanian Communist Party (November 1976) marked the conclusion of a five-year long period of purges against various pro-revisionist tendencies and confirmed in power the group led by the Hoxha-Shehu team that has been ruling Albania for the last thirty years. No major leadership changes appear likely in the next few years (except by natural causes).

33. Ideology is still imbued with the classic dogmas of Stalinism. A personal management of power is supported by a pervasive police system, and the régime is forced to rely on a tight insulating screen to prevent politico-ideological infiltration from abroad. This may be expected to continue.

34. In the economic sector the aim remains self-sufficiency, and the emphasis still lies on the development of heavy industry. Such objectives as raising the living standard and improving the consumption level are neglected. In the light of the failure of the Fifth Five-Year Plan (1971-1975) and probably also as a consequence of a reduction in Chinese aid, the Albanian leaders have taken some limited steps to diversify the country's sources of supply and have somewhat increased commercial ties with the West. Overtures towards closer economic relations with the West are likely to continue, but within strict limits, and without affecting the continuing political and ideological isolation.

35. The recent cooling of relations with China has been caused partly by disappointment with the recent level of Chinese aid and partly by ideological differences arising from China's rapprochement with the US and, lately, Yugoslavia, its "Three Worlds" theory and its pragmatism - all elements opposite to Albanian ideology and policies. A complete break, however, does not appear likely, because neither has anything to gain from a breach at present.

36. So long as Hoxha remains the leader, no rapprochement with Moscow appears conceivable. After Hoxha, it is too difficult to venture into forecasts. The only certain thing is that a return of Albania into the fold of Moscow - a development which the Soviet Union would no doubt foster by all means - would have a destabilising effect in the Balkan area and the Mediterranean. The first consequence would be a serious danger to Yugoslavia, whose southern regions would be surrounded by two allies of the Soviet Union - Bulgaria and Albania - both with strong ethnic links with those territories. On a broader plane, the likely appearance of bases and support sites for the Soviet fleet in the Otranto Canal would ominously imbalance the situation in the Mediterranean.