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STATES

1981–1988

VOLUME X

EASTERN EUROPE



DEPARTMENT
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Washington



Foreign Relations of the United States, 1981–1988

Volume X

Eastern Europe

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About the Series

The *Foreign Relations of the United States* series presents the official documentary historical record of major foreign policy decisions and significant diplomatic activity of the U.S. Government. The Historian of the Department of State is charged with the responsibility for the preparation of the *Foreign Relations* series. The staff of the Office of the Historian, Foreign Service Institute, under the direction of the General Editor of the *Foreign Relations* series, plans, researches, compiles, and edits the volumes in the series. Secretary of State Frank B. Kellogg first promulgated official regulations codifying specific standards for the selection and editing of documents for the series on March 26, 1925. These regulations, with minor modifications, guided the series through 1991.

Public Law 102–138, the Foreign Relations Authorization Act, established a new statutory charter for the preparation of the series which was signed by President George H.W. Bush on October 28, 1991. Section 198 of P.L. 102–138 added a new Title IV to the Department of State's Basic Authorities Act of 1956 (22 U.S.C. 4351, et seq.).

The statute requires that the *Foreign Relations* series be a thorough, accurate, and reliable record of major U.S. foreign policy decisions and significant U.S. diplomatic activity. The volumes of the series should include all records needed to provide comprehensive documentation of major foreign policy decisions and actions of the U.S. Government. The statute also confirms the editing principles established by Secretary Kellogg: the *Foreign Relations* series is guided by the principles of historical objectivity and accuracy; records should not be altered or deletions made without indicating in the published text that a deletion has been made; the published record should omit no facts that were of major importance in reaching a decision; and nothing should be omitted for the purposes of concealing a defect in policy. The statute also requires that the *Foreign Relations* series be published not more than 30 years after the events recorded. The editors are convinced that this volume meets all regulatory, statutory, and scholarly standards of selection and editing.

Sources for the Foreign Relations Series

The *Foreign Relations* statute requires that the published record in the *Foreign Relations* series include all records needed to provide comprehensive documentation of major U.S. foreign policy decisions and significant U.S. diplomatic activity. It further requires that government agencies, departments, and other entities of the U.S. Government

engaged in foreign policy formulation, execution, or support cooperate with the Department of State historians by providing full and complete access to records pertinent to foreign policy decisions and actions and by providing copies of selected records.

The editors of the *Foreign Relations* series have complete access to all the retired records and papers of the Department of State: the central files of the Department; the special decentralized files ("lot files") of the Department at the bureau, office, and division levels; the files of the Department's Executive Secretariat, which contain the records of international conferences and high-level official visits, correspondence with foreign leaders by the President and Secretary of State, and the memoranda of conversations between the President and the Secretary of State and foreign officials; and the files of overseas diplomatic posts. All of the Department's central files for 1981–1989, which were stored in electronic and microfilm formats, will eventually be transferred to the National Archives. Once these files are declassified and processed, they will be accessible. All of the Department's decentralized office files from this period that the National Archives deems worthy of permanent preservation will also eventually be transferred to the National Archives where they will be available for use after declassification and processing.

Research for *Foreign Relations* volumes is undertaken through special access to restricted documents at the Ronald Reagan Presidential Library and other agencies. While all the material printed in this volume has been declassified, some of it is extracted from still-classified documents. The staff of the Reagan Library is processing and declassifying many of the documents used in this volume, but they may not be available in their entirety at the time of publication. Presidential papers maintained and preserved at the Reagan Library include some of the most significant foreign-affairs related documentation from White House offices, the Department of State, and other federal agencies including the National Security Council, the Central Intelligence Agency, the Department of Defense, and the Joint Chiefs of Staff.

Some of the research for volumes in this subseries was done in Reagan Library record collections scanned for the Remote Archive Capture (RAC) project. This project, which is administered by the National Archives and Records Administration's Office of Presidential Libraries, was designed to coordinate the declassification of still-classified records held in various Presidential libraries. Throughout the course of the project, many, but not all records at each Presidential library were scanned. As a result of the way in which records were scanned for the RAC, the editors of the *Foreign Relations* series were not always able to determine whether attachments to a given document

were in fact attached to the paper copy of the document in the Reagan Library file. In such cases, some editors of the *Foreign Relations* series have indicated this ambiguity by stating that the attachments were "Not found attached."

Editorial Methodology

The documents are presented chronologically according to time in Washington, DC. Memoranda of conversation are placed according to the time and date of the conversation, rather than the date the memorandum was drafted.

Editorial treatment of the documents published in the *Foreign Relations* series follows Office style guidelines, supplemented by guidance from the General Editor and the Chiefs of the Declassification and Publishing Divisions. The original document is reproduced as exactly as possible, including marginalia or other notations, which are described in the footnotes. Texts are transcribed and printed according to accepted conventions for the publication of historical documents within the limitations of modern typography. A heading has been supplied by the editors for each document included in the volume. Spelling, capitalization, and punctuation are retained as found in the original text, except that obvious typographical errors are silently corrected. Other mistakes and omissions in the documents are corrected by bracketed insertions: a correction is set in italic type; an addition in roman type. Words or phrases underlined in the original document are printed in italics. Abbreviations and contractions are preserved as found in the original text, and a list of abbreviations and terms is included in the front matter of each volume. In telegrams, the telegram number (including special designators such as Secto) is printed at the start of the text of the telegram.

Bracketed insertions are also used to indicate omitted text that deals with an unrelated subject (in roman type) or that remains classified after declassification review (in italic type). The amount and, where possible, the nature of the material not declassified has been noted by indicating the number of lines or pages of text that were omitted. Entire documents withheld after declassification review have been accounted for and are listed in their chronological place with headings, source notes, and the number of pages not declassified.

All brackets that appear in the original document are so identified in the footnotes. All ellipses are in the original documents.

The first footnote to each document indicates the sources of the document and its original classification, distribution, and drafting information. This note also provides the background of important documents and policies and indicates whether the President or his major policy advisers read the document.

Editorial notes and additional annotation summarize pertinent material not printed in the volume, indicate the location of additional documentary sources, provide references to important related documents printed in other volumes, describe key events, and provide summaries of and citations to public statements that supplement and elucidate the printed documents. Information derived from memoirs and other first-hand accounts has been used when appropriate to supplement or explicate the official record.

The numbers in the index refer to document numbers rather than to page numbers.

Advisory Committee on Historical Diplomatic Documentation

The Advisory Committee on Historical Diplomatic Documentation, established under the *Foreign Relations* statute, monitors the overall compilation and editorial process of the series and advises on all aspects of the preparation of the series and declassification of records. The Advisory Committee does not necessarily review the contents of individual volumes in the series, but it makes recommendations on issues that come to its attention and reviews volumes as it deems necessary to fulfill its advisory and statutory obligations.

Declassification Review

The Office of Information Programs and Services, Bureau of Administration, conducted the declassification review for the Department of State of the documents published in this volume. The review was conducted in accordance with the standards set forth in Executive Order 13526 on Classified National Security Information and applicable laws.

The principle guiding declassification review is to release all information, subject only to the current requirements of national security as embodied in law and regulation. Declassification decisions entailed concurrence of the appropriate geographic and functional bureaus in the Department of State, other concerned agencies of the U.S. Government, and the appropriate foreign governments regarding specific documents of those governments. The declassification review of this volume, which began in 2016 and was completed in **2023**, resulted in the decision to withhold **2** documents in full, excise a paragraph or more in **15** documents, and make minor excisions of less than a paragraph in **43** documents.

The Office of the Historian is confident, on the basis of the research conducted in preparing this volume and as a result of the declassification review process described above, that the documentation and

editorial notes presented here provide a thorough, accurate, and reliable record of the Reagan administration's policy toward Eastern Europe.

Adam M. Howard, Ph.D.

The Historian

Kathleen B. Rasmussen, Ph.D.

General Editor

Foreign Service Institute

December 2023

Preface

Structure and Scope of the Foreign Relations Series

This volume is part of a subseries of volumes of the *Foreign Relations* series that documents the most important issues in the foreign policy of the Ronald Reagan administration. This volume is best read in conjunction with other volumes in the subseries, in order to better understand the East-West relationships, the nature of U.S. foreign policy, and bilateral relationships with Eastern Europe during the end of the Cold War. The most important of these volumes include: *Foreign Relations*, 1977–1980, Volume VII, Poland, 1977–1981; *Foreign Relations*, 1981–1988, Volume IX, Poland, 1982–1987; *Foreign Relations*, 1981–1988, Volume III, Soviet Union, January 1981–January 1983; Volume IV, Soviet Union, January 1983–March 1985; Volume V, Soviet Union, March 1985–October 1986; Volume VI, Soviet Union, October 1986–January 1989; Volume XI, START I; Volume XII, INF, 1984–1987; and *Foreign Relations*, 1989–1992, Volume X, European Security, 1984–1992.

Focus of Research and Principles of Selection for Foreign Relations, 1981–1988, Volume X

This volume documents U.S. policy toward each of the countries in Eastern Europe, except Poland. The documentation herein highlights the administration's struggle with its policy of differentiation toward Eastern Europe, with regard to both policy formulation and implementation. Additionally, Eastern European countries struggled to understand differentiation as well, and many, but not all, sought to strengthen their relationship with the United States in order to obtain better weapons, technology, or trade agreements, all the while balancing their developing relationships with the United States with, to varying degrees, their continued alignment with and commitment to the Soviet Union and communism.

The tension between differentiation and various protest movements within Eastern Europe that emerged or gained strength during this period is also highlighted in this volume. The reportage from various Eastern European posts makes it clear that what the future held had yet to be determined. All the while analysts and members of the intelligence community identified increasing disgruntlement and unrest on the ground in Eastern Europe. The United States remained focused on building relations with Eastern Europe countries, with the hope of introducing democratic principles and of lessening the influence of and commitment to the Soviet Union.

Human rights play an important role in this volume and are often discussed within the bilateral context. Many Eastern European countries had egregious human rights records, but they believed that human rights were an internal issue, and that the United States had no right to discuss these internal matters with them. The United States, however, was not dissuaded by this argument and continued to make the human rights agenda a central component of its policy toward Eastern Europe.

Several high-level visits illustrate the changing relationships between the United States and Eastern European countries. Vice President George Bush visited Eastern Europe in 1983 and Deputy Secretary of State John Whitehead made several trips to multiple East European countries in the late 1980s. These visits, especially the working-level visits of Whitehead, showed a desire to engage and build and strengthen relationships with Eastern European countries, but in many instances also highlighted how slow progress was.

Acknowledgments

The editor wishes to acknowledge the assistance of officials, especially Lisa Jones and Cate Sewell, at the Ronald Reagan Presidential Library. Thanks are due to the Historical Staff of the Central Intelligence Agency, who were extremely helpful in arranging full access to the files of the Central Intelligence Agency. The Office of the Historian appreciates the assistance of Office of Information Programs and Services (IPS), in conducting the declassification review of this volume for the Department of State.

Melissa Jane Taylor collected and selected documentation and edited the volume under the supervision of Kathleen B. Rasmussen, then-Chief of the Global Issues and General Division, and Adam M. Howard, then-General Editor of the *Foreign Relations* series. The volume was reviewed by Kathleen B. Rasmussen, and Kristin L. Ahlberg, Assistant General Editor. Carl Ashley, Chief of the Declassification Division, coordinated the declassification review with the assistance of Chris Tudda and Dean Weatherhead. Matthew R.G. Regan did the copy and technical editing under the supervision of Mandy A. Chalou, Chief of the Editing and Publishing Division.

Melissa Jane Taylor
Historian

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Sources

Sources for Foreign Relations, 1981–1988, Volume X, Eastern Europe

The files at the Ronald Reagan Presidential Library in Simi Valley, California, are the single most important source of documentation for those interested in U.S. relations with Eastern European countries during the Reagan administration. Of most import were the staffers' files from the European and Soviet Directorate at the National Security Council, especially the Paula J. Dobriansky Files and the Rudolf V. Perina Files. In addition, John Whitehead's lot file at the Department of State provided important documentation regarding his multiple trips to Eastern Europe in the late 1980s.

The editor also had access to records at the National Security Council (including the Institutional Files), the Central Intelligence Agency, and the Department of Defense. The files of the Central Intelligence Agency, particularly the NIC Registry of NIE and SNIE, were essential for intelligence reports and assessments on which the Reagan administration based its policy decisions.

The editor made considerable use of materials already compiled for other volumes in the *Foreign Relations* series, including those on Poland, the Soviet Union, and European Security. Readers interested in these subjects should consult the relevant volumes for further information on the specific sources used in research.

In addition to the paper files cited below, a growing number of documents are available on the Internet. The Office of the Historian maintains a list of these Internet resources on its website and encourages readers to consult that site on a regular basis.

Unpublished Sources

Department of State

Central Foreign Policy File

Lot Files

Lot File 89D139, Deputy Secretary of State John C. Whitehead, 1982–1989

Lot File 95D334, Subject Record and Country Records of the Deputy Secretary's Office, 1982–1993

Lot File 89D250, Miscellaneous Papers from Secretary of State Shultz and Charles Hill, 1982–1988

Lot File 03D256, Records of Thomas W. Simons, Jr., 1964–1995

Lot File 87D177, Records of Robie Mark Palmer, 1972–1985

Lot File 96D262, S/S Special Handling Restrictions Memos, 1979–1983

Lot File 96D630, The Executive Secretariat's Special Caption Documents: Not for the System Documents, 1979–1989
Lot File 89D95, Subject Files for the Country Desk Officer for Hungary, 1985–1986
Lot File 90D14, Files on the German Democratic Republic, 1987
Lot File 89D129, Subject Files for the Country Officer for Bulgaria, 1985–1986
Lot File 92D197, EUR General Files, 1988–1991
Lot File, 91D3, Files on the German Democratic Republic, 1988
Lot File 92D558, Berlin Files, 1961–1989
Lot File 89D96, Subject Files for the Director of Eastern Europe and Yugoslav Affairs, 1986
Lot File 91D297, Files on GDR Claims, 1977–1988
Lot File 94D226, Subject Files for Romania, 1979–1985
Lot File 82D86, Official Files for Secretary of State Haig, 1981
Lot File 83D228, Files for Secretary of State Haig, 1981–1982
Lot File 84D204, Lawrence Eagleburger Files, 1967–1984
Lot File 89D169, Michael Armacost Files, 1979–1989

Ronald Reagan Presidential Library, Simi Valley, California

White House Staff and Office Files

Frank C. Carlucci Files
Katherine Chumachenko Files
Stephen I. Danzansky Files
Paula J. Dobriansky Files
Fritz W. Ermath Files
European and Soviet Affairs Directorate, NSC
Executive Secretariat, NSC: Agency Files
Executive Secretariat, NSC: Cables File
Executive Secretariat, NSC: Country File
Executive Secretariat, NSC: Head of State File
Executive Secretariat, NSC: Meeting Files
Executive Secretariat, NSC: NSDD Records
Executive Secretariat, NSC: Subject File
Executive Secretariat, NSC: VIP Visits
Executive Secretariat, NSC: NSC Weekly Reports
Alison B. Fortier Files
Donald R. Fortier Files
Lisa R. Jameson Files
Robert M. Kimmet Files
Sven F. Kraemer Files
Nelson C. Ledsky Files
Legal Advisor Office, NSC Files
Robert H. Lilac Files
Jack F. Matlock, Jr., Files
Robert C. "Bud" McFarlane Files
Dean C. McGrath Files
James W. "Bud" Nance Files
William Odom Files
Rudolf V. Perina Files
Richard E. Pipes Files
John M. Poindexter Files
Colin L. Powell Files
Thomas C. Reed Files

Nicholas Rostow Files
Ronald K. Sable Files
Stephen R. Sestanovich Files
William L. Stearman Files

Personal Papers

George P. Shultz Papers

National Security Council

National Security Council Institutional Files

National Security Council meetings
National Security Planning Group meetings
Special Situations Group meetings
National Security Decision Directive meetings

Central Intelligence Agency

NIC Registry of NIE and SNIE Files

DCI Executive Registry Files

Job 84T00664R
Job 84B00049R
Job 90B01013R
Job 84S00895R
Job 85T00287R
Job 02-06156R
Job 90T00100R

Published Sources

Congressional Quarterly. *Congress and the Nation, 1981-1984*, vol. VI. Washington: Congressional Quarterly, Inc., 1985.
———. *Congress and the Nation, 1985-1988*, vol. VII. Washington: Congressional Quarterly, Inc., 1990.
Congressional Record.
Current Digest of the Soviet Press.
New York Times.
Shultz, George. *Turmoil and Triumph*. New York: Charles Scribner's Sons, 1993.
U.S. Department of State. *Bulletin, 1981-1988*.
U.S. National Archives and Records Administration. *Public Papers of the Presidents of the United States: Ronald Reagan, 1981-1989*. Washington: Government Printing Office, 1982-1991.
Washington Post.

Abbreviations and Terms

ABM, Anti-Ballistic Missile
ANC, African National Congress
ANO, Abu Nidal Organization
ASAP, As Soon As Possible
ASEAN, Association of Southeast Asian Nations
AWAC, Airborne Warning and Control

BCP, Bulgarian Communist Party
BIB, Board for International Broadcasting
BIS, Bank for International Settlements
BTA, Bulgarian Telegraph Agency

C, Counselor of the Department of State
CC, Central Committee
CCC, Commodity Credit Corporation
CDC, Control Data Corporation
CDE, Confidence- and Security-Building Measures and Disarmament in Europe
CDU/CSU, Christian Democratic Union/Christian Social Union (West German political parties)
CEMA, Council for Economic Mutual Assistance
CI, Counterintelligence
CIA, Central Intelligence Agency
CINCUSAFE, Commander in Chief, U.S. Air Forces in Europe
CINCUSAREUR, Commander in Chief, U.S. Army in Europe
CJMC, Council for Jewish Material Claims Against Germany
CMEA, Council for Mutual Economic Assistance
CNO, Chief of Naval Operations
COCOM, Coordinating Committee for Multilateral Export Controls
CODEL, Congressional Delegation
COM, Chief of Mission
CP, Communist Party
CPCZ, Communist Party of Czechoslovakia
CPSU, Communist Party of the Soviet Union
CSCE, Conference on Security and Cooperation in Europe
CSSR, Czecho-Slovak Socialist Republic
CY, Calendar Year

D, Office of the Deputy Secretary of State
DAO, Defense Attaché Officer
DATT, Defense Attaché
DCM, Deputy Chief of Mission
DEA, Drug Enforcement Administration
DIA, Defense Intelligence Agency
DIRNSA, Director of the National Security Agency
DOD, Department of Defense

E, Under Secretary of State for Economic Affairs until August 16, 1985; Under Secretary of State for Economic and Agricultural Affairs thereafter
EB, Bureau of Economic and Business Affairs, Department of State

XVIII Abbreviations and Terms

- EB/IFD/OMA**, Office of Monetary Affairs, Bureau of Economic and Business Affairs, Department of State
- EB/OT**, Office of International Trade, Bureau of Economic and Business Affairs, Department of State
- EB/TDC**, Office of Trade and Commercial Affairs, Bureau of Economic and Business Affairs, Department of State
- EC**, European Community
- ECONOFF**, Economics Officer
- ECM/EW**, Electronic Countermeasures/Electronic Warfare
- EE**, Eastern Europe
- EEC**, European Economic Community
- EFTA**, European Free Trade Association
- EMBOFFS**, Embassy Officials
- EOB**, Executive Office Building (houses the Vice President's Office)
- EPC**, Economic Policy Council
- ESF**, Exchange Stabilization Fund, Department of the Treasury
- EUR**, Bureau of European Affairs, Department of State, until September 15, 1983; Bureau of European and Canadian Affairs, Department of State, from September 15, 1983
- EUR/CE**, Office of Central European Affairs, Bureau of European and Canadian Affairs, Department of State
- EUR/EEY**, Office of Eastern European and Yugoslavia Affairs, Bureau of European and Canadian Affairs, Department of State
- EUR/SOV**, Office of Soviet Union Affairs, Bureau of European and Canadian Affairs, Department of State
- EUR/WE**, Office of Western European Affairs, Bureau of European and Canadian Affairs, Department of State
- FAA**, Foreign Assistance Act
- FBI**, Federal Bureau of Investigation
- FCO**, Foreign and Commonwealth Office (United Kingdom)
- FDP**, Free Democratic Party (West German political party)
- FEC**, Yugoslav Federal Executive Council
- FM**, Foreign Minister
- FMS**, Foreign Military Sales
- FONMIN**, Foreign Minister
- FRB**, Federal Reserve Board
- FRG**, Federal Republic of Germany
- FSFA**, Federal Secretariat for Foreign Affairs (Yugoslavia)
- FSN**, Foreign Service National
- FTA**, Free Trade Agreement
- FY**, Fiscal Year
- FYI**, For Your Information
- GATT**, General Agreement on Tariffs and Trade
- GDR**, German Democratic Republic
- GI**, Office of Global Issues, Directorate of Intelligence, Central Intelligence Agency
- GLCM**, Ground-Launched Cruise Missile
- GNP**, Gross National Product
- GOB**, Government of Bulgaria
- GOC**, Government of Czechoslovakia
- GOH**, Government of Hungary
- GOP**, Government of Poland
- GOR**, Government of Romania
- GOY**, Government of Yugoslavia

GPS, George Pratt Shultz
GRU, Soviet military intelligence agency
GSP, Generalized System of Preferences

H, Bureau of Legislative and Intergovernmental Affairs
HA, Bureau of Human Rights and Humanitarian Affairs
HFAC, House Foreign Affairs Committee
HQUSAFE, Headquarters for the United States Air Force in Europe
HSWP, Hungarian Socialist Workers Party
HVA, East German civilian foreign intelligence agency

IAEA, International Atomic Energy Agency
IBM, International Business Machines Corporation
IBRD, International Bank for Reconstruction and Development
ICA, International Communication Agency
ICBM, Inter-Continental Ballistic Missile
ICEM, Intergovernmental Committee for European Migration
IFC, International Finance Corporation
IG, Interagency Group
IMET, International Military Education and Training
IMF, International Monetary Fund
INF, Intermediate-Range Nuclear Forces
INM, Bureau of International Narcotic Matters, Department of State
INR, Bureau of Intelligence and Research, Department of State
INR/AR, Deputy Assistant Secretary of State of Intelligence and Research for Assessment and Research
INR/GI, Office of Global Issues, Bureau of Intelligence and Research, Department of State
INR/GIS, Global Issues Staff, Bureau of Intelligence and Research, Department of State
INR/RA, Regional Analysis, Bureau of Intelligence and Research, Department of State
INR/SEE, Office of Southeast Europe, Bureau of Intelligence and Research, Department of State
INS, Immigration and Naturalization Service
IO, Bureau of International Organization Affairs, Department of State
IPI, International Press Institute
IPU, Inter-Parliamentary Union

JCS, Joint Chiefs of Staff
JMC, Joint Military Commission
JPRS, Joint Publication Research Service

KGB, Committee for State Security in the Soviet Union
KSC, Communist Party of Czechoslovakia

