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WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name BAILEY, NORMAN: FILES

Withdrawer

RBW 2/8/2013

File Folder EASTERN EUROPEAN POLICY MARCH 1983

FOIA

M452

Box Number 2

SHIFRINSON

35

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
153818	MEMO	WILIAM CLARK TO GEORGE SHULTZ RE. TERMINATION OF MFN FOR ROMANIA [COPY OF DOC. 153809] R 6/2/2015 M452/2	1	3/1/1983	B1
153819	MEMO	CLARK TO RR RE. ROMANIA'S MFN STATUS [COPY OF DOC. 153805] R 11/27/2017 M452/2	2	2/28/1983	B1
153820	MEMO	GEORGE SHULTZ TO RR RE. TERMANIATION OF MFN FOR ROMANIA [COPY OF DOC. 153808] R 6/2/2015 M452/2	2	2/19/1983	B1
153821	MEMO	PAULA DOBRIANSKY TO WILLIAM CLARK RE. TERMINATION OF MFN FOR ROMANIA [COPY OF DOC. 153804] R 11/27/2017 M452/2	2	2/23/1983	B1
153826	LETTER	RR TO PRESIDENT NICOLAE CEAUSESCU [COPY OF DOC. 153811] R 11/14/2016 M452/2	2	12/1/1982	B1
153822	MEMO	DOBRIANSKY TO CLARK RE. U.S. POLICY TOWARD POLAND R 11/27/2017 M452/2	3	3/3/1983	B1
153823	TALKING PTS.	[ATTACHED TO DOC. 153822] R 11/27/2017 M452/2	1	ND	B1

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

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

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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35

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
153824	REPORT	RE. EAST EUROPEAN HIGHLIGHTS: FEBRUARY 1983 <i>R</i> 9/25/2018 <i>M452/2</i>	17	3/8/1983	B1
153825	REPORT	RE. ALBANIA: NOT AN INTERNATIONAL HERMIT <i>R</i> 6/2/2015 <i>M452/2</i>	8	3/16/1983	B1

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

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

WASHINGTON

1192

Briley:

153818

March 1, 1983

~~SECRET~~

MEMORANDUM FOR THE HONORABLE GEORGE P. SHULTZ
The Secretary of State

SUBJECT: Termination of MFN for Romania (U)

The President has reviewed your memorandum concerning the termination of Romania's Most-Favored-Nation status. He concurs with your proposals:

- That a Presidential announcement be issued stating his intention to terminate the Jackson-Vanik waiver for Romania, thereby terminating MFN and other benefits, effective June 30, 1983.
- That as part of the annual Jackson-Vanik recommendation to Congress, he recommend continuation of his waiver authority for an additional year beginning July 3, 1983.
- And, that before a Presidential announcement is issued, State inform the Governments of Israel, The Federal Republic of German, Romania, and the GATT membership of our decision to terminate Romania's MFN status. (S)



William P. Clark

~~SECRET~~

Declassify on: OADR

DECLASSIFIED

NLRR M452/2# 153818

BY FW NAR DATE 6/2/15

~~SECRET~~

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153819

1192

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

~~SECRET~~

February 28, 1983

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: WILLIAM P. CLARK *wpc*
SUBJECT: Romania's MFN Status

DECLASSIFIED

NLRR M452/2 #153819
BY *W* N. D TEL 2/17

Issue: Termination of Romania's Most Favored Nation status.

Facts: The Romanian Government has begun implementation of the education repayment decree which requires emigrants to repay the cost of their education -- a decision which contravenes the purpose and spirit of Section 402 of the Trade Act of 1974 (Jackson-Vanik Amendment). In your letter of December 1, 1982, to Romanian President Ceausescu, you asserted that the decree's implementation would result in the loss of Romania's MFN tariff status.

George Shultz forwarded you a memorandum (Tab B) which addresses the issue of how and when to terminate Romania's MFN and other benefits. It recommends that a Presidential announcement be issued at the end of February stating your intention to terminate the Jackson-Vanik waiver for Romania, thereby terminating MFN and other benefits, effective June 30, 1983, and suggests that as part of your annual Jackson-Vanik recommendation to the Congress (June 2, 1983), you recommend continuation of your underlying waiver authority for an additional year beginning July 3, 1983. It also recommends that before the announcement of MFN termination is made State inform the Israelis and Germans (both countries deal with Romania on emigration issues), Romanians and the GATT membership of your decision.

Discussion: State's proposed strategy would manifest the Administration's decisiveness and yet, would enable it to maintain a flexible position. By announcing your intention to terminate MFN on June 30, 1983, you provide time for the 200 American firms importing Romanian products to adjust to the impact of the loss of MFN and, for the Romanian Government to reverse its decision.

A decision is needed by you on Friday, February 25, so as to give State several days for consultations. Commerce, USTR, Treasury, State and NSC concur fully with the proposed approach. At Tab A is a draft Presidential announcement for your approval.

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Declassify on: OADR

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RECOMMENDATION

OK No

- — 1. That you announce your intention to terminate the Jackson-Vanik waiver for Romania effective June 30, 1983, if the education repayment decree remains in force as of that date, but to seek continuation of your waiver authority for an additional year beginning July 3.

- — 2. That you approve State's informing Israel, the Federal Republic of Germany, other key Allies, Romania, and the GATT membership of our intention to terminate MFN and related benefits for Romania.

Prepared by:
Paula Dobriansky

Attachments:

- Tab A Proposed White House Press Release
- Tab B Memorandum for Secretary Shultz, February 19

~~CONFIDENTIAL~~

PROPOSED TEXT

PRESIDENTIAL ANNOUNCEMENT

The Government of Romania has informed us officially that it has implemented a decree requiring any Romanian citizen wishing to emigrate to repay in convertible currency the costs of education received beyond the compulsory level. This decree conflicts with the letter and spirit of Section 402 of the Trade Act of 1974, which is intended to help remove barriers to freedom of emigration. I, therefore, declare my intention to terminate Romania's Most-Favored-Nation tariff status and other benefits effective June 30, 1983, if the education repayment decree remains in force on that date. It is my hope that the Romanian Government may reconsider its decision on this matter, thereby making it unnecessary for me to take the action of discontinuing Most-Favored Nation treatment and other benefits with its consequences for bilateral trade and economic relations between our two countries.

~~CONFIDENTIAL~~

DECLASSIFIED
Sec.34(b), E.O. 12958, as amended
White House Guidelines, Sept. 11, 2008
BY NARA RW, DATE 8/8/13

~~SECRET~~

RW 2/8/83

CLASSIFICATION

CIRCLE ONE BELOW

MODE

PAGES

4

IMMEDIATE

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RELEASER

PRIORITY

DEX #

DTG

012101Z MAR 83

ROUTINE

TTY #

FROM/LOCATION/

1. RADM POINDEXTER/SANTA BARBARA

TO/LOCATION/TIME OF RECEIPT

1. FLO GANTT/SITRM WASH D.C. / REC 2:35 PM PST
1 MAR 83

2. _____

3. _____

4. _____

INFORMATION ADDRESSEES/LOCATION/TIME OF RECEIPT

1. _____

2. _____

SPECIAL INSTRUCTIONS/REMARKS:

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CLASSIFICATION

153820

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BY RW NARA DATE 6/2/15
M4522 #153820

THE SECRETARY OF STATE
WASHINGTON

~~SECRET~~

February 19, 1983

MEMORANDUM FOR: THE PRESIDENT
FROM: George P. Shultz *WS*
SUBJECT: Termination of MFN for Romania

The Romanian Government has begun implementation of the education repayment decree, which requires that emigrants repay in convertible currency the cost of their education and training beyond the tenth-grade level before they may leave Romania. Foreign Minister Andrei has confirmed to Ambassador Funderburk in Bucharest that the decision to implement is formal and irrevocable. Romania's actions are incompatible with the purpose and spirit of Section 402 of the Trade Act of 1974 (the Jackson-Vanik Amendment). In your letter to President Ceausescu of December 1, 1982, you said that implementation of the decree would result in the loss by Romania of its Most-Favored-Nation (MFN) tariff status and of its eligibility to participate in United States Government credit and guarantee programs.