L, Legal Adviser, Department of State
L/EUR, Assistant Legal Adviser, European Affairs, Department of State
L/HRR, Assistant Legal Adviser, Human Rights and Refugees, Department of State
LANDSAT, Land Remote-Sensing Satellite
LCY, League of Communists of Yugoslavia
LDC, Less Developed Country
LOA, Letter of Acceptance
LRINF, Long-Range Intermediate Nuclear Forces

XX Abbreviations and Terms

MATRA, French aerospace company
MFA, Ministry of Foreign Affairs
MFN, Most Favored Nation
MOU, Memorandum of Understanding
MSS, Multispectral Scanner
MYRA, Multi-year Refinancing Agreement

NAC, North Atlantic Council
NAM, Nonaligned Movement
NASA, National Aeronautics and Space Administration
NATO, North Atlantic Treaty Organization
NDP, National Defense Panel
NNA, Neutral Non-Allied
NOAA, National Oceanic and Atmospheric Administration
NSC, National Security Council
NSDD, National Security Decision Directive
NSSD, National Security Study Directive
NST, Nuclear and Space Talks
NSWP, Non-Soviet Warsaw Pact

OFM, Office of Foreign Missions, Department of State
OPEC, Organization of the Petroleum Exporting Countries
OSD, Office of the Secretary of Defense, Department of Defense
OVP, Office of the Vice President

P, Under Secretary of State for Political Affairs
PAC, Pan-Africanist Congress
PAO, Public Affairs Officer
PCC, Political Consultative Committee
PD, Presidential Directive
PFIAB, President's Foreign Intelligence Advisory Board
PLFP-SC, Popular Front for the Liberation of Palestine Special Command
PLO, Palestine Liberation Organization
PM, Bureau of Politico-Military Affairs
PNG, Persona Non Grata
POLAD, Political Advisor
POLCHIEF, Chief Political Officer
POLCOUNS, Political Counselor
POLOFFS, Political Officers
PRC, People's Republic of China

QA, Quadripartite Agreement

R & D, Research and Development
RFE, Radio Free Europe
RL, Radio Liberty
RSO, Regional Security Officer

S, Office of the Secretary of State
S/P, Policy Planning Council, Department of State
S/S, Executive Secretariat, Department of State
S/S-O, Operations Center, Executive Secretariat, Department of State
S/S-S Secretariat Staff, Executive Secretariat, Department of State
S & T, Science and Technology

SCO, Senior Commercial Officer
SDI, Strategic Defense Initiative
SDR, Special Drawing Rights
SED, Socialist Union Party of East Germany
SFC, Senate Finance Committee
SFRC, Senate Foreign Relations Committee
SHAPE, Supreme Headquarters Allied Powers, Europe
SIG, Senior Interagency Group
SIG/I, Senior Interagency Group on Intelligence
SIG-IEP, Senior Interagency Group-International Economic Policy
SPD, German Social Democratic Party
SPOT, *Système Pour l'Observation de la Terre* (System for the Observation of the Earth, French Earth-imaging satellite system)
SRINF, Short-Range Intermediate Nuclear Forces
STR, Special Trade Representative
SWAPO, South West African People's Organization
SY, Security

TCP, Third-Country Processing
TNF, Theater Nuclear Forces
TPRG, Trade Policy Review Group
TREAS, Department of the Treasury

UK, United Kingdom of Great Britain and Northern Ireland
UN, United Nations
UNGA, United Nations General Assembly
UNIDO, United Nations Industrial Development Organization
UNITA, National Union for the Total Independence of Angola
US, United States
USAFSB, United States Army Field Station Berlin
USCINCEUR, United States Commander in Chief, European Command
USCUSAREUR, Commander in Chief, United States Army in Europe
USDEL, United States Delegation
USDOC, Department of Commerce
USDOCO, United States Document Office Allied Land Forces, Southeastern Europe
USG, United States Government
USIA, United States Information Agency
USINS, United States Immigration and Naturalization Service
USSR, Union of Soviet Socialist Republics
USTR, United States Trade Representative
USYEC, United States-Yugoslav Economic Council

VAT, Value Added Tax
VOA, Voice of America
VOLAG, Voluntary Resettlement Agency
VOPO, Police force of German Democratic Republic
VRA, Voluntary Restraint Agreement

WHSR, White House Situation Room
WP, Warsaw Pact

YAF, Yugoslavian Air Force

Persons

Abramowitz, Morton, Assistant Secretary of State for Intelligence and Research from 1985
Abrams, Elliot, Assistant Secretary of State for Human Rights and Humanitarian Affairs from December 1981 until July 1985

Abu Abbas, also known as Muhammad Zaidan, leader of the Palestine Liberation Front

Adams, Alvin, Director, Office for Combating Terrorism, Department of State from October 1986

Adenaur, Konrad, Chancellor of the Federal Republic of Germany from September 1949 until October 1963

Allen, Richard V., President's Assistant for National Security Affairs until January 1982

Anderson, David, U.S. Ambassador to Yugoslavia from August 1981 until June 1985

Andrei, Stefan, Romanian Minister of Foreign Affairs until November 1985

Andropov, Yuri, General Secretary of the Central Committee of the Communist Party of the Soviet Union from November 12, 1982 until February 9, 1984

Arafat, Yasser, Chairman of the Palestinian Liberation Organization

Armocost, Michael, Under Secretary of State for Political Affairs from May 1984

Armstrong, William Lester, Senator (R-Colorado)

Aspin, Les, member, House of Representatives (D-Wisconsin)

Axen, Hermann, foreign affairs advisor to Erich Honecker

Azrael, Jeremy, member, Policy Planning Council from 1984 until 1985

Bahr, Egon, West German Federal Minister for Economic Cooperation from 1974 until 1976

Bailey, Norman, member, National Security Council Staff until 1983

Baldridge, Malcolm, Secretary of Commerce until 1987

Banana, Canaan, President of Zimbabwe until December 1987

Barry, Robert Louis, U.S. Ambassador to Bulgaria from December 1981 until July 1984

Becker, Frederick, Staff Member in the Office of Eastern European and Yugoslavia Affairs, Bureau of European and Canadian Affairs, Department of State

Begin, Menachem, Prime Minister of Israel until October 1983

Berecz, Frigyes, Hungarian Minister of Industry from January 1988

Bergold, Harry, U.S. Ambassador to Hungary from March 1980 until November 1983

Bilak, Vasil, Czechoslovak Communist Party Secretary

Blecha, Karl, Austrian Minister for the Interior from January 1984

Block, John R., Secretary of Agriculture until 1986

Brady, Nicholas F., Secretary of the Treasury from September 1988

Bremer, Paul, Executive Secretary of the Department of State until July 1983

Brock, Bill, United States Trade Representative until April 1985

Brown, Clarence, Jr., Deputy Secretary of Commerce from 1983 until 1988

Brown, Harold, Secretary of Defense from January 1977 until January 1981

Burt, Richard, Assistant Secretary of State for European and Canadian Affairs from February 1983 until July 1985

Bush, George H.W., Vice President

Butler, Michael, Special Assistant to the Secretary of State in 1985

Carlucci, Frank, Deputy Secretary of Defense from February 1981 until December 1982; President's Assistant for National Security Affairs from December 1986 until November 1987; Secretary of Defense from November 1987

Casey, William J., Director of Central Intelligence until January 1987

- Castro, Fidel**, President of the Councils of State and Ministers of Cuba
- Ceausescu, Nicolae**, President of Romania
- Chernenko, Konstantin**, General Secretary of the Central Committee of the Communist Party of the Soviet Union from February 1984 until March 1985
- Chnoupek, Bohuslav**, Czech Minister of Foreign Affairs until October 1988
- Clark, William P.**, President's Assistant for National Security Affairs from February 1982 until October 1983
- Cohen, William S.**, member, House of Representatives (R-Maine)
- Colombo, Emilion**, Italian Foreign Minister until August 1983
- Combs, Richard**, Director of the Office of Eastern European and Yugoslavia Affairs, Bureau of European and Canadian Affairs, Department of State in 1984 and 1985
- Constable, Elinor**, Deputy Assistant Secretary of State for Economic and Business Affairs from 1984
- Cossiga, Francesco**, President of Italy from July 1985
- Courtney, William**, Special Assistant to the Under Secretary of State for Political Affairs in 1985
- Craxi, Bettino**, Italian Prime Minister from September 1983 until April 1987
- Crocker, Chester**, Assistant Secretary of State for African Affairs from June 1981
- Crowe, William J.**, Chairman of the Joint Chiefs of Staff from October 1985
- Dam, Kenneth**, Deputy Secretary of State from September 1982 until June 1985
- Danzansky, Stephen**, Senior Director of International Economic Affairs, National Security Council from 1985 until 1988
- Davis, John R., Jr.**, Director of the Office for Eastern European and Yugoslavian Affairs, Bureau of European Affairs, Department of State in 1982 and 1983
- Deal, Timothy**, Staff Member in the Office of Eastern European and Yugoslavia Affairs, Bureau of European and Canadian Affairs
- deGraffenreid, Kenneth**, President's Special Assistant and Senior Director for Intelligence Programs, National Security Council from 1983 until 1987
- Derwinski, Edward**, Counselor of the Department of State in 1984 and 1985
- Dizdarevic, Raif**, Yugoslav Federal Secretary for Foreign Affairs from July 1984 until December 1987; President of Yugoslavia from March 1988
- Dobriansky, Paula**, Member of the National Security Council Staff until 1987
- Dodd, Christopher**, Senator (D-Connecticut)
- Dolanc, Stane**, Yugoslav Federal Secretary for Internal Affairs from May 1982 until June 1984; Member of the Presidency from June 1984
- Dragosavac, Dusan**, President of the Presidium of the League of Communists of Yugoslavia from October 1981 until June 1982
- Durenberger, David F.**, Senator (R-Minnesota)
- Eagleburger, Lawrence**, Assistant Secretary of State for European Affairs from May 1981 until January 1982; Under Secretary of State for Political Affairs from February 1982 until May 1984
- Erhard, Ludwig**, Chancellor of the Federal Republic of Germany from October 1963 until December 1966
- Ermarth, Fritz**, Senior Director of European and Soviet Affairs, National Security Council from 1987
- Filipov, Georgi Stanchev "Grisha,"** Bulgarian Premier and Chairman of the Council of Ministers from June 1981 until March 1986
- Fischer, Oskar**, East German Minister of Foreign Affairs
- Forck, Gottfried**, Lutheran Bishop of Berlin-Brandenburg (German Democratic Republic)
- Funderburk, David**, U.S. Ambassador to Romania from October 1981 until May 1985

Gallup, Jeffrey, staff member, Office of Central European Affairs, Bureau of European and Canadian Affairs, Department of State

Gates, Robert, Deputy Director of Central Intelligence from 1982 until 1986

Gavrilescu, Nicolae, Romanian Ambassador to the United States from May 1985 until August 1987

Genscher, Hans-Dietrich, West German Foreign Minister

Gilmore, Harry, Director of Central European Affairs, Bureau of European and Canadian Affairs, Department of State in 1985

Goldberg, Sherwood, Executive Assistant to the Secretary of State in 1981 and 1982

Gomulka, Wladyslaw, First Secretary of the Polish United Workers' Party from October 1956 until December 1970

Gonzalez Marques, Felipe, Prime Minister of Spain from December 1982

Gorbachev, Mikhail, General Secretary of the Central Committee of the Communist Party of the Soviet Union from 1985

Grosz, Karoly, Chairman of the Hungarian Council of Ministers from June 1987; General Secretary of the Hungarian Socialist Workers' Party from May 1988

Gotsev, Lyuben, Bulgarian Deputy Foreign Minister

Habib, Philip, Special Envoy to the Middle East from May 1981 until July 1983

Hager, Kurt, Member of the East German Council of State

Haig, Alexander M., Secretary of State until July 1982

Hazi, Vencel, Hungarian Ambassador from November 1983

Heichler, Lucian, Director of the Office of Intelligence Coordination, Bureau of Intelligence and Research, Department of State

Helms, Jesse, Senator (R–North Carolina)

Hempel, Johannes, Chairman of the Federation of Protestant Churches in Dresden (German Democratic Republic)

Herder, Gerhard, East German Ambassador from November 1983

Herljevic, Franjc, Yugoslav Secretary for Internal Affairs until April 1982

Hill, M. Charles, Executive Secretary of the Department of State in 1985

Hodel, Donald, Secretary of Energy from November 1982 until February 1985

Houstecky, Miroslav, Czechoslovakian Ambassador from May 1986

Hoxha, Enver, First Secretary of the Party of Labor of Albania until April 1985

Hoyer, Steny, member, House of Representatives (D–Maryland)

Hughes, John, Assistant Secretary of State for Public Affairs from August 1982 until January 1985

Hulings, Joseph, Office of Foreign Missions

Hurwitz, Elliott, Special Assistant to the Under Secretary of State for Economic Affairs in 1984

Husak, Gustav, President of Czechoslovakia

Ionescu, Nicolae, Romanian Ambassador until May 1982

Jagielski, Mieczyslaw, Polish Deputy Prime Minister until July 1981

Jakes, Milos, First Secretary of the Czechoslovak Communist Party

Jameson, Lisa, member, National Security Council Staff from 1987 until 1988

Jaruzelski, Wojciech, President of Poland

Jones, David C., Chairman of the Joint Chiefs of Staff until June 1982

Kadar, Janos, General Secretary of the Hungarian Socialist Workers' Party until May 1988

Kalb, Bernard, Assistant Secretary of State for Public Affairs from August 1985 until October 1986

Kampelman, Max M., U.S. Ambassador to the U.S. Office for Arms Reduction Negotiations

- Kania, Stanislaw**, First Secretary of the Polish United Workers' Party from September 1980 until October 1981
- Kardelj, Edvard**, President of Yugoslavia from 1963 until 1967
- Kaunda, Kenneth David**, President of Zambia
- Keeley, Robert**, U.S. Ambassador to Greece from October 1985
- Keyes, Alan**, Assistant Secretary of State for International Organization Affairs from November 1985 until November 1987
- Keyworth, George A., II**, Science Advisor to the President; Director of the Office of Science and Technology Policy
- Kimmit, Robert**, Executive Secretary for the National Security Council from 1983 until 1985
- Kirchschlaeger, Rudolf**, President of Austria until July 1986
- Kirk, Roger**, U.S. Ambassador to Romania from November 1985
- Kissinger, Henry**, Secretary of State from September 1973 until January 1977
- Kohl, Helmut**, Chancellor of the Federal Republic of Germany from October 1982
- Kornblum, John C.**, Director of the Office of Central European Affairs, Bureau of European and Canadian Affairs, Department of State, from 1982 until 1985
- Kostic, Petar**, Yugoslav Federal Secretary for Finance until April 1982
- Kovacevic, Zivorad**, Yugoslav Ambassador from November 1987
- Kovner, Milton**, Director of the Office of United Nations Political and Multilateral Affairs, Bureau of International Organization Affairs, Department of State, 1985
- Kraigher, Sergej**, Vice President of Yugoslavia until May 1981; President of Yugoslavia from June 1981 until April 1982
- Kreisky, Bruno**, Austrian Chancellor until May 1983
- Kuchel, Roland**, Deputy Director of the Office of Eastern European and Yugoslavia Affairs, Bureau of European and Canadian Affairs, Department of State, in 1984 and 1985; Director of the Office of Eastern European and Yugoslavia Affairs, Bureau of European and Canadian Affairs, Department of State, from 1985
- Lang, Nicholas**, Staff Member in the Office of Eastern European and Yugoslavia Affairs, Bureau of European and Canadian Affairs, Department of State
- Leahy, Patrick**, Senator (D-Vermont)
- Ledsky, Nelson**, Principal Deputy Director of the Policy Planning Staff, Department of State, from mid-1985 until March 1987; Deputy Senior Director of the European and Soviet Affairs Directorate, National Security Council from March 1987
- Levitsky, Melvyn**, U.S. Ambassador to Bulgaria from November 1984 until February 1987
- Ligachev, Igor**, Soviet politician
- Ljubicic, Nikola**, Yugoslav Federal Secretary for National Defense until April 1982
- Loncar, Budimir**, Yugoslav Ambassador until November 1983; Yugoslav Deputy Foreign Minister; Yugoslav Federal Secretary for Foreign Affairs from March 1988
- Luers, William**, U.S. Ambassador to Czechoslovakia from December 1983 until March 1986
- Malitza, Mircea**, Romanian Ambassador from May 1982 until November 1984
- Majsov, Lazar**, Yugoslav Federal Secretary for Foreign Affairs from May 1982 until May 1984
- Martella, Ilario**, Italian judge
- Mamula, Branko**, Yugoslav Federal Secretary for National Defense from May 1982 until May 1988
- Marjai, Jozsef**, Hungarian Deputy Prime Minister
- Matlock, Jack**, Senior Director of the European and Soviet Affairs Directorate, National Security Council from 1983 until 1987
- Matthews, Gary**, Deputy Assistant Secretary of State for Human Rights and Humanitarian Affairs in 1984 and 1985

- McFarlane, Robert "Bud",** President's Assistant for National Security Affairs from October 1983 until December 1985
- McGonagle, Paul M.,** Deputy Director of the Office of Monetary Affairs, Bureau of Economic and Business Affairs, Department of State, in 1982
- McKinley, Brunson,** Deputy Executive Secretary of the Department of State in 1984 and 1985
- McMahon, John N.,** Deputy Director of Central Intelligence from 1982 until 1986
- Meehan, Francis Joseph,** U.S. Ambassador to the German Democratic Republic from September 1985 until November 1988
- Mengistu, Haile-Mariam,** President of Ethiopia
- Mayer-Landrut, Andreas,** West German Ambassador to the Soviet Union until 1983 and from 1987
- Medgyessy, Peter,** Deputy Premier of the Hungarian Council of Ministers from January 1988
- Mikulic, Branko,** President of the Federal Executive Council of Yugoslavia from July 1986
- Milam, William B.,** Director of the Office of Monetary Affairs, Bureau of Economic and Business Affairs, Department of State, in 1981 and 1982
- Milosavljevic, Milos,** Vice President of the Federal Executive Council of Yugoslavia from July 1986
- Mitterand, Francois,** President of France from May 1981
- Mladenov, Petur Toshev,** Bulgarian Foreign Minister
- Mojssov, Lazar,** Yugoslav Federal Secretary for Foreign Affairs from May 1982 until May 1984; Yugoslav President from July 1987 until February 1988
- Mubarak, Mohammad Hosni,** President of Egypt from October 1981
- Mugabe, Robert,** Zimbabwean Prime Minister until December 1987; Zimbabwean President from January 1988
- Murray, Lewis,** European Affairs Legislative Officer, Bureau of Legislative and Intergovernmental Affairs, Department of State
- Negroponte, John,** President's Deputy Assistant for National Security Affairs from November 1987
- Neitzke, Ronald,** Special Assistant to the Counselor in 1984 and 1985
- Niemczyk, Julian Martin,** U.S. Ambassador to Czechoslovakia from October 1986
- Niles, Thomas M.T.,** Deputy Assistant Secretary of State for European and Canadian Affairs, Department of State, from 1982 until 1985
- Nitze, Paul,** Special Advisor to the President and Secretary of State on Arms Control from 1984
- Nolan, James,** Director of the Office of Foreign Missions from October 1986 until January 1988
- Nunn, Samuel,** Senator (D-Georgia)
- Nyerere, Julius,** President of Tanzania until October 1985
- Oakley, Robert,** Director of the Office for Combatting Terrorism, Department of State, from September 1984 until October 1986
- Odom, William,** Director of the National Security Agency from 1985 until 1988
- Olteanu, Constantin,** Romanian Minister of National Defense until December 1985
- Palme, Olof,** Prime Minister of Sweden from October 1982 until February 1986
- Palmer, Robie Mark,** Deputy Assistant Secretary of State for European and Canadian Affairs in 1984 and 1985; U.S. Ambassador to Hungary from December 1986
- Pearson, W. Robert,** Deputy Executive Secretary and General Counsel, National Security Council, from 1985 until 1987
- Peres, Shimon,** Prime Minister of Israel from September 1984 until October 1986

- Perina, Rudolf**, member, National Security Council Staff from 1987
- Perle, Richard**, Assistant Secretary of Defense for International Security Policy
- Planinc, Milka**, President of the Federal Executive Council in Yugoslavia from May 1982 until June 1986
- Platt, Nicholas**, Executive Secretary, Department of State from 1985 until 1987
- Polansky, Sol**, U.S. Ambassador to Bulgaria from September 1987
- Poindexter, John**, President's Deputy Assistant for National Security Affairs from October 1983 to December 1985; President's Assistant for National Security Affairs from December 1985 until November 1986
- Postelnicu, Tudor**, Romanian Minister of the Interior from November 1987
- Powell, Colin**, President's Assistant for National Security Affairs from November 1987
- Price, Robert**, Director of the Office of East/West Trade, Bureau of Economic and Business Affairs, Department of State in 1985
- Qadhafi, Mu'ammarr**, Libyan Chief of State
- Quinn, Kenneth M.**, Deputy Executive Secretary, Department of State
- Raimond, Jean-Bernard**, French Minister of Foreign Affairs from May 1986 until May 1988
- Rakowski, Mieczyslaw**, Polish Premier from November 1988
- Rashkow, Bruce**, Assistant Legal Adviser for Special Functional Problems in 1985
- Raymond, Walter**, Director for Intelligence Programs, National Security Council, from 1982 until 1983
- Reagan, Ronald**, President of the United States
- Regan, Donald T.**, Secretary of the Treasury until February 1985
- Roginoni, Virginio**, Italian Interior Minister until August 1983
- Ridgway, Rozanne**, U.S. Ambassador to the German Democratic Republic from January 1983 until July 1985; Assistant Secretary of State for European and Canadian Affairs from July 1985
- Rikanovic, Svetozar**, Yugoslav Federal Secretary of Finance from August 1986
- Robinson, Roger**, Senior Director for International Economic Affairs, National Security Council from 1983 until 1985
- Rodman, Peter**, Director of Policy Planning, Department of State until March 1986
- Ryzhkov, Nikolay Ivanovich**, Chairman of the Union of Soviet Socialist Republics Council of Ministers from November 1985
- Sadat, Anwar**, President of Egypt from October 1970 until October 1981
- Salgo, Nicolas**, U.S. Ambassador to Hungary from November 1983 until August 1986
- Sa'ud, Fahd bin 'Abd al-'Aziz Al**, King of Saudi Arabia from June 1982
- Scanlan, John**, U.S. Ambassador to Yugoslavia from July 1985
- Schifter, Richard**, Assistant Secretary of State for Democracy, Human Rights, and Labor from October 1985
- Schlam, Paul**, Staff Member, Office of Eastern Europe and Yugoslav Affairs, Bureau of European and Canadian Affairs, Department of State
- Schlueter, Poul**, Prime Minister of Denmark from September 1982
- Schmidt, John R.**, Staff Member, Office of Eastern European and Yugoslavia Affairs, Bureau of European and Canadian Affairs, Department of State
- Sestanovich, Stephen**, Senior Director of Policy Development, National Security Council, from 1986 until 1987
- Seymour, Jack**, Staff Member, Office of Eastern European and Yugoslavia Affairs, Bureau of European and Canadian Affairs, Department of State
- Shamir, Yitzhak**, Prime Minister of Israel from October 1983 until September 1984; Prime Minister of Israel from October 1986
- Shevardnadze, Eduard Amvrosiyevich**, Soviet Foreign Minister from July 1985
- Shultz, George**, Secretary of State from July 1982

Simons, Thomas, Director, Office of Soviet Union Affairs, Bureau of European and Canadian Affairs from 1982 until 1985

Sinowatz, Fred, Vice Chancellor of Austria until May 1983

Smole, Janko, Member of the Yugoslav Federal Executive Council

Sofaer, Abraham David, Legal Adviser, Department of State, in 1985

Solomentsev, Mikhail, Member of the Soviet Politburo

Solomon, Richard, Director of the Policy Planning Staff, Department of State from March 1986

Solomonescu, Olimpia, Romanian Deputy Foreign Minister

Spiers, Ronald, Under Secretary of State for Management

Spiljak, Mika, President of Yugoslavia from May 1983 until May 1984

Stalin, Josef, General Secretary of the Central Committee of the Communist Party of the Soviet Union from April 1922 until October 1952

Stambolic, Petar, President of Yugoslavia from May 1982 until May 1983

Stearman, William, member, National Security Council Staff

Stockman, David A., Director, Office of Management and Budget, until August 1985

Stoichici, Ion, Romanian Ambassador from November 1987

Stoph, Willi, Prime Minister of the German Democratic Republic

Strauss, Franz-Josef, Minister President of Bavaria (West Germany)

Strougal, Lubomir, Premier of Czechoslovakia until Oct 1988

Surena, Andre, Assistant Legal Advisor for Human Rights and Refugees, Department of State from 1982 until 1984

Szuross, Matyas, Hungarian Ambassador

Thatcher, Margaret, Prime Minister of the United Kingdom

Thompson, Alan, Deputy Director, Office of Central European Affairs, Bureau of European and Canadian Affairs, Department of State in 1985

Tito, Josip, President of Yugoslavia from 1953 until 1980

Todorov, Stanko, Premier of Bulgaria until June 1981

Totu, Ioan, Romanian Foreign Minister from August 1986

Ulbricht, Walter, General Secretary of the Central Committee of the Socialist Unity Party of Germany (GDR) from 1950 until 1971

Van Oudenaren, John, member, Policy Planning Staff

Vance, Cyrus, Secretary of State from January 1977 until April 1980

Vansca, Jenő, Hungarian Minister of Agriculture and Food

Varkonyi, Peter, Hungarian Foreign Minister from August 1983

Velichkov, Velichko, Bulgarian Ambassador from November 1988

Verity, C. William, Secretary of Commerce from October 1987

Vlajkovic, Radovan, Vice President of Yugoslavia from June 1984 until July 1985; President of Yugoslavia from July 1985 until April 1986

Vogel, Wolfgang, East German attorney

Vorontsov, Yuli, Soviet First Deputy Foreign Minister from 1986

Vorotnikov, Vitaliy Ivanovich, Deputy Chairman of the Presidium of the USSR Supreme Soviet

Vrhovec, Josip, Yugoslav Federal Secretary for Foreign Affairs until April 1982

Walesa, Lech, Chairman of Solidarity (Poland)

Wallis, W. Allen, Under Secretary of State for Economic Affairs from September 1982

Webster, William, Director, Federal Bureau of Investigation

Weinberger, Caspar W., Secretary of Defense until 1987

Weizsaecker, Richard von, President of the Federal Republic of Germany from July 1984 until June 1994

Wenick, Martin, Office Director, Office of Northern European Affairs, Bureau of European and Canadian Affairs, Department of State in 1984 and 1985

West, Mary Beth, Assistant Legal Adviser for European Affairs in 1984 and 1985

Whitehead, John, Deputy Secretary of State from July 1985

Wick, Charles Z., Director, United States Information Agency

Williams, James, Deputy Director, Office of the Senior Deputy Assistant Secretary of State, Bureau of International Organization Affairs in 1984 and 1985

Wolf, Frank, member, House of Representatives (R-Virginia)

Wolfowitz, Paul, Director, Policy Planning Staff, Department of State, from February 1981 until December 1982

Yeltsin, Boris, Member of the Soviet Politburo

Yeutter, Clayton K., United States Trade Representative from 1985

Zarkovic, Vidoje, Vice President of Yugoslavia from June 1983 until May 1984

Zhikov, Todor, President of Bulgaria

Zhulev, Stoyan, Bulgarian Ambassador until May 1988

Note on U.S. Covert Actions

In compliance with the *Foreign Relations of the United States* statute that requires inclusion in the *Foreign Relations* series of comprehensive documentation on major foreign policy decisions and actions, the editors have identified key documents regarding major covert actions and intelligence activities. The following note will provide readers with some organizational context on how covert actions and special intelligence operations in support of U.S. foreign policy were planned and approved within the U.S. Government. It describes, on the basis of declassified documents, the changing and developing procedures during the Truman, Eisenhower, Kennedy, Johnson, Nixon, Ford, and Carter Presidencies.

Management of Covert Actions in the Truman Presidency

The Truman administration's concern over Soviet "psychological warfare" prompted the new National Security Council to authorize, in NSC 4-A of December 1947, the launching of peacetime covert action operations. NSC 4-A made the Director of Central Intelligence responsible for psychological warfare, establishing at the same time the principle that covert action was an exclusively Executive Branch function. The Central Intelligence Agency (CIA) certainly was a natural choice but it was assigned this function at least in part because the Agency controlled unvouchered funds, by which operations could be funded with minimal risk of exposure in Washington.¹

The CIA's early use of its new covert action mandate dissatisfied officials at the Departments of State and Defense. The Department of State, believing this role too important to be left to the CIA alone and concerned that the military might create a new rival covert action office in the Pentagon, pressed to reopen the issue of where responsibility for covert action activities should reside. Consequently, on June 18, 1948, a new NSC directive, NSC 10/2, superseded NSC 4-A.

NSC 10/2 directed the CIA to conduct "covert" rather than merely "psychological" operations, defining them as all activities "which are conducted or sponsored by this Government against hostile foreign states or groups or in support of friendly foreign states or groups but which are so planned and executed that any US Government responsibility for them is not evident to unauthorized persons and that if

¹ NSC 4-A, December 17, 1947, is printed in *Foreign Relations*, 1945-1950, Emergence of the Intelligence Establishment, Document 257.

uncovered the US Government can plausibly disclaim any responsibility for them.”

The type of clandestine activities enumerated under the new directive included: “propaganda; economic warfare; preventive direct action, including sabotage, demolition and evacuation measures; subversion against hostile states, including assistance to underground resistance movements, guerrillas and refugee liberations [*sic*] groups, and support of indigenous anti-Communist elements in threatened countries of the free world. Such operations should not include armed conflict by recognized military forces, espionage, counter-espionage, and cover and deception for military operations.”²

The Office of Policy Coordination (OPC), newly established in the CIA on September 1, 1948, in accordance with NSC 10/2, assumed responsibility for organizing and managing covert actions. The OPC, which was to take its guidance from the Department of State in peacetime and from the military in wartime, initially had direct access to the State Department and to the military without having to proceed through the CIA’s administrative hierarchy, provided the Director of Central Intelligence (DCI) was informed of all important projects and decisions.³ In 1950 this arrangement was modified to ensure that policy guidance came to the OPC through the DCI.

During the Korean conflict the OPC grew quickly. Wartime commitments and other missions soon made covert action the most expensive and bureaucratically prominent of the CIA’s activities. Concerned about this situation, DCI Walter Bedell Smith in early 1951 asked the NSC for enhanced policy guidance and a ruling on the proper “scope and magnitude” of CIA operations. The White House responded with two initiatives. In April 1951 President Truman created the Psychological Strategy Board (PSB) under the NSC to coordinate government-wide psychological warfare strategy. NSC 10/5, issued in October 1951, reaffirmed the covert action mandate given in NSC 10/2 and expanded the CIA’s authority over guerrilla warfare.⁴ The PSB was soon abolished by the incoming Eisenhower administration, but the expansion of the CIA’s covert action writ in NSC 10/5 helped ensure that covert action would remain a major function of the Agency.

As the Truman administration ended, the CIA was near the peak of its independence and authority in the field of covert action. Although the CIA continued to seek and receive advice on specific projects from the NSC, the PSB, and the departmental representatives originally

²NSC 10/2, June 18, 1948, is printed *ibid.*, Document 292.

³Memorandum of conversation by Frank G. Wisner, “Implementation of NSC–10/2,” August 12, 1948, is printed *ibid.*, Document 298.

⁴NSC 10/5, “Scope and Pace of Covert Operations,” October 23, 1951, is printed in *Foreign Relations, 1950–1955, The Intelligence Community*, Document 90.

delegated to advise the OPC, no group or officer outside of the DCI and the President himself had authority to order, approve, manage, or curtail operations.

NSC 5412 Special Group; 5412/2 Special Group; 303 Committee

The Eisenhower administration began narrowing the CIA's latitude in 1954. In accordance with a series of National Security Council directives, the responsibility of the Director of Central Intelligence for the conduct of covert operations was further clarified. President Eisenhower approved NSC 5412 on March 15, 1954, reaffirming the Central Intelligence Agency's responsibility for conducting covert actions abroad. A definition of covert actions was set forth; the DCI was made responsible for coordinating with designated representatives of the Secretary of State and the Secretary of Defense to ensure that covert operations were planned and conducted in a manner consistent with U.S. foreign and military policies; and the Operations Coordinating Board was designated the normal channel for coordinating support for covert operations among State, Defense, and the CIA. Representatives of the Secretary of State, the Secretary of Defense, and the President were to be advised in advance of major covert action programs initiated by the CIA under this policy and were to give policy approval for such programs and secure coordination of support among the Departments of State and Defense and the CIA.⁵

A year later, on March 12, 1955, NSC 5412/1 was issued, identical to NSC 5412 except for designating the Planning Coordination Group as the body responsible for coordinating covert operations. NSC 5412/2 of December 28, 1955, assigned to representatives (of the rank of assistant secretary) of the Secretary of State, the Secretary of Defense, and the President responsibility for coordinating covert actions. By the end of the Eisenhower administration, this group, which became known as the "NSC 5412/2 Special Group" or simply "Special Group," emerged as the executive body to review and approve covert action programs initiated by the CIA.⁶ The membership of the Special Group varied depending upon the situation faced. Meetings were infrequent until 1959 when weekly meetings began to be held. Neither the CIA nor the Special Group adopted fixed criteria for bringing projects before the group; initiative remained with the CIA, as members representing

⁵ William M. Leary, editor, *The Central Intelligence Agency: History and Document* (The University of Alabama Press, 1984), p. 63; for text of NSC 5412, see *Foreign Relations, 1950–1955, The Intelligence Community*, Document 171.

⁶ Leary, *The Central Intelligence Agency: History and Documents*, pp. 63, 147–148; *Final Report of the Select Committee To Study Governmental Operations With Respect to Intelligence Activities, United States Senate*, Book I, *Foreign and Military Intelligence* (1976), pp. 50–51. For texts of NSC 5412/1 and NSC 5412/2, see *Foreign Relations, 1950–1955, The Intelligence Community*, Documents 212 and 250.

other agencies frequently were unable to judge the feasibility of particular projects.⁷

After the Bay of Pigs failure in April 1961, General Maxwell Taylor reviewed U.S. paramilitary capabilities at President Kennedy's request and submitted a report in June that recommended strengthening high-level direction of covert operations. As a result of the Taylor Report, the Special Group, chaired by the President's Special Assistant for National Security Affairs McGeorge Bundy, and including Deputy Under Secretary of State U. Alexis Johnson, Deputy Secretary of Defense Roswell Gilpatric, Director of Central Intelligence Allen Dulles, and Chairman of the Joint Chiefs of Staff General Lyman Lemnitzer, assumed greater responsibility for planning and reviewing covert operations. Until 1963 the DCI determined whether a CIA-originated project was submitted to the Special Group. In 1963 the Special Group developed general but informal criteria, including risk, possibility of success, potential for exposure, political sensitivity, and cost (a threshold of \$25,000 was adopted by the CIA), for determining whether covert action projects were submitted to the Special Group.⁸

From November 1961 to October 1962 a Special Group (Augmented), whose membership was the same as the Special Group plus Attorney General Robert Kennedy and General Taylor (as Chairman), exercised responsibility for Operation Mongoose, a major covert action program aimed at overthrowing the Castro regime in Cuba. When President Kennedy authorized the program in November, he designated Brigadier General Edward G. Lansdale, Assistant for Special Operations to the Secretary of Defense, to act as chief of operations, and Lansdale coordinated the Mongoose activities among the CIA and the Departments of State and Defense. The CIA units in Washington and Miami had primary responsibility for implementing Mongoose operations, which included military, sabotage, and political propaganda programs.⁹

President Kennedy also established a Special Group (Counter-Insurgency) on January 18, 1962, when he signed NSAM No. 124. The Special Group (CI), set up to coordinate counter-insurgency activities separate from the mechanism for implementing NSC 5412/2, was to confine itself to establishing broad policies aimed at preventing and resisting subversive insurgency and other forms of indirect aggression in friendly countries. In early 1966, in NSAM No. 341, President Johnson assigned responsibility for the direction and coordination of counter-insurgency activities overseas to the Secretary of State, who

⁷Leary, *The Central Intelligence Agency: History and Documents*, p. 63.

⁸*Ibid.*, p. 82.

⁹See *Foreign Relations*, 1961–1963, volume X, Cuba, 1961–1962, Documents 270 and 278.

established a Senior Interdepartmental Group to assist in discharging these responsibilities.¹⁰

NSAM No. 303, June 2, 1964, from Bundy to the Secretaries of State and Defense and the DCI, changed the name of "Special Group 5412" to "303 Committee" but did not alter its composition, functions, or responsibility. Bundy was the chairman of the 303 Committee.¹¹

The Special Group and the 303 Committee approved 163 covert actions during the Kennedy administration and 142 during the Johnson administration through February 1967. The 1976 Final Report of the Church Committee, however, estimated that of the several thousand projects undertaken by the CIA since 1961, only 14 percent were considered on a case-by-case basis by the 303 Committee and its predecessors (and successors). Those not reviewed by the 303 Committee were low-risk and low-cost operations. The Final Report also cited a February 1967 CIA memorandum that included a description of the mode of policy arbitration of decisions on covert actions within the 303 Committee system. The CIA presentations were questioned, amended, and even on occasion denied, despite protests from the DCI. Department of State objections modified or nullified proposed operations, and the 303 Committee sometimes decided that some agency other than the CIA should undertake an operation or that CIA actions requested by Ambassadors on the scene should be rejected.¹²

The effectiveness of covert action has always been difficult for any administration to gauge, given concerns about security and the difficulty of judging the impact of U.S. initiatives on events. In October 1969 the new Nixon administration required annual 303 Committee reviews for all covert actions that the Committee had approved and automatic termination of any operation not reviewed after 12 months. On February 17, 1970, President Nixon signed National Security Decision Memorandum 40,¹³ which superseded NSC 5412/2 and changed the name of the covert action approval group to the 40 Committee, in part because the 303 Committee had been named in the media. The Attorney General was also added to the membership of the Committee. NSDM 40 reaffirmed the DCI's responsibility for the coordination, control, and conduct of covert operations and directed him to obtain policy

¹⁰ For text of NSAM No. 124, see *ibid.*, volume VIII, National Security Policy, Document 68. NSAM No. 341, March 2, 1966, is printed *ibid.*, 1964–1968, volume XXXIII, Organization and Management of U.S. Foreign Policy; United Nations, Document 56.

¹¹ For text of NSAM No. 303, see *ibid.*, Document 204.

¹² *Final Report of the Select Committee To Study Governmental Operations With Respect to Intelligence Activities, United States Senate, Book I, Foreign and Military Intelligence*, pp. 56–57.

¹³ For text of NSDM 40, see *Foreign Relations, 1969–1976*, volume II, Organization and Management of U.S. Foreign Policy, 1969–1972, Document 203.

approval from the 40 Committee for all major and “politically sensitive” covert operations. He was also made responsible for ensuring an annual review by the 40 Committee of all approved covert operations.

The 40 Committee met regularly early in the Nixon administration, but over time the number of formal meetings declined and business came to be conducted via couriers and telephone votes. The Committee actually met only for major new proposals. As required, the DCI submitted annual status reports to the 40 Committee for each approved operation. According to the 1976 Church Committee Final Report, the 40 Committee considered only about 25 percent of the CIA’s individual covert action projects, concentrating on major projects that provided broad policy guidelines for all covert actions. Congress received briefings on only a few proposed projects. Not all major operations, moreover, were brought before the 40 Committee: President Nixon in 1970 instructed the DCI to promote a coup d’etat against Chilean President Salvador Allende without Committee coordination or approval.¹⁴

Presidential Findings Since 1974 and the Operations Advisory Group

The Hughes-Ryan amendment to the Foreign Assistance Act of 1974 brought about a major change in the way the U.S. Government approved covert actions, requiring explicit approval by the President for each action and expanding Congressional oversight and control of the CIA. The CIA was authorized to spend appropriated funds on covert actions only after the President had signed a “finding” and informed Congress that the proposed operation was important to national security.¹⁵

Executive Order 11905, issued by President Ford on February 18, 1976, in the wake of major Congressional investigations of CIA activities by the Church and Pike Committees, replaced the 40 Committee with the Operations Advisory Group, composed of the President’s Assistant for National Security Affairs, the Secretaries of State and Defense, the Chairman of the Joint Chiefs of Staff, and the DCI, who retained responsibility for the planning and implementation of covert operations. The OAG was required to hold formal meetings to develop recommendations for the President regarding a covert action and to conduct periodic reviews of previously-approved operations. EO 11905 also banned all U.S. Government employees from involvement in political assassinations, a prohibition that was retained in succeeding executive orders, and prohibited involvement in domestic intelligence activities.¹⁶

¹⁴ *Final Report of the Select Committee To Study Governmental Operations With Respect to Intelligence Activities, United States Senate, Book I, Foreign and Military Intelligence*, pp. 54–55, 57.

¹⁵ Public Law 93–559.

¹⁶ Executive Order 11905, “United States Foreign Intelligence Activities,” *Weekly Compilation of Presidential Documents*, Vol. 12, No. 8, February 23, 1976.

Approval and oversight requirements for covert action continued to be governed by the Hughes-Ryan amendment well into the Carter administration, even as the new administration made alterations to the executive branch's organizational structure for covert action. President Carter retained the NSC as the highest executive branch organization to review and guide U.S. foreign intelligence activities. As part of a broader NSC reorganization at the outset of his administration, President Carter replaced the Operations Advisory Group (OAG) with the NSC's Special Coordination Committee (SCC), which explicitly continued the same operating procedures as the former OAG.¹⁷ Membership of the SCC, when meeting for the purpose of reviewing and making recommendations on covert actions (as well as sensitive surveillance activities), replicated that of the former OAG - namely: the Assistant to the President for National Security Affairs; the Secretaries of State and Defense; the Director of Central Intelligence; the Chairman of the Joint Chiefs of Staff; and the Attorney General and Director of the Office of Management and Budget (the latter two as observers). The designated chairman of all SCC meetings was the Assistant to the President for National Security Affairs. Carter formalized the SCC's replacement of the OAG in EO 11985 of May 13, 1977, which amended President Ford's EO 11905 on "United States Foreign Intelligence activities."¹⁸ In practice, the SCC for covert action and sensitive surveillance activities came to be known as the SCC (Intelligence) or the SCC-I, to distinguish it from other versions of the SCC.

The SCC's replacement of the OAG was reaffirmed in E.O. 12036 of January 24, 1978, which replaced E.O. 11905 and its amendments. E.O. 12036 also reaffirmed the same membership for the SCC-I, but identified the Attorney General and the Director of the Office of Management and Budget as full members of the Committee, rather than merely observers.¹⁹

¹⁷ The broader NSC reorganization sought to reduce the number of NSC committees to two: the Policy Review Committee (PRC) and the Special Coordination Committee (SCC). The SCC's jurisdiction included all intelligence policy issues other than annual budget and priorities reviews; the SCC also had jurisdiction over other, nonintelligence matters. Presidential Directive 2, "The National Security Council System," January 20, 1977, Carter Library, Vertical File, Presidential Directives. See also Zbigniew Brzezinski, *Power and Principle: Memoirs of the National Security Advisor 1977-1981* (New York: Farrar, Strauss, Giroux, 1983), pp. 59-62.

¹⁸ Executive Order 11985, "United States Foreign Intelligence Activities," May 13, 1977, *Weekly Compilation of Presidential Documents*, Vol. 13, No. 20 (May 16, 1977), pp. 719-720.

¹⁹ Executive Order 12036, "United States Foreign Intelligence Activities," January 24, 1978, *Weekly Compilation of Presidential Documents*, Vol. 14, No. 4 (January 30, 1978), pp. 194-214. Since E.O. 12036 governed foreign intelligence activities, all references in the E.O. to the "SCC" were effectively references to what was known in practice as the SCC (Intelligence), or SCC-I.

Also in the first days of the Carter administration, the SCC-I established a lower-level working group to study and review proposals for covert action and other sensitive intelligence matters and report to the SCC-I. This interagency working group was chaired by the Deputy Assistant to the President for National Security Affairs (David Aaron), or in his absence, the NSC Director for Intelligence Coordination. The working group was named the Special Activities Working Group (SAWG). The SAWG was active in early Carter administration reviews of ongoing covert action, and remained active through at least 1978. NSC officials in mid-1978 sought to downgrade or abolish the SAWG and replace it as needed with ad hoc working groups. Internal NSC reviews at the end of the Carter administration state that the SAWG gradually fell out of use. By late 1979, the means for debating, developing, and guiding certain covert actions was an interagency working group chaired by Aaron at the NSC. This group was referred to by several names during the late Carter administration, including the Deputy's (or Deputies) group, the Aaron group, the interagency group, the Black Chamber, and the Black Room.

The Carter administration made use of a new category of presidential findings for "world-wide" or "general" (or "generic") covert operations. This continued a practice initiated late in the Ford administration in response to the Hughes-Ryan requirement for presidential findings. The worldwide category covered lower-risk operations that were directed at broad policy goals implemented on a worldwide basis as assets allowed. These operations utilized existing assets as well as existing liaison contacts with foreign intelligence or security services, and in some cases also consisted of routine training or procurement undertaken to assist foreign intelligence partners or other agencies of the USG. A new type of document—known as "Perspectives"—provided more specific tasking guidance for these general, worldwide covert activities. Perspectives detailed the themes to be stressed in furtherance of a particular policy goal. Riskier operations required their own presidential finding or Memorandum of Notification (see below). Perspectives were drafted by the CIA and cleared by the Department of State, so that the CIA could vet the operational feasibility and risks of the program while State could assess the diplomatic risks and verify that the program was consistent with overall foreign policy goals. At least initially, Perspectives did not require further coordination with the OAG, SCC, or the President. Once an agreed-upon Perspectives document was finalized by CIA and the Department of State, it was transmitted to the field, and posts were required to make periodic reports on any achievements under the Perspectives guidelines. Beginning in 1978, actions in this worldwide category were authorized by the President as specific line-item additions to a previously existing "world-wide" finding, though Perspectives were still used to provide additional details.