An interagency group has considered the question of how and when to terminate Romania's MFN and other benefits. There is general agreement that the preferred course is for you to announce in the near future that if Romania continues its implementation of the education repayment decree, you will take the necessary action under the law to terminate the Jackson-Vanik waiver for Romania, thereby terminating MFN and other benefits, effective June 30, 1983. In addition, it is recommended that, as part of your annual Jackson-Vanik recommendation to the Congress (necessary to continue MFN and other benefits for Hungary and China) in early June, you recommend continuation of your underlying waiver authority with respect to Romania for an additional year beginning July 3. This action would permit you to reinstate, with Congress' concurrence, Romanian eligibility for MFN and other benefits should the Romanians cease enforcing the decree and provide satisfactory assurances of improvements in their emigration procedures.

This proposed course of action would demonstrate the Administration's decisiveness while giving us flexibility on the possible future restoration of MFN and other benefits. The June 30, 1983 date for termination of MFN and other benefits is designed to provide time for the approximately 200

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DECL: OADR

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-2-

American firms importing products from Romania to adjust to the impact of the loss of MFN, and to give the Romanians an opportunity to reflect on their action and possibly decide to reverse or modify their decision.

Termination of MFN will require the suspension or termination of only the relevant part of our 1975 Trade Agreement with Romania. The Agreement provides for this possibility if the Romanians concur during consultations. If they do not, we can and will terminate the entire agreement. We intend to begin consultations with the Romanians promptly following your announcement.

Before your announcement, we should inform the Israelis, Germans, Romanians, and the GATT membership of your decision; we will also at some point need to consult formally with the Romanians as required by the bilateral Trade Agreement. In doing so, we would seek to induce our key Allies to bring their own pressure to bear on the Romanians on the reasonable grounds that a reduction by \$200 million or more in Romanian exports to the U.S. will diminish Romania's ability to pay its debts to all its creditors. If you approve our proposed course of action, we will begin those discussions immediately. I propose that you make your announcement on or about February 23. I am attaching a proposed text.

Commerce, USTR, and Treasury have been consulted and concur fully.

RECOMMENDATION:

--That you announce your intention to terminate the Jackson-Vanik waiver for Romania effective June 30, 1983, if the education repayment decree remains in force as of that date, but to seek continuation of your waiver authority for an additional year beginning July 3.

APPROVE _____

DISAPPROVE _____

--That you approve our informing Israel, the Federal Republic of Germany, other key Allies, Romania, and the GATT membership of our intention to terminate MFN and related benefits for Romania.

APPROVE _____

DISAPPROVE _____

~~SECRET~~

MEMORANDUM

NATIONAL SECURITY COUNCIL

~~SECRET~~

February 23, 1983

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

SIGNED

DECLASSIFIED

FROM: PAULA DOBRIANSKY ^{AD}

NLRR M452/2 #153821

SUBJECT: Termination of MFN for Romania

BY RW NARA DATE 11/2/17

Secretary Shultz sent a memorandum to the President (Tab B) which states that the Romanian Government has begun implementation of the education repayment decree -- a decision which contravenes the purpose and spirit of Section 402 of the Trade Act of 1974 (Jackson-Vanik Amendment). Shultz's memorandum proposes the following course of action:

- That a Presidential announcement be issued on March 3 stating the President's intention to terminate the Jackson-Vanik waiver for Romania, thereby terminating MFN and other benefits, effective June 30, 1983.
- That the President recommend, however, continuation of his underlying waiver authority for an additional year for Romania beginning July 3, 1983 (this basic authority would give the President the flexibility to reinstate MFN treatment for Romania if Romanian emigration practices warranted it).
- That before the announcement of MFN termination, State inform the Israelis and Germans (both countries deal with Romania on emigration issues), Romanians and the GATT membership of the President's decision.

At Tab I is a memorandum from you to the President forwarding the Secretary's memorandum; at Tab A is the draft White House Press Release.

Treasury, Commerce, USTR, Bailey, ^mMcMinn, ^{DAM}White House Press Office (Sims/Allin) fully concur with State's approach.

RECOMMENDATIONS

1. That you sign the memorandum to the President at Tab I.

Approve ✓ Disapprove _____

2. That you sign the memorandum to Secretary Shultz informing him of the President's decision.

Approve ← Disapprove _____

Attachments:

- Tab I Memorandum to the President
- Tab A Proposed White House Press Release
- Tab B Shultz memorandum, February 19
- Tab II Memorandum from you to Secretary Shultz

THE WHITE HOUSE

WASHINGTON

December 1, 1982

Dear Mr. President:

I am writing to you privately on a matter of grave consequence for the future of our bilateral relationship. I know that you value, as I do, the pattern of contacts in the political field and the mutually beneficial growth of trade between our countries which have characterized the period since 1969. We are important to each other and must work to sustain positive momentum. Neither of us will gain from a reversal of a process which you, Mr. President, my predecessors and I have so carefully nurtured.

When problems have arisen, I and my predecessors have written to you frankly about them. I appreciate your Government's willingness to act favorably on a number of individual emigration cases and to engage in our recent discussions of emigration practices and procedures. We were looking forward to continuing this dialogue. As you are aware, the debate in the Congress on the extension of Most Favored Nation status last summer was vigorous and sharp, but I believed that the approach we were developing would bring a positive Congressional conclusion once again next year.

It was against the background of this favorable development, however, that I received the disturbing news that your Government plans to require repayment in convertible currency by emigrants of the cost of their education from the secondary level on. You will recall that it was such measures when enacted in the Soviet Union a decade ago that led to the adoption of certain provisions in the Trade Act of 1974.

DECLASSIFIED

NLRR M452/2 #153826

BY RW NARA DATE 11/14/16

I understand the difficult economic situation which you now face and which may have been a factor in this matter. We want to continue to be helpful in meeting your economic needs. However, implementation of this new decree can only worsen our economic relations. Mr. President, the implementation of your new decree in its present form would put me in the regrettable position where I would have no alternative but to take action under the Trade Act of 1974 to suspend Most Favored Nation treatment of Romanian exports to the United States and to deny future U.S. official credits and guarantees. This is a step which I would take with the greatest reluctance since I am fully aware of the great efforts Romania has made to increase its exports to the United States to their 1981 level of over \$500 million. Nevertheless, my responsibility to carry out the mandate of U.S. law would unfortunately leave me no choice in the matter.

I therefore most earnestly urge that you reconsider the implementation of your Government's decree while our two countries jointly examine how best to approach questions relating to emigration. If you would find it useful, I would be pleased to send a personal envoy to Bucharest to discuss with you privately the implications under U.S. law of the new Romanian education repayment decree and related matters of mutual interest, including continuance of the Agreement on Trade Relations between our two countries. In addition, I would like to suggest that we authorize our respective representatives to hold a second meeting on emigration questions in the very near future.

I deeply believe and trust that with patience and understanding on both sides we will be able to resolve this potentially damaging problem so that we can resume our mutually beneficial relationship.

Sincerely,

Ronald Reagan

His Excellency
Nicolae Ceausescu
President of the Socialist
Republic of Romania
Bucharest

Bailey
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MEMORANDUM

NATIONAL SECURITY COUNCIL

~~SECRET~~

SENSITIVE

March 3, 1983

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: PAULA DOBRIANSKY (P)

SUBJECT: U.S. Policy Toward Poland: NSC Strategy

Σ Σ

On February 22 you sent a memorandum to Secretary of State Shultz requesting State's assessment of the Polish internal situation and U.S. policy options. As you recall, State promised to provide a comprehensive assessment in December 1982 -- thus far, no such memorandum has been forwarded. This delay is primarily attributable to the acute policy differences on Poland within State. There is the "accommodationist" strand of thought which claims that we cannot sustain the current tough policy toward Poland, lest the profound division reminiscent of the gas pipeline issue reemerges within the Alliance. Then there is another camp which believes that the present sanctions policy should be maintained but that a contingency package to handle debt rescheduling should be prepared and shared with the Allies.

These current divisions within State have hindered any progress on a review of U.S. policy toward Poland. There is an urgent need for such a review. Failure to seize the initiative would result in our having to make serious decisions on an ad hoc basis. Specifically, some of the Allies are growing progressively restless with a lack of progress over debt rescheduling. Unless a new policy is devised, there is a serious danger of a breakdown in Western unity. Presently, the Poles are actively lobbying to enlarge this division. Moreover, the apparent diminution of interest in Polish developments and support for the Polish people bodes poorly for our future ability to sustain a policy designed to foster improvements in the Polish internal situation.

Most crucially, we cannot wait until some of our West European allies publically "break the ranks" and engage in debt re-scheduling with the Poles. It is essential that we seize the high ground and present the West Europeans with a policy initiative which would signal our pragmatism, good faith, and forestall any dissensions. Simultaneously, an initiative would enable us to probe for signs of Polish flexibility and to quietly explore their willingness to moderate current repressive policies.

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SENSITIVE

Declassify on: OADR

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NLRRM452/2 #153822
BY fw E1127/17

Hence, Walt, Roger and I recommend the following strategy. First, we inform the Allies that we are ready to submit a private demarche to the Polish government -- to be presented not as a unilateral but as a multilateral Western gesture. (Before we approach the Poles, we will seek to secure West European compliance and commitment to this strategy. That is, if the Poles reject our private demarche, we will have secured in advance the Allies' agreement to maintain a unified policy toward Poland.) We would present the Poles with the following package -- rescheduling of the Polish debt and Western support for Poland's IMF membership. The rescheduling would not entail any new medium term credits; rather, it would involve "recycling" 50 percent of the interest payment into short-term credits to finance vital commodity imports. The promotion of Poland's IMF membership would enable the Polish regime to acquire necessary financial management and assistance from an international organization rather than relying on individual efforts. The IMF involvement could also speed liberalizing reforms with a positive human rights spillover and maintain a neutral character.

As a quid pro quo, the Polish government would be required to release all persons detained or imprisoned -- that is, the declaration of a general amnesty. Secondly, the Polish regime should not implement the "parasite law". It has enacted this law, but to date has not formally implemented it. A worker's right to work should also be ensured. That is, all harassment of workers and the frequent lay-off of workers must be ceased. Also, workers fired for political reasons should be reinstated. Finally, we should seek assurances that eventually a worker's right to form free labor unions would be restored and a meaningful economic reform program be implemented. This position is sufficiently moderate -- we would not require an immediate implementation of either economic reform or free labor union restoration, as long as the Polish regime is prepared to make a public commitment to eventually follow this course of action. If the Polish government is prepared to accept these conditions, it can obtain IMF membership and have its debt rescheduled.

In sum, the key to our strategy is to seize the initiative and fill the present policy vacuum, by offering tangible quid pro quos to the Polish government in exchange for serious concessions on their part. The details of the policy initiative will probably have to be negotiated with other agencies, but it is essential to attain a consensus on the underlying concept.

This proposal would be fully consistent with our stated conditions for improving U.S.-Polish relations. If accepted, it would temper present Polish repressive policies and provide hope for further liberalization. If rejected by the Polish government, this initiative would forestall separate deals by our West European allies and enable us to sustain the present tough unified policy vis-a-vis the Polish regime. From the public angle, the Administration can claim credit either way for demonstrating flexibility on an East-West issue and working together with the Allies.

As the timing is critical for successful implementation of this plan, it is essential that we expeditiously complete the Polish policy review. State's policy review paper should be prepared with proper guidance from Shultz's office instead of representing a bland bureaucratic compromise among State's various bureaus. To facilitate these objectives, I recommend that you raise this issue with Secretary Shultz either by phone or in person.

Norman Bailey^{NB}, Dennis Blair, Walter Raymond^{WR} and Roger Robinson^{RWR} concur. (Walt and Roger have contributed significantly to the development of this strategy.)

RECOMMENDATION

That you use the talking points attached at Tab I in your conversation with Secretary Shultz.

Approve _____ Disapprove _____

Attachment:

Tab I Talking Points for conversation with Secretary Shultz

TALKING POINTS

- Mention that further delay in our Polish policy review would adversely affect our ability to sustain any kind of unified effective policy toward Poland.
- Indicate that the West European governments are becoming increasingly impatient with the lack of progress on re-scheduling talks. If no U.S. actions follow and some of our Allies act unilaterally, it would be much more difficult to restore Western unity on this issue.
- Underscore that it is essential to refocus the public attention on Poland since this issue has faded somewhat from public memory. It is imperative that the Western public be made aware that cosmetic alterations notwithstanding, the present situation in Poland is considerably worse than under martial law. The Polish government has bestowed upon itself special powers which did not exist under martial law.
- State that it is essential that we seize the high ground and rally our Allies around the new initiative -- a private demarche to the Polish government.
- Maintain that we should propose in a private demarche to the Polish regime: the rescheduling of their debt (no new medium-term money) and Western support for their IMF membership. As a quid pro quo, the Polish government must grant: (1) general amnesty, (2) forego implementation of the "parasite" law and (3) provide for workers' rights and permit all those who were fired to return to their former positions. (4) We also would require a public commitment to eventually enable some form of free trade unions and implementation toward genuine economic reform.
- Point out that we have nothing to lose with this proposal. If the Poles accept it, we have succeeded in moderating Polish political and economic behavior; if they reject this suggestion, we will have secured the Allies' commitment in advance for a unified approach and can thus better sustain a tough policy toward Poland.

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(U) EAST EUROPEAN HIGHLIGHTS: FEBRUARY 1983

BUREAU OF INTELLIGENCE AND RESEARCH

(C/NF) Summary

After several weeks of quiescence, the Polish opposition movement reasserted itself, resorting to demonstrations and factory sabotage. The regime responded relatively mildly. The church also reacted with restraint, not wanting to endanger the prospective papal visit this summer. Moscow appeared generally satisfied.

Warsaw Pact Commander in Chief Kulikov again visited all Pact capitals, apparently in connection with ongoing exercises. The meeting of party economic secretaries and permanent representatives of the Council for Mutual Economic Assistance (CEMA) member states failed to set a date for a 1983 CEMA summit.

The Hungarian leadership grappled with plans for the future course of its reforms and its dissidents. In Romania, President Ceausescu decided to proceed with his tax on emigrants even if he loses most-favored-nation (MFN) status. In Yugoslavia, riots and purges continued among the Albanian minority in Kosovo.

Economic year-end results revealed continuing stagnation as most East European countries failed to meet planned targets. Financial dealings in hard-currency markets showed mixed results.

* * * * *

(C/NF) Poland

Opposition on the Rise. A growing number of leaflets and other forms of "propaganda" appeared in February, suggesting that the effects of weariness that set in after the ill-fated strike call in mid-November and the suspension of martial law in

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Declassify: OADR (multiple sources)

Report 567-CA
March 8, 1983

DECLASSIFIED
NLRN M458/2#153824
BY fw NARA DATE 9/25/18

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late December were wearing off. Small demonstrations took place in at least four cities on February 13, while sporadic violence against party activists and other regime "collaborators" as well as acts of sabotage in factories proliferated.

The regime, anxious to project an image of normalcy, showed surprising restraint toward the demonstrators and assailed Western media for their alleged portrayal of Poland as a hotbed of tension. The Polish press played down a February 17 march in Krakow by some 600 students commemorating the second anniversary of the government's agreement to register the now-banned Independent Student Union. On February 27, an overflow crowd of some 4,000 Solidarity supporters attending a mass in a working-class district of Warsaw in memory of the banned union drew a deployment of riot police and armored vehicles. Confrontation was averted, in part because police limited themselves to checking identity papers and because the priest urged his congregation to disperse peacefully. Still, the presence of security forces in the capital was reportedly the heaviest since the suspension of martial law last December. Five Solidarity supporters were arrested.

Another major security operation took place on February 23 in and around a church in the southwestern city of Katowice. Here the security police briefly detained the organizer of the mass, Kazimierz Switon, a veteran free-trade union activist, as well as several Western correspondents attending the service. The incident, which coincided with a two-day meeting of the Episcopate, presumably heightened the latter's concern at a time when delicate negotiations with the government over the Pope's planned June visit were under way. Nonetheless, the church service ended peacefully and the communique issued by the bishops on February 24 made no mention of what appeared to be an unprecedented case of police entering a church to remove members of the congregation.