Another new document used during the Carter administration was the “Memorandum of Notification” (MON). MONs were initially used to introduce higher-risk, significantly higher-cost, or more geographically-specific operations under a previously-approved worldwide or general objective outlined in a Perspectives document. Like Perspectives, MONs had to be coordinated between the CIA and the Department of State, but they also required broader interagency coordination within the SAWG or SCC. MONs subsequently came to be used for significant changes to any type of finding, not just worldwide ones. Entirely new covert actions continued to require new presidential findings. The Hughes-Ryan amendment stipulated that Congress be notified of new findings “in a timely fashion,” but did not specify how much time that meant. During the Carter administration, the CIA typically notified Congress of new covert initiatives within 48 hours, including those outlined in Perspectives or MONs.

In October 1980, the Intelligence Authorization Act for Fiscal Year 1981—also known as the Intelligence Oversight Act of 1980—scaled back the Hughes-Ryan amendment’s provisions for congressional oversight of covert action. While the requirement to notify Congress about presidential findings remained in place, the new Act limited the committees of Congress that had to be briefed to the two intelligence committees, and also explicitly clarified that this requirement to keep the committees “fully and currently informed” did not constitute a requirement for congressional approval of covert action or other intelligence activities. Moreover, the new Act stipulated that if the President determined it was “essential to limit prior notice to meet extraordinary circumstances affecting vital interests of the United States,” the President could limit prior notice to the chairmen and ranking minority members of the two intelligence committees, the Speaker and minority leader of the House, and the majority and minority leaders of the Senate—a group that came to be known as the “Gang of Eight.” If prior notice of a covert action was withheld, the President was required to inform the two intelligence committees “in a timely fashion” and provide a statement of the reasons for not giving prior notice.²⁰

²⁰ PL 96–450, Sec. 407 (October 14, 1980). See also the description of the Hughes-Ryan amendment and its replacement by PL 96–450 in: Richard A. Best, Jr., “Covert Action: Legislative Background and Possible Policy Questions,” Congressional Research Service, RL33715, December 27, 2011, pp.1–2; and L. Britt Snider, *The Agency and the Hill: CIA’s Relationship with Congress, 1946–2004*, Washington: Center for the Study of Intelligence, Central Intelligence Agency, 2008, pp.280–81.

Eastern Europe, 1981–1988

Eastern Europe Region

1. Memorandum From Paula Dobriansky of the National Security Council Staff to the President's Assistant for National Security Affairs (Allen)¹

Washington, March 24, 1981

SUBJECT

Our Foreign Policy Toward Eastern Europe (S)

A week and a half ago, I attended a meeting at the State Department on U.S.-Hungarian relations.² In discussing and assessing the state of U.S.-Hungarian relations in particular and U.S.-East European relations in general, two points were made: a) Up to the present time, great strides have been made economically and culturally in U.S.-Hungarian relations and in our relations with Eastern Europe. b) However, concern exists not only in Hungary but in the other East European countries as to what this Administration's policy will be toward the Soviet Union and toward Eastern Europe. It was generally hoped that U.S. policy toward Eastern Europe would be clarified in the next several months. (S)

Hence, this meeting prompted me to set forth my recommendations as to what critical considerations should be kept in mind in devising our policy toward Eastern Europe. (S)

First, we need to determine what our conceivable *objectives* in Eastern Europe should be. In formulating our goals we must examine the following interrelated considerations:

a. *East European relations with the Soviet Union*: Clearly, we cannot expect the East Europeans to disassociate themselves considerably from the Soviet Union given the geopolitical realities. However, a distinction must be made between the active support rendered by such countries as East Germany and Bulgaria to Soviet policies in the Third World and the actions of such countries as Romania and Yugoslavia which do not

¹ Source: Reagan Library, Paula J. Dobriansky Files, Europe, Eastern (General) (1). Secret. Sent for action.

² Not further identified.

support extensively Soviet ventures and foreign policies. For U.S. interests, the latter is quite preferable to the former.

b. *East European relations with the U.S.:* The economic, political, military and cultural achievements we have made with each East European country should be examined and assessed. That is, military or economic agreements signed, visits made, tacit support of our policies and the frequency of cultural and scientific exchanges should all be evaluated and accounted for in determining the progress we have made vis-a-vis each East European country and those areas that can or should be pursued further.

c. *East European foreign policies:* Consideration must be given to those policies these countries pursue in the U.N. and other international organizations, the non-aligned movement, and other international fora. What is noteworthy is not how verbally supportive of the Soviet Union the East Europeans are, but the actual policies they adhere to. We cannot expect these countries to be outright supportive of U.S. interests, but we should distinguish between those countries with compatible interests and policies advocated and those countries which are palpably anti-Western. It is the *degree* and *tone* of East European policies and statements which must be deciphered. Moreover, their alliances and relations with both pro-Western and anti-Western Third World countries must be analyzed.

d. *East European domestic policies:* Internal East European policies on human rights, terrorism, religion, and economics should be reviewed as well. Yet, it should be recognized that these considerations are subordinate to those set forth above. (S)

Second, and more broadly, we need to assess and formulate our goals within the framework of U.S.-Soviet-West European relations. That is, any East European policies devised cannot be developed devoid of consideration of overall U.S.-Soviet relations, Soviet-West European relations, and East-West European relations. Hence, if a situation arises which demands a change in our East European policies, such a change should be implemented even if specific East European considerations do not warrant it. Note that such a change can either worsen or improve our relations with Eastern Europe. Currently, this situation is not likely to occur, but given West European and Soviet perceptions of Eastern Europe, it cannot be ruled out. (S)

Both Western Europe and the Soviet Union attach considerable importance to their relations with Eastern Europe. Soviet goals in Eastern Europe are primarily static—they want to maintain things the way they currently are and avoid notable changes unless absolutely necessary. Clearly, the Soviets would not want to acquiesce to any diminution of their control in Eastern Europe, no matter what the costs are. (S)

West Europeans are interested in having close political and economic relations with Eastern Europe which they consider to be culturally and historically part of greater Europe despite the current communist regimes.

The West Europeans are interested in a process of change, wherein the East Europeans would pull closer to Western Europe and distance themselves from the Soviets, albeit slowly and cautiously. However, the West Europeans do not desire any violent upheavals in Eastern Europe. (S)

Proposed Objectives

I maintain that after having assessed the above considerations, our prime objective in Eastern Europe would be twofold: a) foster continued good relations and encourage further economic, political, military, cultural developments—as determined on a country-by-country basis; b) sway the applicable East European countries not to disassociate themselves outright from the Soviet Union or conduct policies at odds with the Soviet Union, but also not to render active support for the Soviets in the international arena. Concomitantly, we should utilize to an extent our advantageous relationship with some of the East Europeans in our policy pursuits vis-a-vis the Soviet Union. (S)

Proposed Policy

Based on our objectives we should pursue a two-tiered policy of differentiation within the overall framework of U.S.-Soviet-West European relations—differentiate among the East European countries (1) those countries which have and have not developed more or less good overall relations with the U.S., and (2) those that are and are not affected by the state of U.S.-Soviet relations. That is, a distinction must be made between those countries which are closely aligned with Moscow's policies and those which manifest moderately aberrant political behavior. By pursuing such a policy, we leave room to further develop our relations with those East European countries more open to Western involvement and yet, can discriminate and penalize those countries which closely adhere to the Moscow line. (S)

RECOMMENDATION

In addition to the State Department assessments being tasked by the East-West interdepartmental group of 1) our past policies/developments and future relations with each East European country, 2) the degrees of internal liberalization and Westernization in Eastern Europe, and 3) how we can exploit East European economic problems to enhance our influence vis-a-vis Moscow, I propose that I:

(a) Examine in detail Soviet-West European preceptions of and interests in Eastern Europe.³

(b) Analyze those West European and Soviet factors that could conceivably alter our East European policies.⁴ (S)

³ This recommendation was neither approved, nor disapproved.

⁴ This recommendation was neither approved, nor disapproved.

2. **Memorandum From Secretary of State Haig to President Reagan**¹

Washington, May 1, 1981

SUBJECT

Recommendation to Congress for Extension of Jackson-Vanik Waiver Authority

The Jackson-Vanik waivers for Romania, Hungary, and the People's Republic of China, and the three related trade agreements² establishing nondiscriminatory ("MFN") trade treatment, are important elements in our overall relations towards Eastern Europe and the People's Republic of China. Section 402 of the Trade Act of 1974³ prohibits the granting of most favored nation treatment, or of government financing or credits, or the conclusion of trade agreements, with any nonmarket economy country which imposes restrictions on emigration. The Jackson-Vanik Amendment authorizes the President to waive these prohibitions if he determines that waivers will promote the objective of freer emigration from the country concerned and if he receives appropriate assurances from that country. The Trade Act requires that you recommend to Congress each year that this waiver authority be continued.⁴

Section 402 (d) (5) of the Trade Act of 1974 requires that you recommend extension of your waiver authority to Congress by June 3. If you do not, the existing waivers for Romania, Hungary and the People's Republic of China (PRC), and your authority to extend MFN to those countries will lapse and our trade agreements will have to be suspended.

Our trade agreements with the PRC, Hungary and Romania have encouraged an enormous expansion of trade, which has been particularly beneficial to U.S. exporters. The agreements have also helped us to obtain better treatment for U.S. businessmen and have facilitated the handling of the relatively few trade disputes which have arisen.

Perhaps most importantly, these three accords, together with eligibility for MFN, are the most important elements of our overall relations with the PRC, Hungary and Romania. A termination of MFN eligibility

¹ Source: Reagan Library, William L. Stearman Files, Subject File, Romania 06/02/1981–06/21/1981. Confidential.

² The trade agreement with Romania was signed on April 3, 1975, and entered into force on August 3, 1975. The agreement with Hungary was signed on April 7, 1978, and entered into force on July 7. (29 UST 2711) The agreement with the People's Republic of China was signed on July 7, 1979, and entered into force on February 1, 1980. (31 UST 4651).

³ P.L. 93–618.

⁴ President Ford signed the 1974 Trade Act with the Jackson-Vanik Amendment (Section 402 of P.L. 93–618) on January 3, 1975. Documentation is in *Foreign Relations*, 1969–1976, vol. XVI, Soviet Union, August 1974–December 1976.

for any of these countries would be a serious setback in our bilateral relationship without any resultant benefit for the U.S.

In response to your recommendation, either House of Congress may terminate either the general waiver authority or particular waivers. We anticipate some Congressional opposition to your recommendation, particularly concerning Romania. In spite of an increase in emigration from Romania, there is some sentiment in Congress that the overall human rights situation there does not merit continuation of MFN. We do not expect significant opposition with regard to China, although there may be some Congressional concern over growth in imports from China in import sensitive industries. We do not presently expect that Congress will block waiver authority extension for any of the countries concerned.

As required by the Trade Act, the attached draft Recommendation to Congress explains the value of the Jackson-Vanik waiver authority in our economic and political relations with Eastern Europe and the PRC. It also explains the reasons for determining that continuation of the three existing waivers will promote the objective of freer emigration from Romania, Hungary and the PRC.

Recommendation:

That you execute the attached Determination, approve the attached Recommendation for Extension of Waiver Authority, and transmit both documents to Congress before June 3.⁵

Attachment

Paper Prepared in the Department of State⁶

Washington, undated

RECOMMENDATION FOR EXTENSION OF WAIVER AUTHORITY

I recommend to the Congress that the waiver authority granted by subsection 402(c) of the Trade Act of 1974 (hereinafter "the Act") be further extended for twelve months. Pursuant to subsection 402(d) (5) of the Act, I have today determined that further extension of such

⁵The recommendation was neither approved or disapproved. A transmittal message and a Presidential Determination are attached but not printed. The message transmitted the recommendation for the waiver and Presidential Determination 81-8 to Congress on June 2, See *Public Papers: Reagan, 1981*, pp. 478-479.

⁶No classification marking.

authority, and continuation of the waivers currently applicable to the Socialist Republic of Romania, the Hungarian People's Republic, and the People's Republic of China will substantially promote the objectives of section 402 of the Act. My determination is attached to this Recommendation and is incorporated herein.

The general waiver authority conferred by section 402(c) of the Act is an important means for the strengthening of mutually beneficial relations between the United States and certain countries of Eastern Europe and the People's Republic of China. The waiver authority has permitted us to conclude and maintain in force bilateral trade agreements with Romania, Hungary, and the People's Republic of China. These agreements are fundamental elements in our political and economic relations with those countries, including our important productive exchanges on human rights and emigration matters. Moreover, continuation of the waiver authority might permit future expansion of our bilateral relations with other countries now subject to subsection 402(a) and (b) of the Act, should circumstances permit. I believe that these considerations clearly warrant this recommendation for expansion of the general waiver authority.

I also believe that continuing the current waivers applicable to Romania, Hungary and the People's Republic of China will substantially promote the objectives of section 402 of the Act.

Romania—Emigration from Romania to the United States has increased substantially since the waiver has been in effect. In 1980, more than 2,800 persons emigrated from Romania to the United States. This is nearly seven times the pre-MFN level of emigration and almost twice the 1979 level. Continuation of the waiver will also contribute to maintaining a framework for dialogue with the Romanian Government on emigration procedures, emigration to Israel, binational marriages, and other humanitarian problems.

Hungary—In March 1978 the Hungarian Government stressed to the U.S. Government that it intended to deal with emigration matters in a responsible and humanitarian way. Since that time the actions of Hungarian authorities have been consistent with this policy. A large majority of Hungarians seeking to emigrate are able to do so without undue difficulty. Very few problem cases arise, and U.S. officials are able to discuss these constructively with the Hungarian Government. Most problem cases ultimately are favorably resolved.

People's Republic of China—During the past year, China has continued its commitment to open emigration, exemplified by its undertaking in the September 1980 U.S.-China Consular Convention to facilitate family reunification. Our posts in China issued over 3,400 immigrant visas in FY-1980, and over 12,800 nonimmigrant visas for business,

study and family visits. More than 5,000 Chinese now have come to the United States since 1979 for long term study and research. As has been the case for the past several years, the numerical limits imposed on entry to the U.S. by our immigration law continue to be a more significant impediment to immigration from China than Chinese Government exit controls. The Chinese Government is aware of our interest in open emigration, and extension of the waiver will encourage the Chinese to maintain its present travel and emigration policies.

In light of these considerations, I have determined that continuation of the waivers applicable to Romania, Hungary, and the People's Republic of China will substantially promote the objectives of section 402 of the Act.

3. Memorandum From Paula Dobriansky of the National Security Council Staff to Norman Bailey of the National Security Council Staff¹

Washington, May 7, 1981

SUBJECT

Long-term Study: Eastern Europe

A long-term study on Eastern Europe is needed which will contribute to the formulation of this Administration's policy toward Eastern Europe. I recommend a two-tiered long-term study: a) Examination of those internal developments in East Europe which reveal a presence of forces that make for greater liberalization and that may have a long-term effect on its relations with the Soviet Union independent of the will of the current leadership in Moscow, and b) Examination of Soviet-West European perceptions of and interests in Eastern Europe and those Soviet-West European factors which could conceivably alter our East European policies. (C)

There is a need to evaluate the internal developments in Eastern Europe for many of these countries are evolving in a direction that we should favor and exploit. Moreover, there is a need to posit

¹ Source: Reagan Library, Paula J. Dobriansky Files, Country Files, Policy Objectives: Long/Short. Confidential. Sent for information. A copy was sent to Lilley.

these developments within the context of overall U.S.-Soviet-West European relations, perceptions of and interests in Eastern Europe—to note those differences of perceptions and those areas of common interest which could both mold and even alter our policies vis-a-vis Eastern Europe. (C)

4. Memorandum Prepared in the Central Intelligence Agency¹

PAM 81–10314

Washington, August 13, 1981

Radio Jamming Policy in the East Bloc *[portion marking not declassified]*

The Soviet Union, its East European allies, Vietnam, and Cuba consider strict control over internal information and propaganda vital to their security. All these governments therefore believe that the international radiobroadcasting activities of other countries pose a threat to their political security. Nonetheless, how each government deals with the influx of information from abroad depends on its assessment of the vulnerability of its regime and society to outside influences, on foreign policy considerations, and on the practicality of various countermeasures. *[portion marking not declassified]*

This paper examines the policies of the Soviet Union and its allies on information control including:

—The impact of international and internal situations as well as foreign broadcasting practices and policies on the respective Communist governments that leads them to inhibit the international flow of information, including an examination of jamming policies and practices.

—The possible reactions of these regimes to future Voice of America, Radio Free Europe, and Radio Liberty programming, including possible expansion of these services, changes in their frequencies or enhancement of their signals, and changes in targeting. *[portion marking not declassified]*

¹Source: Central Intelligence Agency, Office of Support Services (DI), Job 84T00664R: Production Case Files (1980–1981), Box 1, Folder 234: Radio Jamming Policy in the East Bloc. Secret. Prepared in the Office of Political Analysis, with assistance from the Foreign Broadcast Information Service and other political analysts, in response to a request by Carnes Lord of the NSC Staff.

THE SOVIET UNION

Soviet Concepts

The Soviet Union is aware of the influence propaganda and information has on public opinion and fears that an influx of unregulated foreign propaganda and information would be inimical to the security of the Soviet regime. The USSR believes that it must retain full control over the media if it is to retain control over society. All information from abroad must, therefore, be censored to exclude what Moscow considers slander about the USSR. The Soviet Union insists on the right to be the final judge of what information is "illegal" or interferes with its internal affairs. Moscow has sought international recognition of a government's right to restrict the international flow of information. The Soviets cite several UN documents as giving the USSR a legal right to jam broadcasts that "incite to war, advocate national, racial, religious hatred or violence or that violate Soviet national sovereignty" (that is, violates the physical, economic, or social environment, or information practices, within the Soviet borders). [*portion marking not declassified*]

Soviet Policy Toward the US Radios

Moscow's public posture toward the American radios has been vocally hostile over the years, with the intensity of vituperation varying in accordance with fluctuations in East-West relations, changes in US broadcasting policy, and the conditions in the target countries. While Moscow has generally lumped Voice of America (VOA), Radio Free Europe (RFE), and Radio Liberty (RL) together as subversive transmitters, it has directed most of its specific complaints at the Munich-based RFE and RL because their programming deals mainly with the internal affairs of the East European countries and the Soviet Union while VOA programming is intended to convey and explain US events and policy. [*portion marking not declassified*]

The Soviet practice of jamming the broadcasts of VOA, RFE, and RL began following World War II when the West dominated international organizations. Soviet attempts to gain international controls over the increased international broadcasts reaching the Soviet Union and the allocation of frequencies failed. Soviet jamming practices, like its propaganda attacks on the radios, have been influenced by the international situation, the status of US-USSR relations and internal conditions of the Soviet Union and its allies. [*portion marking not declassified*]

For jamming purposes, Soviet policy has differentiated between VOA, "a national station," and RFE and RL. Jamming of RFE and RL broadcasts has continued unabated since the practice began in 1949. The Soviets consider the two radios illegal, accuse them of being

managed in one form or another by the CIA, and cite them for interference in the internal affairs of the USSR and of conducting “psychological warfare.” The employment of Soviet emigres and dissidents by the two radios is particularly irksome to Moscow. [*portion marking not declassified*]

Soviet Jamming Practices

To date there have been four times when Moscow has chosen to change its practices in jamming VOA broadcasts. The initial period of Soviet jamming of VOA began in 1949 and lasted with a few sporadic interruptions until 1963 when Soviet jamming of VOA broadcasts ceased at the time of the signing of the US-Soviet “hotline” agreement² and the Limited Test Ban Treaty.³ [*portion marking not declassified*]

The Soviet Union resumed jamming of VOA broadcasts in August 1968. Moscow was apparently concerned about Western views of the Soviet invasion of Czechoslovakia reaching Soviet and East European audiences. [*portion marking not declassified*]

In the atmosphere of detente following the 1972 signing of the SALT I agreements, and in an effort to appear cooperative with the West on communication issues during the negotiations leading to the Conference on Security and Cooperation in Europe (CSCE), Moscow again ceased jamming VOA broadcasts in 1973. This decision was probably taken by Moscow in the hope of gaining concessions from the West on the security issues of CSCE that were of particular interest to Moscow. [*portion marking not declassified*]

Moscow stepped up its hostile comment on the American radios in 1978 when the Carter Administration took a more open position on US Government support for all three radios through the establishment of the International Communication Agency (ICA) to replace USIA and the formation of the Board for International Broadcasting (BIB) to sponsor RFE and RL.⁴ According to an *Izvestiya* article of 27 March 1979, these changes destroyed “the myth about the ‘private nature’ of the subversive Munich radio stations,” which were now “transferred to the same building and placed on the same footing as the Government’s VOA.” The post-1978 period has been marked by a proliferation of Soviet propaganda charges that the US Government has stepped up its financial support for the “subversive” broadcasts of the three American radios. [*portion marking not declassified*]

² The agreement was signed on June 20, 1963. See *Foreign Relations*, 1961–1963, vol. V, Soviet Union, Document 333.

³ Signed on August 5, 1963, by the United States, the United Kingdom, and the Soviet Union.

⁴ See *Foreign Relations*, 1969–1976, vol. E–15, Part I, Documents on Eastern Europe, 1973–1976, Document 17.

Jamming of VOA broadcasts did not recur, however, until August 1980 during the Polish labor crisis.⁵ US-Soviet relations had already deteriorated following the December 1979 Soviet invasion of Afghanistan. The Soviet Union apparently was more concerned at the time about its own domestic labor and economic situation than about giving the West additional ammunition that could be used against the USSR at the CSCE review conference in Madrid.⁶ [portion marking not declassified]

Soviet comment has shown a marked increase in sensitivity to broadcasts by the three radios since the start of the Polish crisis last year. They have been portrayed by Moscow as virtually stage managing "anti-socialist" activities in Poland. In particular, *Pravda* commentator Yuriy Zhukov has charged that RFE openly acknowledges its direct involvement in the post-August Polish events. Soviet comment includes the allegations that RFE "guides" the independent Solidarity union and that it has assembled files on Polish citizens for use by CIA agents in Poland. Soviet media have charged on several occasions that RFE transmissions carry "coded" or "secret" messages to conspiratorial elements in Poland. [portion marking not declassified]

Prospects for Future Behavior

Soviet reactions toward Western radiobroadcasts undoubtedly will continue to be shaped in the future by the same political considerations that have dominated them in the last 30 years. Jamming of incoming foreign radiobroadcasts will be used by Moscow to limit the exposure of the Soviet population to uncensored versions of events and information that Moscow believes could possibly cause internal dissension. Moscow undoubtedly will continue to want only Soviet versions of events to reach Soviet audiences. The USSR can be expected to modify its jamming practices again, but only when US-Soviet relations have improved and when it feels a political advantage can be gained. At present, Moscow is probably concerned about the attitude of the present US administration toward it and toward the utility of broadcasting into the USSR, and does not see any political advantage to be gained by modifying its jamming practices. [portion marking not declassified]

⁵ In August 1980 in Gdansk, 16,000 Polish laborers in the Lenin shipyards went on strike. The strike quickly spread throughout the country and led to the collapse of the Polish economy. In response, the Communist government permitted the establishment of trade unions independent of the Polish Communist Party. These trade unions joined together to create the Solidarity movement. For more information, see *Foreign Relations*, 1977-1980, vol. VII, Poland, 1977-1981.