Church-State Maneuvering Over Papal Trip. Returning to Warsaw from Rome where he formally received his cardinal's hat, Primate Glemp on February 7 said that an official invitation to the Pope would be issued only after the itinerary and other details were agreed. All parties--the Episcopate (Glemp in particular), the Pope, and Premier Jaruzelski--clearly looked to the visit with a mixture of anticipation and concern. All concurred that first the proper conditions had to be created and social calm must prevail. But the regime and the Episcopate seemed at odds as to what steps were necessary to bring about such conditions.

Jaruzelski, in an interview with the Hungarian party daily Nepszabadsag on February 5, indicated more explicitly than before that he appreciated the Episcopate's attitude during the "most dramatic moments" under martial law. Nevertheless, he drew a clear line between the hierarchy and what he called the "rabid,

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politicizing part of the clergy," evidently a reference to those lower clergy who continued to provide both moral and material support for the underground and even criticized Glemp's leadership. Jaruzelski and other officials intimated that the regime wanted the Episcopate to rein in the more outspoken members of the clergy, in part to prevent church services from being used as staging grounds for demonstrations. Indeed, Jaruzelski seemed to be under pressure from establishment hardliners, who questioned the government's ability to maintain order during the papal visit. Increasingly caught between the conflicting demands of the regime and its own flock, the Episcopate in a communique published on February 25 reiterated its earlier demand for an amnesty for all political prisoners in advance of the visit.

Literati Under Pressure. The regime was obviously reluctant to issue an amnesty while the underground was showing fresh signs of life; it was not likely to make such a gesture, if at all, until shortly before the Pope's trip. Indeed, the regime seemed anxious to tighten restrictions on the country's literary community, a majority of which continued to refuse to cooperate with the authorities. The warning came on February 25 at a Warsaw meeting--attended by Politburo member Barcikowski--of some 270 writers belonging to the party, out of an estimated 2,500 members of the still-suspended Polish Writers Union. The party urged the gathering to exert pressure on the suspended union openly to pledge loyalty to the communist system and purge itself of "subversive elements and foreign spies."

Communist union members subsequently issued an appeal calling on the union, one of the staunchest supporters of Solidarity, to rewrite its charter to include recognition of the party's supremacy and otherwise mend its ways. Indeed, Deputy Premier Rakowski intimated in an interview with Hungarian radio that, unless opponents of the regime were removed from the union leadership, the authorities might be forced to dissolve the union.

Jaruzelski in a February 27 speech carried the campaign further by warning Polish educators that unless they stopped using their position "to purvey ideas hostile to socialism" to youth they would be subject to "administrative measures." The threats obviously were part of the regime's continuing drive to gain better control over intellectuals and to bolster Jaruzelski's position at an impending party plenum scheduled to debate ideological questions. But the frequency of the attacks also suggested that Jaruzelski was anxious to bring the intellectuals to heel well in advance of the papal trip.

Slow Progress on Trade Union Front. Despite two months of intense regime campaigning, the new trade unions based on legislation outlawing Solidarity clearly had made little headway. By

month's end, the regime claimed the unions had close to 1 million members. This figure, out of 11.5 million eligible workers, suggested that only members of the former branch and "autonomous" unions had signed up and that the boycott by former Solidarity members was holding fast. Worker resistance seemed particularly strong in larger enterprises where Solidarity's influence was greatest, even though local party organizations and management used a variety of pressure tactics and inducements. The regime sought to put the best face on events by claiming that it appreciated the reasons behind the workers' distrust and that, this time around, it preferred that the growth of the trade union movement be a "natural and spontaneous process."

Moscow Satisfied. Moscow signaled its overall satisfaction with the way Warsaw was handling its domestic problems in two major articles. Both Pravda (February 12) and Izvestiya (February 17) avoided an alarmist presentation of developments in Poland and sought to bolster the appearance of progressive normalization. Although Soviet coverage of Poland still differed from that given other socialist countries (e.g., articles on Poland did not appear under the usual rubric of "news from other socialist countries"), the stridency of earlier Soviet comments had definitely subsided.

(C/NF) Kulikov Visits East European Capitals, Supervises Military Exercises

Warsaw Pact Commander in Chief Kulikov visited all member capitals during February: Berlin (1), Warsaw (2), Prague (14), Sofia (15), Budapest (16), and Bucharest (17-18). Each visit included meetings with party, state, and military leaders. The trip was Kulikov's second round-robin tour of capitals in less than three months.

Public announcements of Kulikov's presence were pro forma; at most, they mentioned only discussions of the results of January's Warsaw Pact summit. But the 12-day gap in Kulikov's schedule and the apparent exercise-related nature of the visits between February 14 and 18 indicate that this was not a normal round-robin series of calls. The meetings with heads of state/party chiefs may well have been protocolary and designed to disguise the real purpose of the visit.

Although there were no known exercises involving Poland or the GDR at the beginning of February, it is quite likely that the stopovers in Prague, Sofia, Budapest, and Bucharest were in connection with the "Friendship-83" exercise and a probable Southern Front command post exercise (CPX). "Friendship-83" took place in northwest Czechoslovakia near the East German border on February 14-19 and included troop units from the Soviet Union, Hungary, and Czechoslovakia. The Warsaw Pact did not officially announce

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the exercise, thus indicating that it involved less than the 25,000-man limit called for by the Helsinki Final Act. Contrary to earlier reports, East German and Polish units apparently did not participate in the exercise.

According to reports from Bucharest, a CPX involving the Southern Front nations was to be held around February 16-17. While observers in Bucharest saw no outward signs of activity, the presence of Kulikov, Pact Chief of Staff Gribkov, and a staff of six or more Soviet officers lends some credence to the report. Kulikov apparently remained in Bucharest longer than was planned; possibly his meeting with Ceausescu was delayed because of King Hussein's visit to Romania.

(C/NF) CEMA Economic Secretaries and Permanent Representatives Meet

Party economic secretaries and permanent representatives of all CEMA member states met in Moscow February 8-9. Usually well-informed sources have indicated that the main result of the meeting was to postpone the scheduled May 1983 CEMA summit to the end of the third quarter of this year. The postponement likely stemmed from an inability to reach agreement on purposes or agenda. Most reports have identified exchange rate adjustments and coordination of investment plans as the primary stumbling blocks, but falling world oil prices and increased demands for energy likely caused difficulties as well.

The East Europeans reportedly are demanding a unified exchange rate for intra-CEMA trade, based on either the dollar or the transferable ruble. This would provide partial redress for the deterioration of East European terms of trade since 1975. The Soviets apparently continue to reject both possibilities.

The energy question will become even more difficult as world oil prices continue to fall. As Soviet hard-currency earnings from the sale of oil and gas decline, Moscow probably will be forced to sell more to the West, leaving less for CEMA. The Soviets could insist upon holding to the higher prices to which they are entitled under the scale currently used to determine CEMA prices. If so, CEMA rates would equal or surpass world market rates for the first time this year or next. The Soviets may also demand a greater proportion of energy payments in hard currency. The East Europeans will certainly attempt to deflect these demands.

The East Europeans continue to object to Soviet plans to speed up integration of economic planning and production but may be forced to accept some Soviet proposals in these areas to assure needed economic assistance from Moscow. No CEMA summit is likely

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until these differences are resolved; the present third-quarter date may slip even further.

(C/NF) Hungary: Will the Communist Showcase Withstand the Test?

How to carry on Hungary's 15-year-old economic reform experiment has recently become the subject of intense debate within the leadership. While all indications point to Kadar's continued commitment to reforms, some elements within the party, the economic establishment, and the trade unions are alarmed by liberal economists who are pushing to accelerate the pace of reform along a Western model. The latter argue that failure to do so would stifle growth and lead to recentralization. Some liberal economists even call for a comprehensive "second reform," one that, if implemented, would lead to the elimination of economic planning.

While the leadership is opposed to both extremes, it is likely to opt for a complex reform package that could have far-reaching economic as well as political consequences. The package would involve not only moderate price increases, to which Hungarian society has long been conditioned, but also the much more unpopular reform measures envisioned when the New Economic Mechanism (NEM) was launched in 1968. These measures include, in addition to price reform, the introduction of wage differentiation based on performance, which would strike at the core of long-cherished egalitarian principles, raise the possibility of some unemployment, and allow some inefficient enterprises to go bankrupt. It would, however, also reduce the swollen government and economic bureaucracy.

Political Liabilities. Although the political decision on these matters has not yet been made, it is clear that the regime is concerned not to intensify the already apparent discontent among blue-collar workers or play into the hands of the reform opponents in and outside the country. In fact, the Kadar leadership has long recognized the necessity for the reform measures, but so far has lacked the courage to implement them. The moderate but steady increase in consumer well-being has been the main plank in Kadar's "contract" with Hungarian society, and it is clear that he is jittery about pushing through measures that the populace almost certainly would perceive as inequitable. At this particular time, moreover, the regime would be making these contentious moves while the consumer is being asked, for the second consecutive year, to accept more belt-tightening.

The rather sclerotic party also is concerned that its traditional message--that the population has never had it so good--is wearing thin, especially among industrial workers and youth. Kadar knows that his "social contract" was achievable only in the context of the trauma of the 1956 revolution and that the 1956 watershed in Hungary's post-World War II history is fast fading

from popular memory. Members of the new generation are unlikely to view Kadar's compromise with the same understanding as their elders. Indeed, Hungary's youth has shown signs of restiveness and disillusionment, fueled by frustrations over the narrowing career opportunities open to them.

Dissent on the Rise. It is against this background that the regime perceives the country's tiny but persistent and increasingly diversified dissident movement. Whereas it earlier took a benign attitude toward this opposition, now it is concerned that this vocal minority, if left unchecked, could strike a responsive chord among increasingly critical establishment intellectuals and even among disgruntled blue-collar workers. The authorities are perhaps most concerned that the fledgling unofficial peace movement will spread among youth and upset the carefully nurtured state relationship with the Catholic and Protestant Churches.

To contain these festering problems, the regime over the past few months has intensified harassment of the more prominent and active dissidents, although it still refrains from widespread repressive measures. The constraint reflects in part Kadar's known preference for patience and persuasion as well as his desire to maintain Hungary's image in the West as the Soviet bloc's most "liberal" country. (Hungary, which last year came close to hard-currency insolvency, this year will need some \$1 billion in credit if it is to avoid the embarrassment of asking to reschedule its large hard-currency debt.)

Andropov's Succession--A Bright Spot for Kadar. Andropov's surprisingly smooth succession has been received in Budapest with a sigh of relief. Although the Soviets have long been watching Kadar's experiment with a mixture of curiosity and suspicion, all indications suggest that Andropov, whose close association with Kadar dates from 1956, has followed it with keen interest and may even be considering adopting some of its features. Although this prospect undoubtedly will put added pressure on the Hungarians to succeed (another reason Budapest is tightening the leash on dissidents), it will also facilitate the necessary political decisions on the reform measures.

(S/NP) Romania: Ceausescu Implements Emigration Tax, Contends With Coup Rumor

In an action with serious consequences for Romania's foreign policy, Foreign Minister Andrei informed the US on February 10 that his government intended to implement the November decree requiring emigres to repay the state--in hard currency--for their post-elementary education. He indicated there was no chance the decision would be reversed, despite Bucharest's recognition that this action would lead to termination of Romania's MFN status. By

the end of February, prospective emigrants with university education were being charged an average of some US\$20,000 per person. The only exceptions appeared to be Jews leaving for Israel, but the status of departing ethnic Germans remained unclear. Both groups are evidently covered by earlier intergovernmental agreements which are due to expire in the near future.

Ceausescu's victory in halting emigration pressure is likely to prove Pyrrhic. Domestically, it shuts off one of the few safety valves for an alienated population. Economically, Romania would lose some \$200 million in hard-currency earnings with the non-renewal of US MFN status, thus complicating its ability to handle the rescheduling of its foreign debt. Internationally, the action further erodes Ceausescu's prestige in the West. His willingness to incur such costs evidently springs from his belief that Romania can go it alone, pitting itself against both Moscow and Washington.

The regime also had to contend with Western press reports of an alleged military coup/assassination plot against Ceausescu which purportedly was preempted and led to the execution of several senior military officers. The Romanian Government denied the stories as "absurd" and the product of hostile forces abroad.

What makes the coup rumor difficult to dismiss is that it was circulated by individuals who appeared to have a degree of credibility. Any coup or assassination plot led by ranking military figures, even if aborted, would have produced major political reverberations throughout the Romanian system; some of them would have filtered to the West. Thus far there have been no such indicators. Yet, the credibility of the sources and the persistence of the story suggest a less dramatic anti-Ceausescu development within military ranks which could have fed the version now circulating. Several officers may have made ill-advised complaints about Ceausescu or expressed wishes for his removal--and their animadversions could have been picked up by security types.

Disaffection with Ceausescu is so widespread that even some of the relatively privileged military have likely become alienated. His use of the armed forces for domestic development undertakings probably has been resented, and his announcement in December that military spending would be frozen at 1982 levels until 1985 could have been particularly upsetting. If the story is even partially true, Ceausescu's political problems have grown substantially.

(C) Yugoslavia: Trials and Purges in Kosovo

The district court in Pristina, capital of the autonomous province of Kosovo, on February 15 sentenced 23 ethnic Albanians to terms of 1-14 years on charges of seeking to destroy the

Yugoslav Federation, spreading hostile propaganda, and engaging in various anti-state acts--including participation in the spring 1981 riots and attempts to "revive" demonstrations the following year. The defendants, mostly students and university graduates, were accused of forming an organization that wanted to unite Albanian-inhabited parts of Serbia, Macedonia, Montenegro, and Kosovo itself into an Albanian republic within Yugoslavia. Five other ethnic Albanians--all students in their early twenties--were sentenced the following day in Pristina to terms of 2-6 years on charges of spreading hostile propaganda and forming an illegal "nationalist-separatist" group.

In addition to the continuing trials of Albanian "irredentists and nationalists," the authorities in Kosovo have continued the "differentiation" process (read purges). The latter underscores the extent to which ethnic Albanian discontent with existing conditions has pervaded political, economic, cultural, and social institutions, as well as work enterprises. In early February, a leading ethnic Albanian party official pointed out that "political differentiation" had yielded good results thus far, but the process itself had not been completed and had to be extended to such areas as attitudes toward work and self-management. Moreover, the authorities remain concerned over their inability to halt the "emigration" of Serbs and Montenegrins from Kosovo. Although some decrease in emigration has been acknowledged, authorities admit that "pressures" are still being exerted upon Serbs and Montenegrins to leave the province by those seeking to create an "ethnically pure" Kosovo.

(C/NF) Poor 1982 Economic Results

East European governments reported little or no economic growth in 1982, and output in several countries declined from 1981 levels. Financial difficulties, higher energy prices, and the recession combined with internal problems to depress economic performance. Most East European economies fell short of production targets set forth under their respective 1981-85 plans. Official statistics show the following results:

Bulgaria: Produced national income (PNI) rose 4.0 percent, slightly exceeding the plan target of 3.8 percent. Industrial output grew by 4.6 percent compared to the planned increase of 4.8 percent. Construction and housing results, however, were far short of the 1982 goals. Agricultural output increased by 4.7 percent, well above the plan target of 2.2 percent.

Czechoslovakia: The government reported a 0.9-percent increase in PNI, stated in current prices. When adjusted for inflation, PNI fell by 1.3 percent and thus did not meet the

modest goal of 0.5-percent growth called for under the 1981-85 plan.

German Democratic Republic: PNI increased by 3 percent, compared with planned growth of 4.8 percent. Industrial production was under the plan target, but several sectors-- notably construction, housing, and agriculture--exceeded their targets.

Hungary: PNI increased by 1.5-2.0 percent, slightly exceeding the planned 1.0-1.5 percent. Industrial production increased by 2 percent, while the agricultural sector produced a record grain crop.

Poland: With the economy declining for the fourth consecutive year, all previous economic plans have become meaningless. The government will attempt to implement a revised 1983-85 plan. Serious distortions in the economy make meaningful comparisons of year-to-year performance difficult; however, industrial production, a key indicator, was down by 2 percent from 1981.