⁶ The second CSCE Review Conference began in Madrid in October 1980.

Based on past evidence, an enhancement of US radio propaganda aimed at Communist target countries probably would have a negative impact on Soviet perceptions of US policy, although other aspects of US policy would be more important determinants of those perceptions. Soviets are already persuaded that the present administration has an “anti-Soviet” attitude and would view such an increase as a further sign a Washington’s ill-intent. In addition to more vehement media attacks on the American radios and continued or increased jamming, Moscow could tighten political controls to shield the Soviet audiences from US broadcasts and other sources of Western information, and it could help its allies jam foreign radiobroadcasts. [*portion marking not declassified*]

Central Asia. The Soviet Union has always been concerned about its ability to maintain control over its minority nationalities. It is particularly concerned today about its Central Asian populations as a result of events in the Middle East, including the resurgence of Islam. Today one in every six Soviet citizens comes from a Muslim background. If the present high birthrate among Soviet Muslims continues, demographics dictate that by the year 2000 this ratio will narrow to between one in four and one in three. The traditionally Muslim nationalities live mainly in the Central Asian republics of Turkmenistan, Uzbekistan, Kirgiziya, Kazakhstan, and Tadzhikistan, and in Azerbaydzhan in the Transcaucasus. Soviet Muslims maintain a strong sense of their separate identity, bolstered by their adherence to Islam. Although official government policy aims at overcoming “religious survivals,” some Western surveys indicate that as much as 80 percent of the Central Asian population continues to hold on to its religious affiliation. [*portion marking not declassified*]

Recent events in Iran and Afghanistan have undoubtedly unsettled Soviet authorities and made them anxious about the possible impact of foreign radiobroadcasts, particularly those of the West and Iran, on the Central Asian republics. In 1979, for example, the head of the Turkmen party Department of Propaganda and Agitation asserted that most of the Turkmen population had been listening to religious broadcasts from Radio Gorgan in Iran and that tape recordings of these broadcasts had been made by mullahs and replayed before groups of Muslims throughout the republic. He said that the impact of the broadcasts had been appreciable and that surveys conducted among the population of four local districts showed the Iranian religious programs helped sustain Islamic religious and social customs in these areas. [*portion marking not declassified*]

In December 1980 the chairman of the KGB in Azerbaydzhan warned that the Soviet Union’s enemies were carrying out ideological sabotage in the republic. In an article appearing in the party daily newspaper, he stressed the need for increased vigilance and denounced RFE and RL, accusing them of “using the Islamic religion to influence

the political situation in our country, especially where the Muslim population resides." Concern over the ability of Western propaganda to exploit religion was also evident in the remarks made by Central Asian leaders at the 26th Party Congress earlier this year. *[portion marking not declassified]*

Moscow thus has been particularly careful to maintain control over the flow of information into Soviet Central Asia. *[less than 3 lines not declassified]* US Embassy officers who traveled to Central Asia in April 1980 reported that the population was effectively isolated from non-Soviet sources of information about events in Afghanistan and Iran. Against this background, it must be assumed that the regime would counter any expansion or technical enhancement of Western radiobroadcasting to the area. *[portion marking not declassified]*

Afghanistan. Afghanistan is of particular concern to the Soviet Union because the USSR has not succeeded in gaining full military or political control and its presence there continues to attract unwanted international attention and criticism. Moscow clearly wants to maintain control over the information reaching the Afghan population. Soviet military forces in Afghanistan have already demonstrated their ability to locate and either jam or destroy clandestine rebel radios, which were operating inside Afghanistan prior to the invasion. Some evidence suggests that they selectively jam anti-Soviet and anti-Afghan broadcasts coming from Pakistan, Iran, China, and Egypt. If the United States increases broadcasts targeted at the Afghans, the Soviets probably will seek to block them. Since the main Soviet concern is the Afghan population, however, an increase in Russian-language broadcasts to Afghanistan might not necessarily result in an increased jamming effort. *[portion marking not declassified]*

EASTERN EUROPE

Basic Policies and Practices

Like the Soviet Union, the regimes of Eastern Europe use their official media to seek support for party policy and to promote anything the leadership defines as in the interest of "socialism." Despite their pervasive domestic controls, however, the regimes do not have a monopoly on information. Efforts to counter the challenge presented by Western broadcasts are a high priority for the regimes in Eastern Europe. *[portion marking not declassified]*

Eastern European regimes are most sensitive to broadcasts that discuss the many subjects on which the leaderships are vulnerable. Such topics include:

- The poor performance of the leadership.
- Activities of political dissidents and discussions of regime violation of human rights.

—Any information that contradicts or discredits self-legitimizing party propaganda efforts and the “leading role” of the Communist Party.

—Comparisons of Communist socio-economic development with achievements in other countries.

—Adverse international attitudes toward Soviet global assertiveness, such as the invasion of Afghanistan or a possible military move into Poland.

—Critical examination of East European ties with other “fraternal allies,” especially the Soviet Union. [*portion marking not declassified*]

Some Eastern European countries are more sensitive than others to Western radio broadcasts and use jamming to minimize their effectiveness. Periodic press polemics are another major form of retaliation used to counter broadcasts that penetrate the bloc countries. RFE, because it reports directly on internal developments, is the subject of far greater concern than the generally tolerated VOA. Efforts to jam Western broadcasts vary among the countries, depending upon perceived threats to internal stability, confidence on the part of leaders in their hold on power, and foreign policy considerations. By late 1951, most East European countries had begun their own jamming operations against Western broadcasts. [*portion marking not declassified*]

Czechoslovakia and Bulgaria, the East European countries with the tightest control on outside information, heavily and consistently jam broadcasts of RFE. Sofia stopped jamming VOA in 1974 after an agreement was reached with the United States that VOA would not engage in propaganda “offensive” to Bulgaria. Prague stopped jamming VOA in 1964, resumed jamming after the Soviet occupation in 1968, and again following the Soviet lead ended it in 1973. Currently VOA broadcasts are not jammed. [*portion marking not declassified*]

The 1978 “umbrella murder” of Georgi Markov, a Bulgarian emigre who worked for BBC and RFE in London, may be a dramatic example of the extremes to which some East European regimes are willing to go to silence their radio critics. An unidentified assailant jabbed Markov with an umbrella tip, injecting a toxic pellet that killed him. Although there is no conclusive evidence to prove the attacks were carried out by the Bulgarian security service, the nature of the operation and sophistication of the weapon point to the Bulgarian authorities, who presumably acted with the knowledge and possibly the assistance of the Soviet KGB. [*portion marking not declassified*]

Poland ceased jamming RFE broadcasts in October 1956 after the coming to power of party leader Gomulka. It resumed sporadic jamming of RFE after a series of food riots in 1970. We have no evidence that the Poles tried to jam any Western broadcasts during the past crisis-filled year. In recent weeks, however, the Soviet Union and Czechoslovakia have sought to prevent the reception of RFE

broadcasts in Poland by broadcasting on frequencies close to those used by RFE. [*portion marking not declassified*]

Romania and Hungary stopped the jamming of all foreign broadcasts in 1963 and 1964 respectively. Budapest stopped jamming as part of party leader Kadar's efforts to liberalize certain aspects of society and allow a freer flow of information. (Hungary currently allows more Western news material to circulate internally than any other Warsaw Pact member.) Budapest apparently views RFE as a minor irritant; the regime claims to have confidence in the effectiveness of its own media to counter Western criticism. Media attacks against RFE are infrequent and probably are launched only after pressure from the Kremlin to participate in a coordinated campaign against Western broadcasts. [*portion marking not declassified*]

Bucharest's cessation of jamming coincided with its decision to pursue a foreign policy independent of Moscow; its continuation of the policy not to jam reflects professed Romanian commitment to the CSCE process. Nevertheless, Bucharest does view RFE as an adversary and periodically criticizes broadcasts that discuss internal Romanian problems. Broadcasts about President Ceausescu are a particularly sensitive subject. The regime is undoubtedly concerned over Western reports of worker achievements in Poland. Romania's dismal working conditions and low living standards have already sparked some sporadic disruption in the work place and could provoke serious labor unrest. [*portion marking not declassified*]

Yugoslavia supports the principle of the free flow of information and thus has consistently refrained from jamming foreign broadcasts. The Yugoslav leadership contends that the popular support for Yugoslavia's unique system of socialist self-management is strong enough to withstand any criticism from the outside. Yugoslavia's relaxed travel regulations also facilitate a relatively free flow of information from the West. [*portion marking not declassified*]

East Germany is not targeted by RFE and VOA, but information flows to that country from numerous other Western sources, particularly from West Germany. It is technically not feasible for the East Germans to jam all incoming broadcasts, and East Berlin therefore concentrates on public counter-attacks against selected transmitting stations. The East Germans particularly attack the US-funded radio station that broadcasts from the American sector to West Berlin. [*portion marking not declassified*]

Prospects for Future Behavior

In view of the liberalizing trends within Poland, the Warsaw Pact countries will be increasingly sensitive to the level and substance of independent information that reaches their people. Those countries most susceptible to the "Polish disease"—Romania, Czechoslovakia,

East Germany and, to a lesser extent, Bulgaria—will be particularly hostile to Western broadcasts that they believe might provoke internal challenge to party control. [*portion marking not declassified*]

Past US decisions to increase funding for RFE provoked a coordinated propaganda attack from the USSR, East Germany, Bulgaria, Czechoslovakia, and Hungary. Unusually objectionable articles are often condemned as CIA propaganda and followed by slanderous statements against the individual broadcasters. A decidedly more vigilant atmosphere in the wake of new Polish unrest could trigger renewed media attacks against Western broadcasts. [*portion marking not declassified*]

Since the creation of Solidarity last summer, only the Soviets have noticeably intensified their jamming. If, however, any of the East European countries believed they faced a potentially unstable domestic political situation—which, at present, they do not—they would take many measures, including stepped up jamming, to prevent a challenge to party control. [*portion marking not declassified*]

[Omitted here are sections on Cuba and Vietnam.]

5. Paper Prepared in the Bureau of Intelligence and Research¹

Report 214–AR

Washington, August 28, 1981

(LOU) EASTERN EUROPE AFTER POLAND: CREEPING DISORDER

Summary

(C) Eastern Europe—one year after the emergence of Poland's new political environment—has yet to be swept by the "Polish contagion." The Polish crisis, however, has added to the burden of the region's communist regimes and has set the stage for more tension between them and parts of their populations. The example of a reformed communist Poland, acting in opposition to Soviet demands, is likely to encourage restive East Europeans to agitate for their own national course, however it may be defined. Greater domestic disequilibrium thus seems likely for all of the regimes.

¹ Source: Reagan Library, William L. Stearman Files, Country Files, Poland and East Europe 07/09/1981–12/25/1981. Confidential; Noform. Prepared by Robert Farlow; approved by Martha Mautner.

(C/NF) One of the more important impacts of Poland on Eastern Europe is the demonstration of successful resistance to an indecisive Moscow. This has contributed to the weakening of the Soviet-East European alliance system, in terms of the further erosion of its ability to coordinate policy.

* * *

Soviet-East European Alliance Weakened

(C) During the Czechoslovak crisis of 1968,² the Warsaw Pact (minus Romania) was able to chart a relatively cohesive political course. In contrast, events in Poland find the alliance floundering. The Soviets and their close allies have been unable to generate a consensus on the nature of and proper response to a mass Polish reform movement which has coopted part of the ruling communist party—in defiance of Moscow.

(C/NF) Not being able to contain the phenomenon, short of using force, the Soviet Union and its East European supporters find themselves forced into a begrudging acquiescence to the situation. This acquiescence has further hindered their ability to come to terms with the Polish challenge. As a result, and given all the usual problems besetting the alliance system:

—a follow-up Warsaw Pact summit to the one on Poland in December 1980 has not taken place, although it has been much rumored;

—an expected Warsaw Pact foreign ministers' meeting in Bucharest has been held up, initially by the Romanians, who did not want it to be used as a forum for pressuring the Poles, and now apparently by the Soviets;

—a Council for Mutual Economic Assistance (CEMA) summit of party chiefs, apparently agreed to in principle, cannot be scheduled; and

—the 1981 round of Crimean consultations between Brezhnev and the East European party heads (the Polish rulers aside) eschewed any public mention of Poland.

² Reference is to the Prague Spring. In 1968, the Czechoslovak Government, under the leadership of Alexander Dubcek, implemented economic reform. He encouraged greater popular participation in politics, and urged individuals, especially intellectuals, to submit proposals for additional changes throughout government. Proposals included a multiparty system, withdrawal from the Warsaw Pact, and neutrality in foreign policy, among others. Warsaw Pact countries became concerned, and in August, Soviet troops supported by other Warsaw Pact countries, entered Czechoslovakia. Czechoslovaks posed little resistance to the Soviet invasion. Documentation on the U.S. response to Dubcek's reforms and the Soviet invasion is in *Foreign Relations, 1964–1968*, vol. XVII, Eastern Europe.

In short, formal and informal processes of Soviet-East European political coordination appear to be in greater than usual disarray. At the same time, the economic chaos in Poland has further set back plan coordination and trade within CEMA.

(C) Moscow's uncertainties about how to handle Poland, given the need to balance Soviet primacy in Eastern Europe with wider USSR foreign policy interests, have heightened the deterioration. This has fed East European differences on the issue—above and beyond Romania's traditional reluctance to cooperate where infringements on independence could be involved. Hungary, for example, also has been reluctant to press the Polish issue, preferring that Warsaw be allowed to work out its problems: Budapest wants to avoid anything that might undo its own post-1956 political consensus.³

(C) With Moscow sending mixed signals, and Bucharest and Budapest seeking to limit Warsaw Pact involvement, the traditional hardliners in East Germany, Czechoslovakia, and Bulgaria have found themselves in something of a lonely vanguard. And even within this grouping, Bulgaria until recently has been surprisingly detached from the Polish question, apparently believing that those closer to the problem should deal with it more actively.

East European Image of Soviet Power Tarnished

(C) All of the East Europeans were surprised at the apparent impotence of Soviet power in dealing with events in Poland. None, however, are as dismayed as the "front-line" hardliners, East Germany and Czechoslovakia. The fact that they share borders with Poland of course plays a part. But the Kremlin's failure to act decisively to contain the Poles' heterodoxy must be particularly disconcerting to regimes whose own orthodoxy and power rest on Soviet backing. East Berlin and Prague, after the experiences of 1956 and 1968, have taken it as axiomatic that Moscow would never permit the emergence of a substantially liberalized model of communism in the heart of the Warsaw Pact, let alone one that in many of its features goes beyond what Yugoslavia has done.

(C) The fact that this "renewed" Polish communism raises serious questions about the role and reliability of the Polish Government and Armed Forces in Pact operations adds to the gravity of the situation as seen by Prague and East Berlin. The Kremlin's unwillingness to move decisively after Gdansk and its failure to dump Kania after the June 5

³ Reference is to the aftermath of the Hungarian Revolution that began in October 1956. Prime Minister Imre Nagy formed a multiparty government, withdrew from the Warsaw Pact, and demanded the withdrawal of Soviet troops. At the beginning of November, Soviet troops violently quashed the revolution. Janos Kadan became Prime Minister and General Secretary of the Hungarian Communist Party.

CPSU "warning" letter certainly have tarnished the East Europeans' view of Soviet political power.

(C/NF) Indeed, one of the more important impacts of Poland on Eastern Europe is the demonstration of successful resistance to an indecisive Moscow. Although this resistance has not yet spread into foreign policy, some East European observers believe that this is only a matter of time. Romania, for all of its own reservations about the Polish experiment, is beginning to see virtues in the potential anti-Soviet aspect of that development. Romanian Foreign Minister Andrei recently told a Western diplomat that his country looked forward to seeing an eventual assertion of Polish foreign policy independence, once party unity had been restored. The same hope has no doubt arisen among the Yugoslav leaders, who see in Poland not only a confirmation of the correctness of their own policies but a blow to the cohesion of the Soviet-East European alliance system and a severe setback for Moscow.

(C) The Eurocommunist parties also see Poland as a vindication of their advocacy of a more flexible and pluralistic, non-Soviet communist course. The entry of the French communists into coalition with the socialist government, which one Yugoslav leader has termed the first application of Eurocommunism, would seem to constitute further erosion of the Kremlin's ability to shape European communist developments. There is even some speculation that Poland, in the distant future, might function as a partner of the Eurocommunists, Romania, and Yugoslavia in thwarting Soviet hegemonic designs.

(C) *Poland: How Contagious?*

Nevertheless, Eastern Europe has thus far not proved very susceptible to the so-called "Polish contagion," although several of the regimes have acted as if it were:

—East Germany froze relations with the FRG and made cross-border travel with Poland extremely difficult.

—Czechoslovakia also clamped down on cross-border visits and apparently now intends to eradicate its Charter 77 dissident movement.⁴

—Hungary's Kadar made it clear that there are distinct limits to the regime's political tolerance and moved to contain those few individuals and groups who sought to test it.

—Romania's Ceausescu, having suppressed a Romanian free trade union movement in 1979 and confronting a restive citizenry, initially

⁴ Reference is to the Czechoslovak dissident group that sought to focus attention on human rights violations in Czechoslovakia. See *Foreign Relations, 1977-1980*, vol. XX, Eastern Europe, Document 110.

took a critical line on Polish developments but soon reverted to supporting Polish party autonomy.

—Nearly all the regimes have publicly emphasized, but not convincingly, their renewed concern for public opinion, trade union operations, worker-management relations, consumer supplies, party dialogues, etc.

In general, the ruling elites have moved reactively and preemptively—thus giving the edge to more hardline elements in their respective parties.

In one sense, such effort has probably been overdone, because there are few signs that East European populations—though they may share in varying degrees some of the problems that galvanized the Poles—have been inclined to follow the Polish example. The particular set of factors that facilitated the Polish revolt are not present to the same degree in the other East European states. No other East European state has had such a powerful competitor with the party as the Polish Catholic Church or such a militant and sophisticated working class and intelligentsia to give force and direction to popular alienation. Moreover, Poland's democratic disorder and economic deprivation are not enticing to most East Europeans—developments the regimes have been able to highlight to their own advantage. East Europeans also feel considerable resentment over aid to Poland. A Poland with its house in order might prove alluring in the long term, but the prospects for a Polish contagion, i.e., direct emulation of the emerging Polish political model, appear remote in the near term.

The ruling parties nonetheless realize that what has happened in Poland has begun to erode old certainties about the limits to change in Eastern Europe posed by Soviet ideological preferences and military power. The very existence of a reformed Poland, in the heart of the Warsaw Pact, demonstrates that a new political era is beginning, one in which East European perceptions about the feasibility of political change will be increasingly altered. This can only work, over time, to encourage restive elements—not necessarily to emulate Poland but to try to chart their own more nationalistic courses.

In any event, it seems probable that growing numbers of East Europeans will eventually seek to redefine elements in their respective political systems:

—Party members may be less inclined to accept the heretofore prevailing interpretation of “democratic centralism.”

—Intellectuals will be more taken with the possibilities for pluralism within a communist system and will agitate accordingly.

—Workers will be less inclined to go along with whatever the party and management decide and more apt to consider pressure tactics.

—Consumers will be less likely to endure prolonged periods of material deprivation without making their discontent known.

These changes will not happen overnight, and they will not emerge uniformly in Eastern Europe. Hungary, for example, is likely to experience more unrest with its intellectuals than is Romania, which will have to deal with sporadically irate workers and consumers. East Germany and Czechoslovakia are more likely to experience intra-party debate on the sensitive matters of economic reform and a greater role for technocrats in a period of economic recession. In nearly all cases, there is likely to be quiet, behind-the-scenes rethinking of the economic and political relationship with the USSR, particularly as, and if, the Soviets become more constrained, not just by Poland but by their own growing political and economic problems.

The outlook for Eastern Europe over the next several years, thus, is for greater domestic disequilibrium than would have been the case without the Polish crisis. The regimes will tend to become more inward looking and relations with Moscow more contentious and strained. Although the current leaderships seem secure for the moment, the intersection of economic problems with increasingly discontented populations might very well set off intra-party debates that could bring new figures to the fore—especially if leadership change is occurring in the Kremlin. Eastern Europe may not be swept by the Polish contagion *per se*, but creeping disorder there seems to be a strong prospect.

6. Memorandum From Paula Dobriansky of the National Security Council Staff to the President's Assistant for National Security Affairs (Clark)¹

Washington, January 22, 1982

SUBJECT

U.S.-East European Relations—Implications of Polish Crisis

In light of Polish developments and the current tenor of U.S.-Soviet relations, many East European countries as evidenced by intelligence reports and exchanges with respective Embassies, are uncertain and apprehensive as to the direction of U.S. policies toward Eastern Europe. Uncertainty sometimes can yield policy advantages and enhance one's bargaining leverage. Yet, there is a need for a coherent, comprehensive

¹ Source: Reagan Library, Paula J. Dobriansky Files, Europe, Eastern (General) (1). Confidential. Sent for action. Bailey and Stearman initialed their concurrence.

policy toward Eastern Europe. This policy should be flexible and reflect the legitimate differences which mark our relations with each East European country. Despite the diverse nature of our bilateral relations, there ought to exist some common guidelines in our policies toward Eastern Europe. The Administration endorsed the policy of differentiation promulgated in PD 21² and established compatible guidelines in the interagency East-West Study. Unfortunately, the East-West Study is still pending further NSC consideration and approval.

Polish events prompt a careful assessment of our relations with Eastern Europe. Specifically, with the imposition of tougher sanctions on the Soviet Union and/or Poland, to what extent should similar or supportive measures be applied to East European countries.³ East European sanctions should not be applied blindly. Rather, they should vary in intensity and severity contingent on the country's stance on the Polish crisis and the degree of assistance it has rendered Moscow. Consideration must also be given to the special relations which exist among our allies and East European countries. For example, any sanctions applied against East Germany, which has taken an extremely hard stance against Poland, would have to take into account the sensitivity of inter-German relations.

I recommend that an *ad hoc* East European Interagency Working Group be established to examine our future options toward Eastern Europe in light of prospective Polish developments. Once these options have been developed, they should be reviewed and considered within the Polish/Soviet sanctions monitoring group. Informally, both State and DOD have endorsed this idea.

Norm Bailey and Bill Streaman concur.⁴

Recommendation:

That you authorize me to call an *ad hoc* East European Interagency Working Group to determine options.⁵

That the proposed options be reviewed and considered within the Polish/Soviet sanctions monitoring group.⁶

² Reference is to Carter's "Policy Toward Eastern Europe," issued on September 13, 1977. See *Foreign Relations, 1977–1980*, vol. XX, Eastern Europe, Document 16.