Romania: PNI increased by 2.6 percent, far short of the target of 5.5 percent. After two years of poor economic performance, the ambitious goals of the 1981-85 plan are now out of reach. Industrial production in 1982 was up by 3.3 percent, and the agricultural sector rebounded from poor 1981 and 1982 harvests to post a 7.5-percent gain.

Yugoslavia: While data for 1982 are incomplete, the economy apparently recorded no growth and may have posted a decline. The 1981-85 plan calls for a 3.2-percent annual growth rate. Preliminary figures indicate that industrial production remained at the 1981 level. The agricultural sector showed a significant gain, thanks to a record corn crop; but tourist receipts, an important factor, were down by 27 percent.

(C/NF) Mixed Results in Financial Developments

Financial activity between East European governments and their Western bank creditors continued at a brisk pace. While the banks appeared to be less intent on reducing their exposure in the region, they continued to react cautiously to all proposed financial deals.

Romania and the banks agreed to reschedule 70 percent, or about \$600 million, of that country's 1983 obligations. The banks are currently studying a timetable proposed by the Romanians for repaying the rescheduled debt.

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Poland, in contrast, made no progress in its effort to reschedule 1983 commercial bank debts. Polish negotiators again requested that all principal and interest payments be rescheduled. The banks would prefer an agreement similar to the one concluded in 1982, which rescheduled 95 percent of the principal due and provided for recycling 50 percent of interest payments.

An effort by Deutschebank to put together a \$200 million facility on behalf of Hungary appeared to be stalled. Thus far, five banks have agreed to put up \$100 million, but few other banks appear interested. The \$200 million is crucial to Hungary's ability to meet its external obligations in the first half of 1983.

Western banks continued to examine economic data provided by Belgrade in support of the IMF-backed \$4.6 billion Yugoslav rescue package. They hope to find that Yugoslavia actually needs considerably less than the \$1 billion in new money called for by the proposal. The banks are observing a moratorium, which will expire on March 31, on the collection of maturing Yugoslav obligations. Because of prior commitments, Yugoslavia has been unable to pledge its gold as collateral on the first \$200 million of a \$500 million bridge loan by the Bank for International Settlements. So far the "Friends of Yugoslavia" governments have firm pledges for only a small portion of their \$1.3 billion share of the package. Furthermore, disputes over accounting practices, Yugoslav banking procedures, and other minor details remain to be resolved.

(C) Developments in Brief

- The East German regime, in an effort to overshadow and counter the unofficial peace movement, drummed up a peace demonstration by more than 30,000 people in Dresden on February 13 to mark the anniversary of that city's destruction by air raids in World War II. At the same time, the peace movement's supporters held their own church services and peace "dialogues." But the events lacked the drama of last year's unauthorized Dresden peace march, which had marked something of a turning point in the peace movement's development--and also spurred the authorities to contain the dissent.

- On February 1, Croatian leaders nominated Mika Spiljak, age 66, to replace the late Vladimir Bakaric as Croatia's representative on the 9-member Yugoslav State Presidency. Spiljak will serve the remainder of Bakaric's one-year term as Vice President and, in May, will become President of the State Presidency in accordance with the annual rotation of these two offices. Bakaric, who died on January 16, was the only member of the Yugoslav leadership to hold positions in the State Presidency and in the party's Presidium; he had been one of Tito's closest advisers and Croatia's top politician

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since the end of World War II. His replacement in the 23-member Presidium has not yet been named. Leading contenders include former Yugoslav Foreign Secretary Vrhovec and present Croatian party leader Bilic.

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Chronology

February

- 1 (U) The Croatian leadership nominated 66-year-old Mika Spiljak as replacement for the late Vladimir Bakaric on the Yugoslav State Presidency.
- 1 (U) Albania and Kenya established diplomatic relations at the ambassadorial level.
- 1-2 (U) Warsaw Pact Commander in Chief Marshal Kulikov visited East Berlin (1) and Warsaw (2).
- 1-2 (U) FRG Foreign Minister Genscher made an official visit to Czechoslovakia.
- 2 (U) Pope John Paul II formally bestowed cardinals' hats on Archbishop Glemp of Poland, Archbishop Kuharic of Croatia, and Bishop Meissner of East Berlin.
- 2 (U) The Yugoslav Government announced a series of price increases and said that more were impending. Fresh meat prices rose by an average of 30 percent, transport costs by 15 percent; prices of other meat products, electricity, and coal will rise shortly.
- 3 (U) The Polish Government closed down the UPI bureau in Warsaw by "suspension" of the accreditation of UPI local correspondent Bogdan Turek, a Polish citizen. Warsaw said the move was in retaliation for the January "closure" of the Polish Press Agency's Washington bureau.
- 3 (U) The Polish Government announced that, effective March 1, sick leave benefits would be reduced by 50 percent for the first three days. The measure had been passed by the Sejm (Parliament) on February 1 as part of the government's ongoing campaign to combat worker absenteeism.
- 3 (U) Hungary in effect endorsed the Soviet response to a Swedish proposal calling for the creation of a nuclear-free zone in Central Europe when it proposed doubling the 300-kilometer zone in the apparent hope of including Hungary.
- 3 (C) At least two of several Polish clandestine internment centers disguised as military training

February

camps reportedly were disbanded. The centers were set up during late October-early November 1982, ostensibly for training reservists but in fact for the incarceration of pro-Solidarity activists and workers prior to the unsuccessful nationwide strike called by the underground.

- 3 (U) Hungarian trade union leader and Politburo member Gaspar ended a four-day visit to Poland.
- 4 (U) The Polish weekly Polityka reported what it called the first case of bankruptcy in communist Poland.
- 5 (LOU) In a wide-ranging interview published in the Hungarian party daily Nepszabadsag, Polish Premier Jaruzelski assailed the US for turning US-Polish relations into a "cold war" and vowed not to give in to pressure.
- 7 (U) The Romanian Government denied as "absurd" Western press reports that several military officers had been executed in the aftermath of an attempted coup d'etat.
- 8 (C) Romania and Western commercial banks agreed to reschedule 70 percent of the country's bank debts falling due in 1983.
- 8-9 (C/NF) A Moscow meeting of party economic secretaries and permanent representatives of the Council for Mutual Economic Assistance (CEMA) discussed the date and agenda of a CEMA summit.
- 9-11 (U) Hungarian Foreign Minister Puja visited France.
- 9-11 (U) Turkish Foreign Minister Turkmen visited Sofia for discussions with his counterpart Petur Mladenov.
- 10 (C/NF) Romanian Foreign Minister Andrei informed US Ambassador Funderburk that Romania had decided to implement its emigration tax decree (requiring emigrants to repay their education costs in hard currency) and that the decision was irrevocable even if most-favored-nation status was withdrawn.
- 11-12 (U) A joint session of the Central Committee of the Bulgarian Communist Party, the Ministerial Council,

February

and the country's mass organizations discussed economic issues, particularly plans for raising the Bulgarian living standard.

- 12 (LOU) A Polish military prosecutor in Warsaw ended three days' questioning of Lech Walesa in connection with a case against five prominent members of the dissident group KOR/KSS who were associated with Solidarity. While in Warsaw, Walesa was said to have held secret talks with Cardinal Glemp and, according to unconfirmed reports, declined an invitation from Solidarity activists to participate in demonstrations that took place the following day.
- 12 (C) The Organization for the Aid of the Poor (SZETA), one of several dissident groups in Hungary, held a reading of essays in Budapest to raise money for the poor. Some 75 persons attended the unauthorized meeting; no police interference occurred.
- 13 (U) Small demonstrations took place in Warsaw, Gdansk, and two other Polish cities in support of Solidarity and for the release of imprisoned union activists.
- 13 (U) The East German Government staged a massive peace demonstration in Dresden on the anniversary of the city's air-raid destruction in World War II; its purpose was to overshadow the unofficial peace movement's commemorations.
- 14-18 (U) Kulikov visited Prague (14), Sofia (15), Budapest (16), and Bucharest (17-18).
- 14-19 (C) Warsaw Pact exercise "Friendship-83" was held in Czechoslovakia with Soviet, Hungarian, and Czechoslovakian troop participation.
- 15 (LOU) Hungarian Premier Lazar returned to his office following treatment for an undisclosed ailment which had kept him out of public view since January 10.
- 15 (U) Yugoslavia sentenced 23 ethnic Albanians to jail terms of 1-14 years for plotting to form a separate Albanian republic from parts of the Federation.
- 15-18 (U) Bulgarian Foreign Minister Petur Mladenov visited Malta, Morocco, and Tunisia as part of

February

- Bulgaria's continuing efforts to burnish its image on the international scene and improve its economic ties.
- 16-17 (C/NF) A Warsaw Pact Southern Front command post exercise reportedly was held.
- 16-20 (U) Polish Deputy Premier Rakowski and Trade Union Affairs Minister Ciosek visited Hungary and held wide-ranging talks with Hungarian counterparts. Rakowski was received by party chief Kadar and Politburo member Aczel.
- 17 (U) The trial of nine Solidarity activists charged with organizing clandestine Radio Solidarity broadcasts in violation of martial law ended with sentences ranging from a 7-month suspended jail term to a 4 1/2 year imprisonment. Subsequently, the prosecution appealed for harsher sentences.
- 17 (U) Some 600 students staged a demonstration in Krakow to commemorate the second anniversary of the registration of the now-banned Independent Student Union.
- 17-19 (U) Jordan's King Hussein visited Romania (17-18) and Yugoslavia (18-19) to review Middle East issues with his counterparts.
- 18 (U) Five Hungarian dissidents connected with the unofficial publication Beszelo were fined the equivalent of \$100 for publishing unauthorized material without license.
- 19 (U) Yugoslav Foreign Secretary Mojsov paid an official visit to the Vatican, where he was received by Pope John Paul II in a private audience.
- 21 (U) Yugoslav and Romanian foreign ministers met in Yugoslavia to discuss European issues, bilateral cooperation, and preparations for the March nonaligned summit meeting in New Delhi.
- 23 (LOU) Polish veteran free-union organizer Switon was detained briefly in Katowice while attending a church mass he had helped to organize in memory of those killed or imprisoned under martial law. More than 3,000 persons who attended the mass dispersed without intervention by the uniformed and plainclothes police

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February

present. Walesa the day before had canceled plans to attend the mass, reportedly for "technical reasons."

- 23-24 (LOU) A communique issued after a plenary session of the Polish Episcopate reiterated the bishops' earlier appeal for an amnesty for all political prisoners in advance of the planned visit by Pope John Paul II in June. It also criticized articles in "foreign newspapers" for attacking the Pope and Holy See. According to church sources, the criticism referred to newspapers published in Eastern Europe, especially those in Czechoslovakia and the USSR.
- 24 (U) Romanian President Ceausescu arrived in Bulgaria for an official visit.
- 25 (U) The 2,500-member Polish Writers Union was warned by the communist party that it would have to purge its leadership of "subversive elements" and openly pledge loyalty to the party before it would be allowed to resume its activities.
- 25 (U) The Czechoslovak regime commemorated the 35th anniversary of the communist coup d'etat.

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BUREAU OF INTELLIGENCE AND RESEARCH

ASSESSMENTS AND RESEARCH

(U) ALBANIA: NOT AN INTERNATIONAL HERMIT

(C) Summary

Albania's foreign policy frequently is characterized as isolationist. In fact, however, Albania has diplomatic relations with almost 100 countries, including most of Western Europe (the UK and West Germany are the only exceptions), and is a member of such international organizations as the United Nations, International Postal Union, and World Health Organization. Negotiations with Canada on establishment of diplomatic ties are now in progress.

The impression of Albania as isolated stems more from the changing pattern of the country's alliances than from the actual diplomatic situation. Having discarded a series of mentors--Yugoslavia, the Soviet Union, and finally China in the late 1970s--Albania now appears to stand alone. But although its contacts may not be intimate and its trade is limited, Albania maintains a fairly broad range of international ties--it is from the US and the USSR that it has isolated itself.

* * * * *

(U) Albania's Changing Alliances

Immediately following World War II, Albania was aligned with Yugoslavia. Yugoslav communists were instrumental in establishing the Albanian Communist Party in 1941. Indeed, Tirana stood so close to Belgrade that Albanian foreign policy often reflected more the interests of Yugoslavia than those of Albania itself. But this alliance ended in 1948 when Tito broke with Stalin and was expelled from the Cominform. Albania then linked up with the Soviet Union and adopted Moscow's line, including a series of purges of those suspected of pro-Yugoslav sympathies.

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Declassify: OADR (Mautner, M.)

Report 575-AR
March 16, 1983

Strains surfaced in the Moscow-Tirana relationship with Khrushchev's de-Stalinization program, Soviet reconciliation with Yugoslavia, USSR interference in the Albanian economy, and the growing friction between the Soviet Union and the People's Republic of China (PRC). At its 22nd congress, the CPSU denounced Albania. By late 1961 Albania had ordered the Soviet submarine base at Vlore closed, and there was a mutual withdrawal of diplomats; Soviet aid ceased and Soviet advisers and technicians left Albania. Tirana remained a nominal member of the Warsaw Pact until the 1968 invasion of Czechoslovakia but then withdrew completely. It continues to trade with members of the Council for Mutual Economic Assistance (CEMA) but not with the USSR.

In 1961, the PRC emerged as the staunch ally of Albania, providing substantial economic, developmental, and military aid. In return, Albania followed China's foreign policy and in 1971 sponsored the UN resolution calling for China's admission to that body. But the relationship began to deteriorate in the early 1970s when the Chinese started cutting back aid and delaying deliveries for domestic as well as foreign policy considerations. Tensions mounted in October 1976 when, after the overthrow of the "Gang of Four," Beijing sought a rapprochement with the United States--a move Tirana denounced. In July 1977, the Albanian party openly attacked Mao's "Three Worlds Theory"; in 1978 it supported the Vietnamese against China in their border clashes. The actual split came in July 1978, when a Chinese diplomatic note declared that, because of Albania's anti-China course, the Chinese Government had no choice but to terminate its aid programs and recall its experts. Trade halted and diplomatic activity became perfunctory, leaving Albania without a big-power ally and badly needed economic assistance.

In September 1978, Albanian party chief Enver Hoxha publicly called for closer economic and cultural ties with "well-disposed" bourgeois states of the West "which respect Albania." Today Tirana has diplomatic relations with almost 100 countries (more than half of them established during the 1970s), including all of Europe except West Germany and the UK. (See list appended.) The need for trade and technology seems to be the primary motivation of this reaching out for contact. The Albanian Constitution flatly bars credits from "capitalist" and "revisionist" states, thus necessitating trade and exports to generate funds for internal development.

Diplomatic Ties Reflect Changing Political Affiliation

(C) The history of Albania's post-World War II diplomatic ties clearly reflects relations between Albania's mentor of the moment and the country with which relations were being established.

(C) With Yugoslavia, 1945-48: In the aftermath of World War II, Albania found itself part of the Soviet-leaning East

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European bloc, under Belgrade's immediate protective wing. Although Albania did not extend formal diplomatic recognition to Yugoslavia until 1946, ties between Belgrade and Tirana were extremely close. They were based on a common struggle against fascist Italy, certain historical affinities (and accompanying hostilities) between the Albanian people and ethnic Albanians in Yugoslavia, and traditional economic and commercial connections rooted in geographic proximity. Albania was especially subservient in foreign policy matters: it followed Yugoslav policy to the letter.

(U) Albania's first formal recognition after the war came from Bulgaria (1945), reflecting the close ties then prevailing among the newly communized regimes in the Balkans. As the Cominform sought to organize the countries of recently Soviet-liberated Eastern Europe into loyal Moscow supporters, Albania established diplomatic ties with Czechoslovakia, Poland, and Romania in 1948; East Germany, Hungary, and China in 1949; and North Korea and Mongolia in 1950. (The USSR opened a legation in Tirana in 1945, but did not establish full diplomatic relations or place an embassy there until 1953.)