³ Martial law was instituted in Poland on December 13, 1981. In response, Reagan imposed economic sanctions against Poland. See *Foreign Relations, 1977–1980*, vol. VII, Poland, 1977–1981.

⁴ Bailey and Streaman initialed above their names.

⁵ This recommendation was neither approved, nor disapproved.

⁶ This recommendation was neither approved, nor disapproved.

7. **Memorandum From the President's Assistant for National Security Affairs (Clark) to Secretary of State Haig, Secretary of the Treasury Regan, Secretary of Defense Weinberger, Secretary of Agriculture Block, Secretary of Commerce Baldrige, Director of Central Intelligence Casey, the Chairman of the Joint Chiefs of Staff (Jones), and the Director of the International Communication Agency (Wick)**¹

Washington, March 25, 1982

SUBJECT

NSSD 5-82 on Eastern Europe

The President has approved NSSD 5-82 on U.S. Policy Toward Eastern Europe initiated in connection with a review of PD-21.² It is requested that the interagency group produce a draft of an NSDD no later than Friday, April 30, 1982, for consideration by the National Security Council and approval by the President. (S)

FOR THE PRESIDENT:

William P. Clark

Attachment

National Security Study Directive Number 5-82³

Washington, March 25, 1982

U.S. POLICY TOWARD EASTERN EUROPE

Introduction

A review will be conducted of U.S. Policy Toward Eastern Europe. This National Security Study Directive establishes the Terms of Reference for the Review. (S)

Objectives of the Review

To determine whether or not the United States should differentiate in its policies between the countries of Eastern Europe and the Soviet

¹ Source: Department of State, Executive Secretariat, S/S Special Handling Restrictions Memos, 1979-1983, Lot 96 D 262, ES Sensitive, March 21-31, 1982. Secret; Sensitive. A copy was sent to Vice President Bush.

² See footnote 2, Document 6.

³ Secret; Sensitive.

Union on the one hand, and among the diverse countries of Eastern Europe on the other. To the extent that the answer is affirmative, the Review is to define to what end such a policy is to be pursued and by means of which instrumentalities. (S)

To produce an analysis of U.S. interests, objectives, the character of the threat to those interests, and policy recommendations for achieving our objectives for consideration by the National Security Council and, subsequently, for decision by the President. (S)

Scope of the Review

The Review will deal with the following subjects:

1. *The long-term objective of U.S. policy toward Eastern Europe*: is it to maintain regional stability in order to prevent the area from turning into a potential fulcrum of East-West confrontation, or is it to encourage processes which, in time, may loosen Moscow's hold on the region and lead to its reintegration into the European community. (S)

2. *The concept of "differentiation"*:

A. Should we pursue a policy of differentiation between the Soviet Union and its East European dependencies, and among the countries of Eastern Europe.

B. A discussion of the criteria to be employed in determining preferential treatment of individual East European countries:

—Relative independence from the Soviet Union in the conduct of foreign policy as manifested in the degree to which East European states resist associating themselves from Soviet foreign policy initiatives.

—Relative internal liberalization as expressed in a willingness to observe internationally recognized human rights and a degree of pluralism and decentralization in the political and economic spheres. (S)

3. *The balance sheet of "differentiation"*: an analysis of the past and current policies of "differentiation" by the U.S. and its Allies, with an assessment of the positive and negative results for U.S. policy in the region, U.S. relations with its Allies, and their impact on U.S.-Soviet relations. (S)

4. *Instruments for implementing differentiation*: The review will indicate the means which the United States can use to reward countries that meet its criteria and withhold rewards from those that do not.

A. *Economic*: an analysis of such instruments as MFN (annual and multi-annual), credits, IMF membership, concessional sales of food-stuffs, rescheduling of overdue loans, and technology transfer.

B. *Cultural*: scholarly and scientific exchanges, and the nature of information beamed to a given country.

C. *Political*: high level visits, activities in international fora (e.g., CSCE and the United Nations), and restrictions on consular and diplomatic personnel. (S)

The study will establish U.S. policy toward Eastern Europe and provide basic policy guidance for other studies of matters dealing with the region. (S)

5. *Allied cooperation*: What needs to be done to secure maximum Allied cooperation in the pursuit of our policies. (S)

6. *Regional aspects*: An analysis of the individual countries of Eastern Europe—Poland, East Germany, Czechoslovakia, Hungary, Romania, Bulgaria—with a view to determining to what extent they meet our criteria, where they seem to be heading, and what specific issues in their relations with the United States and the Western Alliance are likely to come up in the years immediately ahead that will bear on the policy of differentiation. U.S. policy toward Yugoslavia and Albania will also be treated, but in a separate context. (S)

Administration

Management of the NSSD 5-82 review will be the responsibility of an interagency review group that will report its findings not later than April 30, 1982. The review group will be chaired by the Department of State and will include Assistant Secretary-level representation from the National Security Council staff, the Department of Defense, the Central Intelligence Agency, the Joint Chiefs of Staff, the Treasury Department, the Department of Commerce, the International Communication Agency, and the Department of Agriculture. (S)

All matters relating to this NSSD will be classified SECRET or SECRET/SENSITIVE. Dissemination of this NSSD, subsequent study material, and the resulting draft NSDD will be handled on a strict need-to-know basis. (C)

Ronald Reagan

8. Study Prepared by the Ad-Hoc Interagency Group on
U.S. Policy Toward Eastern Europe¹

Washington, undated

I. U.S. POLICY TOWARDS EASTERN EUROPE:
EXECUTIVE SUMMARY

In accordance with the President's Directive of March 25,² an Interagency Group examined U.S. Policy Toward Eastern Europe. It is the Group's opinion that the primary long-term U.S. goal in Eastern Europe is to loosen Moscow's hold on the region, thereby leading to its eventual reintegration into the European community. The Group recognizes that Western influence in the region is limited by Moscow's willingness to use force against developments which threaten its vital interests (e.g., East Berlin, 1953;³ Hungary, 1956; Czechoslovakia, 1968; and Poland, 1981). Nevertheless, the Group feels that the *USG* can have an important impact on the region, provided it differentiates in its policies toward the Soviet Union and the Warsaw Pact countries of Eastern Europe by encouraging diversity through active political and economic policies tailored to individual countries. For example, a policy of differentiation:

- encourages liberalizing trends in the region,
- increases the region's economic dependence on the U.S.,
- helps advance human rights concerns,
- reinforces the already existing *pro-Western* orientation of the populace in Eastern Europe,
- adversely impacts on Warsaw Pact military preparedness.

The Group also reviewed an alternative policy of non-differentiation which would call upon the *USG* and our Allies to minimize political and economic contacts with the region. The Group rejected this approach on the grounds that such a policy would seriously limit Eastern Europe's freedom of action vis-a-vis the USSR and result in increased Soviet hegemony in the region.

¹ Source: Reagan Library, Paula J. Dobriansky Files, US Policy toward EE: NSDD 52 (2). Secret; Sensitive.

² See Document 7.

³ Reference is to the East German Uprising. In June 1953, workers in East Berlin protested the government's demand for greater productivity. The uprising spread quickly with nearly a million East German workers joining in a few days. The Soviet occupation forces instituted martial law and used force to suppress the rioting.

In implementing a policy of differentiation, the Group agreed that the U.S. should follow a course of carefully discriminating in favor of countries which:

—show *relative independence* from the Soviet Union in the conduct of foreign policy as manifested in the degree to which they resist associating themselves with Soviet foreign policy objectives; or

—show a *greater degree of internal liberalization* as expressed in a willingness to observe internationally recognized human rights, and a degree of pluralism and decentralization in the political and economic spheres.

It was also the Group's conclusion that states which *fail to show internal or external independence should be treated essentially as we treat the USSR*. The Group also concluded that to be effective, a policy of differentiation must be carefully calibrated. For example, those countries less involved in support of Soviet foreign policy should be treated more favorably than those which vigorously back up Moscow in its policies around the world. Instruments for implementing differentiation include:

- MFN
- IMF Membership
- Concessional Sales of Foodstuffs
- Debt Rescheduling
- Cultural and Scholarly Exchanges
- Scientific Exchanges
- High Level Visits, Ship Visits, Consultations
- International Organizations.

Finally, the Group noted that in the past too little attention has been focused on negative differentiation. To be credible, *those countries which do not show visible signs of progress should be penalized*. We cannot assume that U.S. concessions will bring about greater independence on the part of these countries. *Such rewards must be earned*.

[Omitted here is the rest of the study.]

9. Summary of Conclusions of a Senior Interagency Group Meeting¹

Washington, May 3, 1982, 10:05 a.m.

SUBJECT

Policy toward East Europe (NSSD 5–82)

Summary of Conclusions

The SIG on East Europe Policy met to review the proposed National Security Decision Directive corresponding to NSSD 5–82.² Revisions to the text were offered by CIA on the subject of technology transfer,³ Defense on the case-by-case consideration of differentiation criteria,⁴ and the Joint Chiefs on the characterization of U.S. treatment of the U.S.S.R. as the baseline for a differentiation policy.⁵ The SIG accepted the revisions and undertook to make suitable conforming changes in the background documents.

Defense expressed its view that the background paper on technology transfer required further work.⁶ A reservation to that effect will be footnoted on the background paper.

Treasury reserved its position on the NSDD. While the SIG revisions partially met Treasury's concerns, the Treasury representative was unable to confirm approval. The SIG chairman invited Treasury to submit its final views, either an approval or a dissenting footnote to the NSDD, by COB May 3 if possible.

¹ Source: Central Intelligence Agency, Office of the Director of Central Intelligence, Job 84B00049R: Subject Files (1981–1982) Box 5, Folder 106: SIG Meeting re: Eastern Europe, 3 May 82. Secret. The meeting of Senior Interagency Group No. 22 took place in Stoessel's conference room at the Department of State. A list of participants was attached but not printed.

² The draft NSDD was sent to the members of the senior interagency group under an April 30 covering memorandum from Bremer and is in the National Security Council, NSC Institutional Files, NSSD 05–82.

³ The CIA revisions laid out in a memorandum for the record, April 27, are in the Central Intelligence Agency, Office of the Director of Central Intelligence, Job 90B01013R: Policy Files (1981–1988), Box 3, Folder L–109: NSDD 5–82 (US Policy Toward Eastern Europe) 25Mar82–19Jul82.

⁴ The Department of Defense's revisions are attached to the briefing packet for the final ad hoc meeting, sent by Davis under cover of a May 18 memorandum, and are located in the Reagan Library, European and Soviet Affairs Directorate Files, Eastern Europe, US Policy Toward NSSD 5–82; NSDD 54 (4).

⁵ Not found.

⁶ Not found.

Action Requirements

1. State undertook to incorporate the SIG-approved revisions and Treasury's opinions when submitted in the NSDD and background package. The package will then be forwarded to the NSC.

2. Treasury undertook to provide clearance or written dissent as early as possible, with a target of COB May 3.

10. Memorandum From the Assistant Secretary of the Treasury for International Affairs (Leland) to the Under Secretary of State for Political Affairs (Eagleburger)¹

Washington, May 3, 1982

SUBJECT

East-West Differentiation

I have reviewed the draft decision memorandum on differentiation which was discussed at a SIG on Monday, May 3, 1982.² I continue to have serious reservations about this paper and do not believe that it should be forwarded to the President in its current state.

My major concern is that the paper does not clearly inform the President as to whether the policy which is being recommended is any different from that which successive administrations have applied over the last ten years. If it is, the paper should analyze what these differences are and what policy objectives we can expect to achieve vis-a-vis the status quo in Eastern Europe that resulted from the December crackdown in Poland. If the policy being recommended is not different, the paper should clearly say so and why.

In this connection, I am also concerned that the paper does not analyze the extent to which the policy of differentiation has indeed made a difference in terms of individual Eastern European countries' undertaking policies which are favorable to the United States and the West. If the proponents of differentiation feel so strongly that it has had an impact, the President should be made fully aware of the examples that support this case. Some stress is placed on Poland, but the discussion

¹ Source: Reagan Library, European and Soviet Affairs Directorate Files, Eastern Europe, US Policy Toward NSDD 5-82; NSDD 54 (4). No classification marking. A copy was sent to Under Secretary of State for International Security Affairs Buckley.

² See Document 9.

of it is unbalanced insofar as the money we sank into it is not factored into the costs. If it were, Poland would be a two-edged sword as a case study of the application of differentiation. Moreover, an argument can be made that providing Eastern European countries with the benefits accorded to other Western countries—e.g., MFN, official loans, etc.—relieves the Soviet Union of the necessity to provide resources to them at the margin. This case is mentioned but not really developed. I think the President would benefit from having this case spelled out and analyzed more fully.

Thus, we are left with the situation whereby “differentiated” Eastern European states obtain the benefit of resource flows from the West as well as access to the West’s trade and credit facilities. Yet there is no question that they remain—and will continue to remain—members of the Warsaw Pact. Is this in our interests? This is what the paper should be addressing in the context of continuation of the status quo. It never comes to grips with this issue.

Finally, I would hesitate to seek a policy determination on this issue at a time when the Buckley initiative is still underway.³ It does not seem to me that we should be putting forward this issue until such time as we see more clearly what the results of that initiative are. It follows that the President should not be asked to make a decision of this nature until all the relevant factors—of which the Buckley mission is just one—have been carefully weighed and analyzed.

³ In March 1982, Under Secretary Buckley visited Western European countries to consult with allies on restricting loans to the Soviet Union. See *Foreign Relations, 1981–1988*, vol. III, Soviet Union, January 1981–January 1983, Documents 145, 146, and 152.

11. Summary of Conclusions of a Senior Interagency Group Meeting¹

Washington, June 1, 1982, 12:40 p.m.

SUBJECT

Review of NSDD and Related NSSD-5 Documents

Summary of Conclusions

The SIG discussed interagency differences of view regarding the draft NSDD and related papers on differentiation.² In the category of general criticisms, Treasury reiterated its position that the study left unclear whether and how the proposed policy departed from existing practices.³ Treasury stated that the study overemphasized the positive impact of differentiation and failed to mention the East European interest in the policy. OSD objected to the use of US-Soviet policy as the baseline for differentiation and the absence of an explicit reference to Jackson-Vanik. Commerce supported certain of Treasury's views and urged a clarification of the effect of the new policy on technology transfer decisions.

The SIG then turned to specific issues. On technology transfer, OSD and Commerce proposed differing revisions. On trade unions, OSD agreed to drop its request that free trade unions be cited as an example of liberalization. On credits, Treasury proposed an explicit link to IMF criteria. On scientific exchanges, Commerce requested language to cover technology diversion but a suitable formulation was not agreed. On MFN, OSD requested stronger language. On credits policy, OSD argued that the policy should be left open until the results of the Versailles Summit⁴ were known. State suggested and the SIG accepted a more precise reference to "Warsaw Pact countries of Eastern Europe" in the lead paragraph of the NSDD.

¹ Source: National Security Council, NSC Institutional Files, NSSD 05-82. Secret; Nodis. Drafted on June 4. The meeting of Senior Interagency Group No. 22 took place in Stoessel's conference room at the Department of State. A list of participants was attached but not printed.

² The briefing packet for this meeting is attached to a May 27 memorandum from Bremer in the Central Intelligence Agency, Office of the Director of Central Intelligence, Job 84B00049R: Subject Files (1981-1982), Box 5, Folder 108: SIG Meeting re: Eastern Europe Policy 1 Jun 82.

³ See Document 10.

⁴ Reference is to the G-7 Summit held in Versailles, June 4-6.

Action Requirements

1. Treasury and OSD undertook to work out a joint alternative formulation on sections of the NSDD they deemed inadequate. This work was to be submitted to the SIG by COB June 2.

2. Commerce and State undertook to work out joint language on technology transfer, with OSD to write counter language, by COB June 2. If State could not agree with the joint State-Commerce language, both Commerce and OSD versions would be footnoted in the text and State would adhere to its prior clearance of the existing language.

3. Commerce agreed to produce a revision in the section on scientific exchanges.

4. Treasury agreed to produce a revision in the section on debt.

5. OSD agreed to produce a revision on MFN and Jackson-Vanik.

All of the above papers were to be submitted by COB June 2.

L. Paul Bremer, III⁵
Executive Secretary

⁵ Alvin Adams signed above this typed signature.

12. Draft National Security Decision Directive¹

Washington, undated

UNITED STATES POLICY TOWARD EASTERN EUROPE²

I have reviewed the interagency report on United States policy toward the Warsaw Pact countries of Eastern Europe.³ I have determined that the primary long-term U.S. goal in Eastern Europe is to

¹Source: Central Intelligence Agency, Office of the Director of Central Intelligence, Job 84B00049R: Subject Files (1981–1982), Box 3, Folder 59: NSC Meeting re: US Policy Toward Eastern Europe, 21Jul82. Secret; Sensitive. The draft NSDD was sent to NSC members under a July 19 covering memorandum for review prior to the July 21 NSC meeting. For the final version of the NSDD, see document 18.

² In this NSDD Eastern Europe refers to Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania. Yugoslavia will be the subject of a separate NSDD. Given Albania's seeming disinterest in a viable relationship with the U.S. at this time, and its non-membership in the Warsaw Pact, it does not merit inclusion in this NSDD or a separate study. [Footnote is in the original.]

³See Document 8.

loosen the Soviet hold on the region and thereby facilitate its eventual reintegration into the European community of nations. Western influence in the region admittedly is limited by Moscow's willingness to use force against developments which threaten what it perceives as its vital interests in the region. The United States, however, can have an important impact on the region, provided it continues to differentiate in its policies toward the Soviet Union and the Warsaw Pact countries of Eastern Europe, and among the countries of Eastern Europe, so as to encourage diversity through political and economic policies tailored to individual countries. While the impact of differentiation in some cases may be marginal, it offers the best vehicle for achieving the primary U.S. goal of weakening overall Soviet control in the region. In implementing this policy, the baseline for comparison will be our policy toward the Soviet Union.

Differentiation will aim at:

- Encouraging more liberal trends in the region.
- Furthering human and civil rights in East European countries.
- Reinforcing the pro-Western orientation of their peoples.
- Lessening their economic and political dependence on the USSR and facilitating their association with the free nations of Western Europe.
- Undermining the military capabilities of the Warsaw Pact.
- Encouraging more private market-oriented development of their economies, free trade union activity, etc.

This policy represents a continuation of differentiation toward Eastern Europe which has been U.S. policy for nearly 20 years. The fundamental objectives of differentiation remains the same as in the past. In implementing differentiation, we will proceed cautiously fully cognizant of our limitations, including budgetary ones.⁴

In implementing its policy, the U.S. will calibrate its policies to discriminate carefully in favor of governments which:

- Show relative independence from the Soviet Union in the conduct of foreign policy as manifested by the degree to which they resist associating themselves with Soviet foreign policy objectives and support or refrain from obstructing Western objectives; or
- Show relatively greater internal liberalization as manifested in a willingness to observe internationally recognized human rights and

⁴ Treasury, OSD, and Commerce prefer: "While the fundamental objectives of differentiation remain the same as in the past, its implementation will differ in that we will proceed more cautiously and with a clearer sense of our limitations, including budgetary ones." [Footnote is in the original.]

to pursue a degree of pluralism and decentralization, including a more market-oriented economy.

The U.S. Government will consider each factor to an appropriate degree on a case-by-case basis. States that fail to show internal or external independence should be treated essentially as we treat the USSR. U.S. concessions should be in exchange for concrete actions demonstrating independence. Rewards must be earned. In addition, we will carefully tailor our rewards in order to minimize benefits to the Soviet Union.⁵

The U.S. Government will employ commercial, financial, exchange, informational, and diplomatic instruments in implementing its policy toward Eastern Europe to include the following:

—Most-Favored-Nation (MFN) Status. MFN status will be exploited consistently with U.S. law and policy objectives when the states of Eastern Europe are responsive to our concerns on such issues as family reunification and human rights (including freer emigration). Our actions in this regard will depend on the readiness of the relevant East European government to enter with us into a constructive bilateral relationship.

—Credit Policy. Access to private and official Western capital is a key asset for the economic development of Eastern Europe. The U.S. Government extends financing which benefits Eastern European countries as well as U.S. trade interests through a number of programs. In deciding on the extension of such financing, we will take into account U.S. political and security objectives within the framework of U.S. law, agencies' regulations, and economic criteria on a case-by-case basis. We will seek to avoid situations in which reverse leverage related to the overextension of credit could be exerted by the debtor country.

—International Monetary Fund (IMF) membership. It has long been U.S. policy to support the membership in the IMF of any country which is prepared to accept the obligations of Fund membership. The U.S. will continue to place economic and financial factors first among other decision criteria when considering IMF membership in individual cases; we will also continue to judge applications on a case-by-case basis, giving due weight to political and security factors when considering when countries, particularly those in Eastern Europe, can be expected to meet the obligations of Fund membership fully and without reserve.

⁵ Treasury and Commerce favor the addition here of the following sentence: "Finally, there will be a presumption that countries we select to favor should be treated no better than any other country with which we maintain friendly relations." [Footnote is in the original.]

—Debt Rescheduling. U.S. policy is to extend debt relief only when it is necessary as a financial measure to ensure repayment and when the debtor country embarks on an economic/financial stabilization program designed to rectify the country's financial position. Normally, we expect such a program to be supported by an agreed regimen of conditionality. In addition to these financial criteria, political and security objectives will continue to be given due weight in reaching a final decision on rescheduling the debts of Eastern European countries.

—Technology Transfer and Export Controls. U.S. strategic concerns will remain paramount. Since there is a high probability that technology legally sold to any Eastern European country other than Romania will be passed on to the Soviet Union, it will not be possible to differentiate in the provision of COCOM-controlled production and process technology. However, a cautious U.S. policy on the sale of end products can be a facet of a differentiated policy toward Eastern Europe.⁶

—Cultural and Educational Exchange and Informational Programs. Such programs will be employed to reinforce the pro-Western orientation of the populace in Eastern Europe, and communicate U.S. views to audiences there.

—Scientific Exchanges. Through exchanges and increased interactions, the USG will continue to work to reinforce the Western orientation of East European scientific-technical elites. Scientific exchanges will continue to be subject to our strategic concerns with technology transfer and diversions.

—High Level Visits, Ship Visits and Consultations. Such actions provide an opportunity to show U.S. support—or by their absence, lack of support—for an individual country's policies.

—International Organizations. International fora will be exploited particularly for negative differentiation, to focus world attention on actions by the Soviet Union and Eastern European states which violate internationally recognized human rights or norms of international behavior.

⁶ Commerce prefers the following language on Technology Transfer and Export Controls: "The U.S. should maintain a differential technology transfer licensing policy toward those Eastern European countries engaged in conduct clearly favorable to U.S. foreign policy interests. Strong consideration should be given to approval of those products and technologies which are on the COCOM list or which are unilaterally controlled by the U.S. provided it can be demonstrated that such action would not damage strategic trade controls or prejudice U.S. efforts to restrict technology exports to Soviet defense priority industries. In view of the close integration of Warsaw Pact economies as well as the likelihood that products and technologies which can be diverted will be diverted, a differential licensing policy must be carefully tailored to achieve maximum U.S. foreign policy gains and cautiously implemented to minimize any adverse consequences to U.S. national security." [Footnote is in the original.]