(C) The only other states to establish diplomatic relations with Albania during this period were France (1946), Italy (1949), and Ethiopia (1948). In the case of France, the action reflected both the influence of the French Communist Party, then part of the government, and the cultural affinity developed over the years as a result of Albanians obtaining education and medical treatment in France. With regard to Italy, historical ties based on geographic proximity and commerce in goods and ideas overcame Albanian hostility engendered by the Italian occupation. Ethiopia's reasons for mutual recognition stemmed from at least two factors: 1) as one of the few independent African states, Ethiopia was eager to acquire partners in the international field to underscore its independence; and 2) the United Nations was in the midst of debating the disposition of former Italian colonies in Africa, and Ethiopia was particularly concerned about strengthening its influence in Somaliland. (The Soviet Union and its allies eventually supported the Ethiopia-desired solution.)

(U) With the Soviet Union, 1949-61: Even during the period of Albanian fealty to Yugoslavia, the Soviet Union was Albania's mentor. When the Soviets arranged to expel Yugoslavia from the Cominform in 1948 for "revisionism," Tirana went along with Moscow--in some respects acting more orthodox than the Soviets. "Revisionism" remains a cardinal sin in the Albanian political vocabulary.

(U) Like the rest of Eastern Europe, Albania had little interchange with any countries outside the socialist family in the

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first decade after the war. Along with Romania and Bulgaria, it did not join the United Nations until 1955. Its establishment of bilateral relations with other countries closely followed developments in Soviet foreign policy. After the promulgation of the Austrian state treaty, Tirana established relations with Vienna (1956). As the Soviets moved closer to friendship with India, Albania set up an embassy in New Delhi (1956). With the growth of Soviet ties with Egypt, Albania reached out to Cairo (1958). In 1960, along with the rest of the socialist world, Albania recognized revolutionary Cuba. At the time of Tirana's break with Moscow in 1961, it had established relations with 25 countries.

(C) With China, 1961-78: When Moscow and Beijing broke with each other in the early 1960s, Albania took the Stalinist route and turned to a close political and economic relationship with China. During the first half of this almost 20-year marriage of convenience, Albania and China were very much isolated from the rest of the world. Albania's foreign relations suffered during this period of retrenchment: new ties were established with only 10 countries, including newly independent Algeria (1963), China-supported North Vietnam (1963), and such developing African states as the Congo (1968).

(U) As its relationship with China soured in the 1970s, Albania's official ties with the outside world increased significantly. Between 1970 and 1980, Albania established diplomatic ties with 58 countries, more than doubling the number of its bilateral relationships. Because of the high costs of maintaining diplomatic missions, however, many of these ties did not (and still do not) include a resident ambassador.

(U) New Efforts in the Balkans and Among Developing Countries

As relations with China deteriorated, Albania's earliest attempts at outside contacts involved its closest neighbors. In 1971, it reestablished diplomatic relations with Greece after a 30-year break and restored ambassadorial representation with Yugoslavia. Friendly ties were also cemented with Romania (the two countries maintain representation at the ambassadorial level; Albania and other Warsaw Pact countries exchange only chargés d'affaires) and Turkey, with an embassy at Ankara and a consulate general at Istanbul.

Relations were opened with states as far away as Nigeria (1972), Argentina (1973), Bangladesh (1977), and Panama (1978). The political situations in host countries evidently influenced Albanian moves: for example, relations were established with Chile in 1971 during the Allende period, Nicaragua in 1979 under the Sandinistas, and Zimbabwe in 1980 following its independence.

Future Considerations

(U) Albanian expansion of diplomatic ties with other countries in the future will be restricted both by cost considerations (the Albanian Embassy in Ghana was closed down in 1966 as an economy measure, and Albanian ambassadors often are accredited to multiple countries to keep down hard-currency costs) and by Hoxha's ideological orthodoxy. Any major change in the direction of Albanian foreign policy will have to await a post-Hoxha leadership.

(C) Albania and Canada are discussing establishment of relations, with trading possibilities seemingly a major motivation. And intermittent talks, so far fruitless, continue with the United Kingdom and the Federal Republic of Germany. Settlement of long-outstanding financial questions pose obstacles in both of these cases--the UK seeks restitution for the Corfu Channel ship loss in 1946, while Albania wants its Axis-confiscated gold back from the custody of the Allied Tripartite Gold Commission; West Germany refuses to pay or even consider payment of war reparations as a precondition for discussing diplomatic relations. Yet, the Albanians claim to see "no insurmountable difficulties" here; time and economic necessity could mitigate current Albanian obstinacy.

(C) Tentative moves also seem afoot for renewed China-Albania trade relations. No immediate improvement is foreseen on the political level, however. The current move is based on a need for spare parts for Albania's predominantly Chinese-manufactured machinery. But it does suggest a first indication of Albanian pragmatic economic needs superseding dogmatic philosophical stands.

(C) In contrast, chances of relations improving between the USSR and Albania remain slim. Tirana's reaction to the Andropov succession and renewed Soviet overtures was a categorical rejection, based on opposition to the whole system of "social imperialism" regardless of its leader. The Soviet Union is clearly the main military and political enemy of Albania.

(C) The United States is routinely condemned as imperialist and one of the superpowers, with whom, according to Ramiz Alia, current Hoxha heir-apparent, "Albania does not and will never have relations." But recent visitors to Albania claim to have found a mood generally more friendly toward the West prevailing within the bureaucracy. The Albanian Government does not encourage foreign tourism, fearing contamination, but it continues to allow hundreds of ethnic Albanian Americans to visit each year. Such personal contacts and third-party trade contacts through European countries represent a considerable potential for improving relations, especially after Hoxha has passed from the scene.

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(C) In any event, Albania is not the international hermit it often is portrayed to be. The wide geographic range of its diplomatic relations may not compensate for the superficiality of those ties. But the existence of recognized conduits for communications is a first and vital step toward the possibility of deepening those relations.

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Alphabetical Listing of Albanian Diplomatic Recognition
(not necessarily a reflection of the level
of activity of current bilateral relations)

<u>Country</u>	<u>Date</u>	<u>Country</u>	<u>Date</u>
Algeria	1963	Kenya	1983
Argentina	1973	Korea, North	1950
Austria	1956	Kuwait	1968
Bangladesh	1977	Laos	1975
Belgium	1970	Lebanon	1974
Benin	1974	Lesotho	1980
Brazil	1961	Libya	1970
Bulgaria	1945	Luxembourg	1972
Burma	1976	Madagascar	1976
Burundi	1973	Malaysia	1981
Cameroon	1973	Mali	1965
Cape Verde	1980	Malta	1973
Central African Republic	1970	Mauritania	1977
Chile	1971	Mexico	1974
China	1949	Mongolia	1950
Colombia	1979	Morocco	1962
Congo	1968	Mozambique	1975
Costa Rica	1973	Nepal	1972
Cuba	1960	Netherlands	1970
Czechoslovakia	1948	New Zealand	1973
Denmark	1970	Nicaragua	1979
Djibouti	1980	Niger	1980
Ecuador	1980	Nigeria	1973
Egypt	1958	Norway	1971
Equatorial Guinea	1972	Pakistan	1965
Ethiopia	1948	Panama	1978
Finland	1970	Peru	1971
France	1946	Poland	1948
Gabon	1974	Portugal	1977
Germany, East	1949	Romania	1948
Ghana	1961	San Marino	1976
Greece	1971	Sao Tome and Principe	1979
Guinea	1958	Senegal	1973
Guinea-Bissau	1974	Seychelles	1980
Hungary	1949	Sierra Leone	1976
Iceland	1976	Somalia	1960
India	1956	Spain	1980
Indonesia	1965	Sri Lanka	1980
Iran	1971	Sudan	1957
Iraq	1958	Sweden	1972
Italy	1949	Switzerland	1970
Japan	1981	Syria	1978
Kampuchea	1962	Tanzania	1966

<u>Country</u>	<u>Date</u>
Thailand	1982
Togo	1977
Tunisia	1973
Turkey	1958
Upper Volta	1977
USSR	Legation 1945 Embassy 1953 Closed 1961
Venezuela	1975
Vietnam	1963
Yemen (Sanaa)	1979
Yugoslavia	1946
Zambia	1979
Zimbabwe	1980
United Nations	1955

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Directory of Officials of the People's Socialist Republic of
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