—Restrictions on Eastern European Diplomats and Consular Personnel. Restrictions provide a means of regulating the number and activities of Eastern European diplomats in the United States in accordance with our approval or disapproval of the sending country's actions. Use of this tool will be considered in the context of reciprocal actions and their impact upon U.S. security and other interests.

13. Draft Minutes of a National Security Council Meeting¹

Washington, July 21, 1982, 11:30 a.m.–12:20 p.m.

SUBJECT

United States Policy Toward Eastern Europe

PARTICIPANTS

The President

State

Secretary George Shultz

OSD

Secretary Caspar W. Weinberger

Treasury

Secretary Donald T. Regan

Commerce

Secretary Malcolm H. Baldrige

OMB

William Schneider, Jr.

CIA

Director William J. Casey

USUN

Ambassador Jeane J. Kirkpatrick

JCS

Acting Chairman

Admiral James Watkins

White House

Mr. Edwin Meese III

Mr. James A. Baker III

Mr. William P. Clark

Mr. Richard Darman

Mr. Robert C. McFarlane

The Vice President's Office

Admiral Daniel J. Murphy

U.S. Trade Representative

Amb. William E. Brock

Minutes

Judge Clark opened the meeting with an introduction of the issue and the topics to be discussed.²

¹ Source: Reagan Library, Executive Secretariat, NSC Meeting Files, NSC00056, July 21, 1982 [Eastern Europe, Poland]. Secret; Sensitive. The meeting took place in the Cabinet Room. The final version of the minutes was not found. No drafting information was included on the draft minutes.

² The topic of the meeting was the draft NSDD on Eastern Europe, see Document 12.

Secretary Shultz stated that it was important that the United States recognize measures toward liberalization in East European countries, whether these be reflected in domestic or foreign policies. The point should be that while we may not approve of all actions by these countries, it is in our interest to take measures to encourage liberalization wherever possible.

*Secretary Baldrige*³ stated that with respect to technology transfer, he had a problem. The paper under consideration draws a distinction between technology sold to East European countries versus end products—the former being considered as more easily transferable than the latter. Secretary Baldrige maintained that that was not the case. He proposed alternative language which would remove the distinction between technology transfer and the transfer of end products.

Secretary Baldrige also opposed the singling out of Romania while he acknowledged that their record has been good in not transferring technology to Moscow, that could change and as a consequence, we should not establish as a matter of policy that they should be excluded.

Secretary Regan stated that he did not believe it was clear that Romania had had such a good record and that he knew of no evidence to document that. With respect to the matter of distinguishing between technology and end products, Secretary Regan stated that he was extremely leery about transferring technology to the Soviets and would tend toward a more conservative approach.

Secretary Baldrige noted that there is indeed strong evidence that Romania has not been guilty of technology transfer violations. He cited cases in which they had held sensitive technology for more than ten years without compromising it.

Ambassador Kirkpatrick agreed that Romania deserves special consideration. She noted that Romania does not pursue as independent a policy line as does Yugoslavia but that it has consistently preserved a measure of independence from the Soviet Union with respect to foreign affairs. She cited the Romanian position on the Afghanistan sanctions (Romania abstained).

Ambassador Brock expressed his agreement with Secretary Baldrige that Romania had had a good record; still he believed that it was more proper to focus upon a particular country's internal policies. In that regard, he noted that Hungary and Czechoslovakia pursued more liberal internal policies than does Romania.

³ NOTE: The issue being considered here is the language at the top of page 4 of the paper in the first paragraph. The question is whether to adopt the language as written or the footnote at the bottom of the page. [Footnote is in the original.]

Director Casey expressed his agreement with Secretary Regan to the effect that all East European countries have close relationships with the USSR and do indeed transfer technology to her.

Secretary Weinberger expressed his agreement with the majority language and against the footnote.

Secretary Baldrige again made his point that the language in the basic text on page 4 suggests that it is easier to transfer⁴ technology than it is to transfer an end item and that that simply is not true. Consequently in his judgment, no distinction should be drawn between the two.

Secretary Shultz maintained that there can be a difference between technology and end products. In his judgment that is what the paragraph stated. He would agree, however, to an addition to the paragraph by continuing after the last sentence with the following words “. . . provided such sale will not prejudice U.S. efforts to strengthen the COCOM system.” Secretary Shultz added that the President’s Ottawa initiative⁵ is getting results and that we should assure that this work continues.

Secretary Shultz stated as a separate matter that it was his understanding that if a particular technology was proscribed by COCOM controls, that it would not be transferred to an East European country.

Secretary Baldrige agreed with that interpretation.

Director Casey asked whether if a particular technology were not COCOM controlled, could it still be restricted under this policy.

Ambassador Brock stated that it could under the terms of the proposed policy. All nodded in agreement.

Mr. Meese clarified matters by stating that this proposed policy does not require a particular outcome except with respect to items restricted under the COCOM rules; rather the policy is designed to simply say that we will differentiate in our trade policy toward East European countries.

Secretary Shultz made the point that we should not apply this policy retroactively and all nodded in the affirmative.

At this point *Judge Clark* urged that the group turn its attention to page 2 and consider the first alternative footnote.⁶ He requested Secretary Regan’s comment.

⁴ An unknown hand inserted the words “to transfer” here.

⁵ Reference is to the G-7 Summit in Ottawa, July 19–21. In his statement at the conclusion of the summit, President Reagan said that he was grateful for the summit participants’ “degree of understanding and support for the economic policies we’re embarked upon in the United States. We have also resolved that we shall resist protectionism and support an open, expanding system for multilateral trade.” (*Public Papers: Reagan*, 1981, p. 639) See also *Foreign Relations, 1981–1988*, vol. I, Foundations of Foreign Policy, Document 57.

⁶ See footnote 4, Document 12.

Secretary Regan stated that he preferred the footnote. He referred to a recent article in the *Wall Street Journal* by Herb Stein which supported his point that in no case should it be our policy to provide more favorable treatment to an East European country than to countries considered friendly in other areas.⁷ He believed that this was made clear in the second footnote.⁸

Secretary Shultz said that he had no great problem with the second footnote⁹ although it would create certain difficulties when, for example, we consider our PL-480 allocations and the credits which go with them.¹⁰

Secretary Weinberger stated he had a slight preference for the footnote language but did not feel strongly about it.

Secretary Shultz stated that with respect to the second footnote, he felt strongly that each country had to be considered on its merits and that all could not be treated the same.

Mr. Meese asked whether we could not state it is our policy that they would all be treated in the same way.

*Secretary Regan*¹¹ stated that he did not feel strongly about it as long as all concerned understood that the intent of his alternative was to prevent our routinely providing East European countries with more favorable treatment than that enjoyed by our friends elsewhere. All nodded approval.

Judge Clark then summarized by saying that the first footnote would be adopted but that the second one would not.

Ambassador Kirkpatrick stated that she would have to oppose the language in the second footnote. She added, however, that the principle expressed in it is important and that perhaps it could be rephrased. Her point was that we might feel one way toward a Polish default on credits and quite another way toward a Sudanese default on credits.

Secretary Regan stated that he thought the press release was a bad idea to the extent that it could appear as a lure to the Polish authorities leading up to Polish National Day and even beyond and that this was the wrong signal to send.

Secretary Shultz agreed and stated that he did not anticipate that the actions which Poland would take would be all that significant.

⁷ See Herbert Stein, "George Shultz and Foreign Policy," *Wall Street Journal*, July 14, 1982, p. 28.

⁸ An unknown hand crossed out the word "first" and inserted "second" above it.

⁹ An unknown hand crossed out the word "first" and inserted "second" above it.

¹⁰ Reference is to the Agricultural Trade and Development Assistance Act of 1954 (PL 480), which established the Food for Peace program.

¹¹ An unknown hand drew an arrow from "Secretary Regan" to indicate that the paragraph should directly follow the previous sentence.

Secretary Regan agreed and stated that for that reason no press release should be made.

Judge Clark then polled the group and all agreed that no press release should be made. At this point the meeting was concluded.

14. Memorandum From the Assistant Secretary of Commerce for Trade Administration (Brady) to Richard Pipes of the National Security Council Staff¹

Washington, July 29, 1982

SUBJECT

NSDD Differentiation paper

The concern Commerce has on the NSDD differentiation for Eastern Europe is not of a philosophical nature but rather practical concerns relating to the effect of the NSDD language on existing projects and how it may undermine the President's directive to strengthen high technology controls in nine defense priority industries.

To take the latter point first:

1. If there is total prohibition on COCOM controlled technology being exported to Eastern Europe, it is our view that the internal U.S. government deliberations to arrive at a negotiating position on what technology should be put under control will have an additional factor dividing the agencies—namely that if it is put under control it will not be allowed to go to Eastern Europe, etc. etc. We can foresee inter-agency disagreement multiplying as a result of the total prohibition, with State balking at putting new technologies under COCOM control, not because these shouldn't be there from the standpoint of the Soviet Union but rather because of the prohibition on Eastern Europe.

2. I am attaching a list of projects which would have to be terminated if the draft NSDD language stands because the technology is already under COCOM control or will be as a result of proposals now pending in COCOM.²

3. The real differentiation for Eastern Europe that the Eastern Europeans are truly concerned about, and which in fact gives us leverage

¹ Source: National Security Council, NSC Institutional Files, NSDD 0054. Secret.

² Not found attached.

and may fulfill the aims of differentiating, is in the technology, and not the equipment area. Eastern Europe wants to industrialize. They want the turnkey plants, the know-how and not only end use equipment.

4. Although the NSDD mentioned Romania apparently as an exception to the prohibition I can assure you that it will not be so interpreted by agencies of this government who will insist that the wording of the NSDD was simply using Romania as an example of a place where we are less concerned about diversion and not that Romania was to be excluded from the prohibition.

For all of these reasons, we feel that Commerce language is far superior to what was in the draft NSDD.

15. Memorandum From Richard Pipes of the National Security Council Staff to the President's Assistant for National Security Affairs (Clark)¹

Washington, August 5, 1982

SUBJECT

Revision of NSDD on Eastern Europe

Larry Brady came over this morning and we worked out a text of the Technology Transfer section which satisfies Commerce.² I subsequently called Eagleburger, and he found it personally acceptable. State is now studying its implications and also getting in touch with all the agencies that participated in the drafting of this NSDD. We should have an answer in a week. My impression is that Commerce's proposal will not get broad support and will encounter strong opposition from Defense and CIA. I will send you the final results in ten days or so.

¹ Source: Reagan Library, Executive Secretariat, NSC National Security Decision Directives (NSDD) Files, NSDD 54 9/2/1982. Secret. Sent for information. "WPC has seen" is stamped at the top of the memorandum.

² Baldrige outlined the differences between the NSDD language and the Commerce language in a memorandum he sent to Clark on July 29: "The draft NSDD and the Commerce proposal differ on one key point: that is whether to differentiate on transfer of controlled technology to individual countries in Eastern Europe (Commerce proposal) or whether there should be an across-the-board prohibition, with the sole exception of Romania (draft NSDD). There is agreement to differentiate with respect to end products, as distinct from technology." (Reagan Library, European and Soviet Affairs Directorate Files, Eastern Europe, US Policy toward NSDD 5-82; NSDD 54-09/02/81 (3))

16. Memorandum From Richard Pipes of the National Security Council Staff to the President's Assistant for National Security Affairs (Clark)¹

Washington, August 20, 1982

SUBJECT

NSSD on Eastern Europe

This is to bring you up to date on my negotiations with State, Commerce, and Defense on a mutually satisfactory language to define our policy on Technology Transfer in the NSSD on Eastern Europe. On August 16, I met with Lawrence Brady and Richard Perle to discuss the subject. With Norman Bailey's assistance we found a formula that satisfied them both. I then checked with State and it found this formula unacceptable. At present, State (John Scanlan) is negotiating with Commerce (Brady). If a mutually agreeable formula is found, we will be out of the woods. If not, NSC staff will have to make a decision between the original text, as accepted by the National Security Council, and the Commerce version, because the agencies involved are split evenly (5:5) between the two.²

¹ Source: Reagan Library, Executive Secretariat, NSC National Security Decision Directives (NSDD) Files, NSDD 54 9/2/1982. Secret. Sent for information. Copies were sent to Bailey and Stearman.

² At the bottom of the memorandum, Clark wrote "8/21/82 let's decide—WPC." An unknown hand wrote in response, "8/23—Did you discuss w/ Pipes when you returned his call? [initials illegible]." A different unknown hand wrote below this, "8/26 yes, per WC."

17. Memorandum From Richard Pipes of the National Security Council Staff to the President's Assistant for National Security Affairs (Clark)¹

Washington, August 26, 1982

SUBJECT

NSDD on Eastern Europe

As State and Commerce were unable to agree upon mutually satisfactory language to define our policy on Technology Transfer in the NSDD on Eastern Europe, I recommend that the original text at Tab A be used.²

State, Defense and Norman Bailey concur with this decision.³

Recommendation

That you forward the memorandum at Tab I to the President with the text of the NSDD.⁴

¹ Source: Reagan Library, Executive Secretariat, NSC National Security Decision Directives (NSDD) Files, NSDD 54 9/2/1982. Secret. Sent for action. Copies were sent to Dobriansky and Stearman. "Signed" is stamped at the top of the memorandum.

² Not found attached. See Document 12.

³ Bailey initialed his concurrence above his name.

⁴ The "Approve" option was checked. Underneath the recommendations and written in an unknown hand, is the notation "9/1/82 WPC s/memo to Pres. Copy will be Dacom'ed to Pres." The memorandum to Reagan, who was at his ranch in California August 26–31, was not found attached.

18. National Security Decision Directive 54¹

Washington, September 2, 1982

UNITED STATES POLICY TOWARD EASTERN EUROPE² (S)

I have reviewed the interagency report on United States policy toward the Warsaw Pact countries of Eastern Europe.³ I have determined that the primary long-term U.S. goal in Eastern Europe is to loosen the Soviet hold on the region and thereby facilitate its eventual reintegration into the European community of nations. Western influence in the region admittedly is limited by Moscow's willingness to use force against developments which threaten what it perceives as its vital interests in the region. The United States, however, can have an important impact on the region, provided it continues to differentiate in its policies toward the Soviet Union and the Warsaw Pact countries of Eastern Europe, and among the countries of Eastern Europe, so as to encourage diversity through political and economic policies tailored to individual countries. While the impact of differentiation in some cases may be marginal, it offers the best vehicle for achieving the primary U.S. goal of weakening overall Soviet control in the region. In implementing this policy, the baseline for comparison will be our policy toward the Soviet Union. (S)

Differentiation will aim at:

- Encouraging more liberal trends in the region.
- Furthering human and civil rights in East European countries.
- Reinforcing the pro-Western orientation of their peoples.
- Lessening their economic and political dependence on the USSR and facilitating their association with the free nations of Western Europe.
- Undermining the military capabilities of the Warsaw Pact.
- Encouraging more private market-oriented development of their economies, free trade union activity, etc. (S)

This policy represents a continuation of differentiation toward Eastern Europe which has been U.S. policy for nearly 20 years. While

¹ Source: Reagan Library, Executive Secretariat, NSC National Security Decision Directives (NSDD) Files, NSDD 54 9/2/1982. Secret.

² In this NSDD Eastern Europe refers to Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania. Yugoslavia will be the subject of a separate NSDD. Given Albania's seeming disinterest in a viable relationship with the U.S. at this time, and its non-membership in the Warsaw Pact, it does not merit either inclusion in this NSDD or a separate study. (C) [Footnote is in the original.]

³ See Document 8.

the fundamental objectives of differentiation remain the same as in the past, its implementation will differ in that we will proceed more cautiously and with a clearer sense of our limitations, including budgetary ones. (S)

In implementing its policy, the U.S. will calibrate its policies to discriminate carefully in favor of governments which:

—Show relative independence from the Soviet Union in the conduct of foreign policy as manifested by the degree to which they resist associating themselves with Soviet foreign policy objectives and support or refrain from obstructing Western objectives; or

—Show relatively greater internal liberalization as manifested in a willingness to observe internationally recognized human rights and to pursue a degree of pluralism and decentralization, including a more market-oriented economy. (S)

The U.S. Government will consider each factor to an appropriate degree on a case-by-case basis. States that fail to show internal or external independence should be treated essentially as we treat the USSR. U.S. concessions should be in exchange for concrete actions demonstrating independence. Rewards must be earned. In addition, we will carefully tailor our rewards in order to minimize benefits to the Soviet Union. (S)

The U.S. Government will employ commercial, financial, exchange, informational, and diplomatic instruments in implementing its policy toward Eastern Europe to include the following:

—Most-Favored-Nation (MFN) Status. MFN status will be exploited consistently with U.S. law and policy objectives when the states of Eastern Europe are responsive to our concerns on such issues as family reunification and human rights (including freer emigration). Our actions in this regard will depend on the readiness of the relevant East European government to enter with us into a constructive bilateral relationship. (S)

—Credit Policy. Access to private and official Western capital is a key asset for the economic development of Eastern Europe. The U.S. Government extends financing which benefits Eastern European countries as well as U.S. trade interests through a number of programs. In deciding on the extension of such financing, we will take into account U.S. political and security objectives within the framework of U.S. law, agencies' regulations, and economic criteria on a case-by-case basis. We will seek to avoid situations in which reverse leverage related to the overextension of credit could be exerted by the debtor country. (S)

—International Monetary Fund (IMF) membership. It has long been U.S. policy to support the membership in the IMF of any country which is prepared to accept the obligations of Fund membership.

The U.S. will continue to place economic and financial factors first among other decision criteria when considering IMF membership in individual cases; we will also continue to judge applications on a case-by-case basis, giving due weight to political and security factors when considering whether countries, particularly those in Eastern Europe, can be expected to meet the obligations of Fund membership fully and without reserve. (S)

—Debt Rescheduling. U.S. policy is to extend debt relief only when it is necessary as a financial measure to ensure repayment and when the debtor country embarks on an economic/financial stabilization program designed to rectify the country's financial position. Normally, we expect such a program to be supported by an agreed regimen of conditionality. In addition to these financial criteria, political and security objectives will continue to be given due weight in reaching a final decision on rescheduling the debts of Eastern European countries. (S)

—Technology Transfer and Export Controls. U.S. strategic concerns will remain paramount. Since there is a high probability that technology legally sold to any Eastern European country other than Romania will be passed on to the Soviet Union, it will not be possible to differentiate in the provision of COCOM-controlled production and process technology. However, a cautious U.S. policy on the sale of end products can be a facet of a differentiated policy toward Eastern Europe provided such sales will not prejudice U.S. efforts to strengthen the COCOM system. (S)

—Cultural and Educational Exchange and Informational Programs. Such programs will be employed to reinforce the pro-Western orientation of the populace in Eastern Europe, and communicate U.S. views to audiences there. (S)

—Scientific Exchanges. Through exchanges and increased interactions, the USG will continue to work to reinforce the Western orientation of East European scientific-technical elites. Scientific exchanges will continue to be subject to our strategic concerns with technology transfer and diversions. (S)

—High Level Visits, Ship Visits and Consultations. Such actions provide an opportunity to show U.S. support—or by their absence, lack of support—for an individual country's policies. (S)

—International Organizations. International fora will be exploited particularly for negative differentiation, to focus world attention on actions by the Soviet Union and Eastern European states which violate internationally recognized human rights or norms of international behavior. (S)

—Restrictions on Eastern European Diplomats and Consular Personnel. Restrictions provide a means of regulating the number and activities of Eastern European diplomats in the United States in

accordance with our approval or disapproval of the sending country's actions. Use of this tool will be considered in the context of reciprocal actions and their impact upon U.S. security and other interests. (S)

Ronald Reagan

**19. Memorandum From Paula Dobriansky of the
National Security Council Staff to the President's
Assistant for National Security Affairs (Clark)¹**

Washington, February 7, 1983

SUBJECT

Proposed Policy Statement on Eastern Europe

Since the inception of this Administration, no high level pronouncement of our policies toward Eastern Europe has been made. Although NSDD 54 (U.S. Policy Toward Eastern Europe)² was signed by the President in September 1982, no subsequent White House press statement was issued. As a result, both East and West Europe continue to be uncertain as to what our policy actually is, and many who are aware that we pursue a policy of differentiation have not adequately grasped its significance or have realized how it differs from the previous Administration's policies. Ergo, the Administration has been robbed of legitimate credit for devising a well structured and balanced approach to relations with Eastern Europe.

I recommend that the policy of differentiation be visibly reaffirmed through a high level Administration official statement. Presently, I have been discussing the Vice President's prospective June trip to East Europe (Hungary, Yugoslavia and potentially, Romania) with Philip Hughes (VP Staff). It seems to me that the Vice President would be in an opportune position to make a statement on U.S.-East European relations. Given the historically good relations we have had with Yugoslavia, Belgrade would provide the best forum.

Several factors make the Vice President's trip a highly propitious time for making such a statement.

¹Source: Reagan Library, Paula J. Dobriansky Files, Chron February 1983 (1). Secret. Sent for action.

²See Document 18.

1. The disastrous economic performance of Poland, formerly one of the largest recipients of Western economic aid, and economic difficulties experienced by Romania and Hungary, have triggered anxiety throughout Eastern Europe. The imposition of economic sanctions against Poland has been also a source of considerable irritation to East European governments. In the next several months, we may have to implement several measures which also are likely to be unfavorably perceived in Eastern Europe. The suspension of MFN status for Romania, a country which has traditionally enjoyed relatively close relations with the U.S., would alarm other East European countries.³ A reaffirmation of our policy of differentiation would not remove these irritants in U.S.-East European relations, but it would provide a foundation for durable improvement.

2. An official statement would counter the subtle ongoing Soviet effort initiated by Andropov's regime to establish tighter controls and enhance Soviet influence in Eastern Europe. Andropov's remarks at the recent Warsaw Pact conference⁴ and his meetings with several East European leaders sought to caution the East European governments from too close a relationship with the United States, citing Polish problems as an example. It is important that we refute these Soviet charges by highlighting the strides made in our relations with Eastern Europe and by reassuring these countries that the Administration continues to pursue a differentiated policy.

3. An upbeat message directed toward Eastern Europe in particular, and East-West relations in general, would be perceived as a strong manifestation of our interest in "overall East-West dialogue"—a perception that would be highly beneficial for our relations with Western Europe. It could also help to offset current criticisms of U.S. intransigence on other East-West issues.

4. In addition, West European countries would welcome the proposed policy statement, as they highly value the pattern of intra-European relations which evolved in the 1970s.

5. Lastly, at a time when the Alliance has become split on various issues, the suggested message would enable the Administration to address a policy *common* to both U.S. and Western Europe.

In sum, a statement by the Vice President on our policy of differentiation would be highly beneficial for our relations with East and West Europe, would project an image of flexibility domestically and would not demand any controversial changes in our operative policies.

Norm Bailey, the Vice President's staff and State concur.

³ See Document 74.

⁴ The Warsaw Pact leaders met in Prague, January 4–5.

Recommendation

1. That a statement on the Administration's "policy of differentiation" toward Eastern Europe, in particular, and East-West relations, in general, be made by the Vice President during his visit to East Europe.⁵

2. That you inform the Vice President that the President has approved his trip to Eastern Europe (Tab I).⁶

⁵ There is no indication of approval or disapproval. See, however, Document 21.

⁶ There is no indication of approval or disapproval. Tab I, attached but not printed, was a proposed memorandum to the Vice President regarding his June trip to Eastern Europe, including the goals of the trip.

20. Intelligence Assessment Prepared in the Central Intelligence Agency¹

EUR 83-10216

Washington, September 1983

Eastern Europe: Facing Up to the Debt Crisis *[portion marking not declassified]*

Summary

Most of Eastern Europe has withstood the severe credit crunch that began in 1980, but the region remains financially vulnerable. The peak of the crisis occurred in the first part of 1982, when it seemed that several countries were on the brink of default. The regimes responded by imposing austerity, mostly in the form of severe import reductions. With the incipient economic recovery in the West and signs of some easing in creditors' attitudes, the worst of the crisis is probably over. Some countries may yet have to reschedule their debts, however, and most will continue to look to the West for financial assistance. For the longer run, all will need to rely more on their own resources, which will increase pressure for more systemic solutions to economic problems. The adjustment process almost certainly will increase the risk of internal instability and will present problems and opportunities for the USSR and the West.

¹ Source: Central Intelligence Agency, Office of Support Services (DI), Job 84S00895R: Production Files (1983-1984), Box 1, Folder 1: EUR 83-10216, Sep 83. Secret; *[handling restriction not declassified]*. This assessment was prepared in the Office of European Analysis, based on information available as of September 1.

The Credit Crunch. While Western bankers showed some unease about Eastern Europe as early as 1980, the credit crunch intensified the following year when Poland's inability to service its debts gave bankers second thoughts about continuing to lend to other East European countries. Banks initially refused to provide more medium-term loans. As a result, the East Europeans had to resort to more official financing, activate undisbursed credit lines, seek costly short-term borrowing, and draw down their reserves. By yearend, all the East European countries faced liquidity problems. The crunch thus hit Eastern Europe well before Latin America and other developing countries.

The squeeze grew particularly severe in the first half of 1982. The imposition of martial law in Poland and difficult rescheduling talks with Poland and Romania led bankers to withdraw short-term credits from the entire region in addition to refusing to roll over maturing medium-term loans. For the year as a whole, Western banks reduced their short-term exposure by 30 percent and rolled over only \$3.6 billion of \$9.1 billion in maturing medium- and long-term obligations. Western government-backed credits did not offset the loss of private loans; the region as a whole contracted new government-backed loans in roughly the same amount that it owed in repayments.

Adjusting to the Credit Squeeze. Lack of credits and inability to expand exports because of Western recession forced the East Europeans to slash imports by 30 percent in 1981–82. Planners focused the cuts on those items that would have the least immediate impact on their economies and populations. Purchases of capital equipment were generally denied because the loss of these items would not jeopardize current production. For political reasons, most regimes have been cautious about reducing purchases of consumer goods and foodstuffs although last year's good harvest permitted cutbacks in grain imports. Despite attempts at insulation, the reduction in Western imports has been a key factor in the decline of GNP which fell by 0.5 percent annually in 1980–82 for the six CEMA countries compared with an annual average growth of 2.5 percent in 1976–79. For Yugoslavia, growth slowed from a peak of 7.0 percent in 1979 to only 0.3 percent last year.

The East European countries reacted to their financial problems in varying ways. *Poland*, after Western governments refused to reschedule its 1982 debt² or extend new credits, secured de facto debt relief simply by not making repayments. Warsaw was able to negotiate debt relief from commercial banks, and Western bankers report that Warsaw met the repayment schedule. Altogether, Poland managed to cover less than half of its \$11 billion financing requirement last year. The need to

² Documentation regarding debt rescheduling in Poland is scheduled for publication in *Foreign Relations*, 1981–1988, vol. IX, Poland, 1982–1988.

deal with the resulting arrearages continues to delay and complicate Warsaw's economic recovery.

Doubts about Bucharest's creditworthiness brought the credit crunch to *Romania* in early 1981. After arrears reached \$1.1 billion at the end of the year, Bucharest gained breathing room through agreements with Western banks and governments to reschedule 1981 arrears and principal payments due in 1982.³ By mid-1982 there were signs that Bucharest was addressing its financial problems. By the end of the year, it had cut imports by one-third, enough to earn a current account surplus of \$655 million, but was still left with arrears of nearly \$400 million. The import cuts intensified shortages of food, gasoline, and other consumer goods. Data presented to the IMF show that consumption fell for the first time since World War II and that the rate of growth of industrial production fell to a new low.

The problems of Poland and Romania had a spillover impact on Hungary, East Germany, and Yugoslavia—countries also dependent on new credits to meet debt obligations. In *Hungary*, the withdrawal of \$1.3 billion in short-term credits by Western, OPEC, and CEMA banks and inability to roll over medium-term credits brought Budapest to the brink of a liquidity crisis in early 1982. The Hungarians parlayed their good relations with the West and reputation as sound managers into enough emergency support from Western governments, the Bank for International Settlements (BIS), and the International Monetary Fund (IMF) to avert rescheduling. After temporizing for some months, Budapest imposed import controls and tougher austerity on consumers. Hungary consequently was able to slash its current account deficit by more than \$600 million and stabilize its financial position.

East Germany, despite suffering the region's largest cutback in credits—\$1.9 billion, was the only heavily indebted country in the region that did not require debt relief or emergency loans in 1982. The East Germans apparently managed last year's credit crunch through tough adjustment measures and skillful cash management. Trade adjustments offset more than 80 percent of the cutback in bank credits, but the measures exacted a stiff price from the domestic economy. We estimate that GNP growth fell from 2.4 percent in 1981 to 0.5 percent last year.

Yugoslavia did not suffer as severe a reduction in Western bank lending as Hungary or East Germany, but the impact on its financial position proved more damaging. The country's financial crisis stemmed as much from failure to reduce the current account deficit and poor cash management in the banking system as from fewer credits. Belgrade's current account deficit reached \$1.4 billion in 1982 instead of the planned \$500 million, and emergency measures to strengthen the Yugoslav

³ See Document 82.

National Bank's liquidity position failed. IMF credits of \$600 million could not offset the shortfall in current earnings and capital flows, and Yugoslavia had to draw down its reserves by \$1 billion. By yearend, with arrears of \$500–600 million, the country technically was bankrupt.

Because of their conservative trade and borrowing policies, *Czechoslovakia* and *Bulgaria* did not face as severe financial problems in 1982 as the other East European countries. The Czechoslovaks nonetheless slashed hard currency imports by 19 percent. The import curbs flowed from President Husak's pronouncement in 1981 that Czechoslovakia would not live on "credit." With shrinking export earnings, Prague's planners had to make deep cuts in purchases to meet the leadership's goal of reducing external indebtedness.

Bulgaria's low debt and comfortable maturity schedule freed it from onerous repayment obligations. Its conservative trade policy yielded surpluses on the hard currency trade account. Although some firms reported problems with payments from Sofia last year, we believe these were not the result of any serious financial deterioration.

Lender Attitudes. Lender attitudes toward Eastern Europe have eased slightly since last year's rush to reduce exposure, in part because their worst fears proved exaggerated. Poland did not default and Romania has improved its relations with banks. BIS and IMF involvement in Hungary's and Yugoslavia's crises has encouraged, and to some extent compelled, continuing banker involvement in these countries.

Continuing wariness among bankers and closer governmental supervision of commercial bank exposure will restrain the pace and extent of new loans. Major Eurodollar syndications will be much rarer than in the late 1970s; a far greater share of lending will be short term and trade related. The cost of credit will be higher, and the debt maturity structure will remain unfavorable for most countries. Commercial banks, furthermore, are likely to insist on more Western government backing for their loans or demand security from the borrowers, including gold collateral and offsetting deposits.

As a prerequisite for increasing lending, bankers are looking for evidence that the East Europeans are addressing their payments imbalance through structural changes to improve export performance. Creditors regard the draconian import reductions of the past two years as a short-run expedient with little positive impact on long-term creditworthiness. Some bankers remain skeptical that the East Europeans will or can do as much as the financially troubled LDCs to correct their fundamental problems. To assure long-term economic discipline, they are putting more weight on IMF membership, while urging the East Europeans to provide more complete economic and financial data.

Outlook for 1983–85. In 1983 we estimate the region (excluding Poland, because of the uncertainties regarding rescheduling terms) will

experience another large outflow on the capital account of more than \$2.4 billion. Yugoslavia will probably be the only net gainer, thanks to the Western financial rescue package.⁴ An expected slight improvement in borrowing conditions and a pickup in Western demand for East European exports should enable a few East European countries to ease the import cuts of the past two years, but we still anticipate a 1- to 2-percent decrease in Eastern Europe's (excluding Poland's) hard currency imports this year. Import gains seem likely in 1984-85, assuming continued growth in the West and continuing improvement in creditor attitudes. Only under the most favorable lending assumptions, however, would the absolute level of imports in 1985 exceed the level reached in 1980. With a modest revival of lending, imports in 1985 would be about 4 percent below the 1980 peak, while continued lending shortfalls would keep 1985 import levels some 8 percent below 1980 levels.

Even if lending revives, some countries—notably Bulgaria, Czechoslovakia, and Romania—may be unwilling to expand imports at the rates our projections suggest, opting instead to continue reducing hard currency debt or building up reserves. Most regimes will give preference to goods needed for consumption and current production. Some economists and planners, however, are arguing more strongly that their economies need a revival of investment, using Western resources to lay the foundation for long-term growth. This may have some greater impact down the road.

The prospect of slow export growth and at best small credit inflows means that financial problems will continue to beset nearly all the East European countries. In the near term, Poland—and very likely Yugoslavia—simply cannot generate enough debt servicing capacity on their own to meet obligations. Most regimes will have to restrain consumption and investment in order to lower demand for imports and free goods for export. Pressure will build to produce more output with fewer inputs. This will highlight the necessity of attacking the systemic flaws that contribute to low productivity.

Poland and Yugoslavia, caught in a medium- to long-term financial crisis, seem least able to impose effective adjustment measures and to attack structural problems. Poland's insolvency and lack of progress in dealing with debt problems have locked it into a continuing economic crisis. Merely to stem the increase in its debt, Poland must generate net exports equal to annual interest payments, an effort requiring large current account surpluses and, thereby, a commitment by the regime to revive economic growth and by the populace to make large sacrifices.

Even with completion of this year's financial rescue package, we believe that Belgrade will need more help in 1984. Yugoslavia's position

⁴ See Document 195.

entering 1984 will be very similar to that at the beginning of this year—stocks of imported goods and foreign exchange reserves will be at minimal levels and few credits will be in the pipeline to bridge the seasonal financing gap in the first half of the year. Adjustment policies and structural reforms needed for recovery may impose a higher price than regional politicians and the population are willing to accept.

Romania, East Germany, and Hungary show signs of financial recovery, but their positions remain fragile. East Berlin and Bucharest have squeezed their economies much harder than Budapest, while the latter seems further along in addressing structural problems. Bucharest has passed the peak in its debt maturity structure, but is having problems in satisfying IMF targets and in obtaining credits. Even if it meets its goal of avoiding rescheduling next year, another test of its external adjustment efforts will come in 1985 when Bucharest must begin to repay obligations rescheduled in 1982. Next year's expiration of the current IMF standby arrangement also will add to pressures for large current account surpluses.

East Germany probably can avoid a rescheduling, but the country continues to face a serious liquidity problem. The recent decision of the West German Government to guarantee a \$400 million five-year credit from West German commercial banks should improve prospects for covering this year's borrowing requirement. East Berlin can also draw on new government-guaranteed trade credits from France, Canada, and Austria. Over the medium term, the country will have to live more within its means, implement measures that improve export competitiveness, and promote economic growth without heavy reliance on Western imports and credit.

Hungary is still on a financial tightrope despite some successes in raising credits in the first half of 1983. Budapest faces a rising level of debt repayments through 1985 and has requested a second IMF standby credit. The Hungarians must tighten adjustment policies, as well as continue to forge ahead with measures to improve efficiency and competitiveness. Fortunately for Budapest, many Western bankers believe they should support Hungary's reform program as an example for other East European countries.

Due to their small debts and generally good standing with Western banks, *Czechoslovakia* and *Bulgaria* enjoy the luxury of choosing whether to continue paying off their debt or to lift self-imposed restraints on imports from the West.

The Greater Implications. Our forecast of continuing serious financial problems for some countries (Poland and Yugoslavia) and, at best, slow improvement for the rest implies that the leaderships will face difficult decisions in the next few years. The problems are not new ones, but are now more severe than in the past. Muddling

through—tinkering, temporizing, and relying on help from the USSR and the West—has become less of an option. More than ever, the East European countries will be forced to rely on their own resources and on the ability of their economic managers and systems to adjust. Continuing financial and related problems will influence East European policy on a wide range of issues:

- Relations with the USSR, the West, and each other.
- Allocation of resources to investment, consumption, and defense.
- Economic reform—along with its political and ideological implications.

The East European regimes are likely to draw some sobering conclusions from the financial crisis of the past two years and from the past decade of expanded economic ties with the West. While the Polish situation is abhorred by the rest of the region, most of the countries made some of the same mistakes, albeit to a lesser degree. In retrospect, the regimes overborrowed—at first to purchase Western capital goods with which to modernize their economies and later to buy grain and other supplies to support consumption.

Although East European officials instinctively blame the West for their problems, they must also recognize that their own shortcomings made them more vulnerable to the credit cutoff. At a minimum, they probably will try to be more certain that they can repay loans and will build more caution into their forecasts of the potential impact of Western economic performance on their external accounts. At the same time, the East Europeans probably will conclude that they now need the West more than ever. The problems that led them to seek Western trade and credits a decade ago are now even more pressing.

Economic relations with the USSR will still figure heavily in their decisionmaking; and Bulgaria's relative economic success in recent years will stand as an example of the advantages of less dependence on the West and strong Soviet ties as well as, perhaps, increased CEMA integration. The leaderships realize that one of their chief assets is their borderline position between the USSR and the West, and they will try to play off East against West.

The long-talked-about CEMA summit, if and when it is held, should provide some clues as to which of these conflicting pulls is predominant. The USSR has been pressing for more balanced and possibly less subsidized trade, as well as for increased integration. The East Europeans have seen these aims as burdening their economies still more and threatening their relations with the West and have delayed the convening of the summit.

The increased need for efficiency and the priority of boosting sales in hard currency markets is likely to give fresh impetus to reform advocacy

in most countries. The problem is that reforms take a long time to implement and can be politically unsettling, threatening the privileges of the bureaucracies and challenging the ideological underpinnings of these regimes. The prospect of greater Soviet economic demands, continued stringency in economic relations with the West, and sharp domestic adjustments to the credit squeeze are likely to heighten tensions within the leaderships and between the leaderships and the led.

Although the populations have accepted recent austerity reasonably placidly, their patience may not survive the period of austerity ahead. The regimes will have to decide whether to use more repression (as in Romania) or to explain the problem and enlist public support (as in Hungary).

The Soviets will want to provide the minimum sustenance necessary to assure stability in Eastern Europe. With economic constraints of their own, the Soviets will want to avoid doing much more than is necessary.

Eastern Europe's economic difficulties may also persuade Western governments that they have new opportunities to weaken Moscow's influence in the region. To pursue these opportunities, however, would require a revival of willingness to take financial risks and to use new policy tools, such as including more East European states in the IMF, and pursuing agreements between them and the EC or assuming politically motivated aid burdens of indefinite duration and return.

[1 paragraph (1 line) not declassified]

[Omitted here is the body of the assessment.]

21. Telegram From the Embassy in Austria to the United States Information Service, the White House, the Department of State, the United States Information Agency, and the Embassy in France¹

Vienna, September 21, 1983, 1142Z

11579. Subject: Vice President's Address on U.S. Policy Toward Central and Eastern Europe

¹ Source: Department of State, Central Foreign Policy File, D830545–1038. Unclassified; Immediate. Sent Priority for information to Belgrade, Bucharest, Budapest, Algiers, Rabat, Tunis, East Berlin, Moscow, Prague, Sofia, and Warsaw. Bush was in Vienna, September 20–21.

Text of subject address follows. Vice President Bush spoke in the Hall of Ceremonies in the Hofburg Palace in Vienna at 11:00 a.m. (9:00 GMT). The speech was sponsored by the Austrian Association for Foreign Policy and International Relations.

1. It is a pleasure for me to come here to speak to you today; and it is appropriate that the setting be the Ceremony Hall of the Hofburg, a hall which has witnessed both the full horror of dictatorship and the glistening promise, the abundant actuality of freedom. This beautiful country of Austria is now in the full bloom of democracy; but others are not so fortunate. I have just come from the countries to your east,² and I have seen in the faces of the people there a yearning for the same freedoms and democratic rights enjoyed by the people of Austria. I know that this is a subject of particular concern to Chancellor Sinowatz, whose home in the Burgenland sits only a few miles from Austria's eastern border.

2. Last January I travelled to Germany,³ and in the course of my trip paid what for me will always be an unforgettable visit to the small village of Moedelreuth. Down the main street ran a high concrete wall topped with densely packed barbed wire. On the near side, the villagers were peacefully going about the ordinary business of their daily lives. On the far side, soldiers stood watch with machine guns, and attack dogs ran along the wall on chains.

3. As I looked out to the east, I had the momentary impression that I was standing in a lonely outpost on the edge of Western civilization. Given the harsh reality of the wall, the impression is perhaps understandable; but how true is it?

4. Historically, of course, it couldn't have been more false. That wall, which in one form or another spans the breadth of the continent, runs not along the edge, but cuts through the very heart of Europe. The diverse and complex region through which I have just travelled, a region so rich in history and culture, has always been a part of the European mainstream.

5. You Austrians so aptly call this part of the world "Mitteleuropa"—Central Europe. Can a wall, can guard dogs and machine guns and border patrols deny hundreds of years of European history? Can they create and enforce this fictitious division down the very center of Europe?

²Vienna was the final stop on Bush's trip through North Africa and Eastern Europe. His itinerary was as follows: Rabat, September 11–13; Algiers, September 13–15; Tunis, September 15–16; Belgrade, September 16–18 (see Documents 211 and 212); Bucharest, September 18–19 (see Document 120); Budapest, September 19–20 (see Document 322); and Vienna, September 20–21.

³January 30–February 1.

6. When we think of that monstrous wall, we think first of the very personal violence it expresses: families divided, a people held prisoner in their own country. But what of the violence—just as real—it does to our history and traditions? What of the violence it does to Europe?

7. Czeslaw Milosz, the Nobel Prize-winning Polish poet, is one of the many dissident artists, writers and intellectuals who were forced to choose exile from the language and the country they loved, rather than be exiled from their history and cultural traditions within their own country. In Milosz's famous book, *The Captive Mind*, he writes about the "extinguishment" he sees in the face of Eastern European intellectuals. Their countries, they know, are rightfully part of an ancient civilization, one that is derived of Rome rather than Byzantium. "It isn't pleasant", he writes, "to surrender to the hegemony of a nation which is still wild and primitive, and to concede the absolute superiority of its customs and institutions, science and technology, literature and art. Must one sacrifice so much. . . ?" he asks.

8. Over a hundred years ago, some tsarist historians spoke with a contempt born of envy of the "decadent West". One example of such decadence was, no doubt the music of Frederic Chopin. In a recent essay, the Czechoslovakian author, Milan Kundera, tells of how 14 years after Chopin's death, Russian soldiers on the loose in Warsaw hurled the composer's piano from a fourth-floor window. "Today", writes Kundera, "the entire culture of Central Europe shares the fate of Chopin's piano."

9. It has often been remarked that of the three great events in European history—the Renaissance, the Reformation, the Enlightenment—Russia took part in none. But Mitteleuropa, the region that gave birth to Jan Hus, took part in them all. This region has always looked west, not east. I was struck by the close ties in even its easternmost quarter when I heard the beautiful Romance language, so similar to French and Italian, spoken by the people of Romania. Fortunately, we are beginning to see the fissures in the wall. During my visit I saw that, more and more, the natural forces which bring people closer together, rather than push them apart, are beginning to reassert themselves.

10. We in America feel strong and unbreakable ties with the people of Central Europe. Just as Austria is a haven for refugees, so too is America. So many Americans came to our country from this region to escape poverty and religious and political persecution. Many still do. America was built in great part through the industry of Hungarians, Germans, Czechs and Poles. Across the street from my office in the White House stands a statue of Tadeusz Kosciuszko, a hero of our Revolutionary War whose brilliance as a military engineer helped free my country from foreign domination. The United States, in fact all of the civilized world, remembers with the deepest gratitude the part played by the Free Polish Forces in World War II, the brave fighters

who rejected Hitler's and Stalin's infamous pact to partition their country. And we will never forget the courage of the Poles who, after years of suffering the ravages of war and the ruthless suppression of their people, rose up again in Warsaw—they fought to the end, while those who called themselves their allies cooled their heels on the east bank of the Vistula River.⁴

11. The ties of my country to Central Europe are many, our histories are often intimately intertwined. The founder and president of the first Czechoslovak Republic, Thomas Masaryk, married an American woman. Sixty-five years ago this October, he wrote the Czechoslovak Declaration of Independence, a document founded on the same "historic and natural" rights that guided our own forefathers in writing our Declaration of Independence. To quote from that document written by Masaryk: "we accept and shall adhere to the ideals of modern democracy, as they have been the ideals of our nation for centuries". The "nation of Comenius", he said, accepts "the principles of liberated mankind, of the actual equality of nations, and of the governments deriving all their just power from the consent of the governed."

12. The Czechoslovak Republic, which lasted from 1918 until 1938, was one of the most prosperous countries in Europe; its charter guaranteed "complete freedom of conscience, religion and science, literature and art, speech, the press, and the right of assembly and petition."

13. Today, according to their own constitution, the Czechs are promised the same freedoms; so, too, by written law and international treaties to which the Soviet Union and the governments of Eastern Europe are signatories, are the people of other countries in the region promised these basic human rights. But we have seen how often governmental deeds diverge from official promises. The people in many parts of Eastern Europe must now carry on their culture, their traditions, underground and in fear.

14. But there are groups, such as the Charter 77 movement in Czechoslovakia and Solidarity in Poland, which have sought to persuade their governments to abide by their own laws and international commitments. Because of these individuals, who courageously demand their human rights, and because of the more imaginative leaders in some of these countries who have listened to the just wishes of their people and have sought to democratize their social and economic systems, European culture on the eastern side of the continent will never die.

15. The United States shares with these people a vision of Eastern Europe in which respect for human rights becomes the norm and not a

⁴ Reference is to the Warsaw Uprising led by the Polish Resistance August 1–October 2, 1944, to free Poland from German occupation.

rare concession to international pressure, where prosperity and advancement replace economic backwardness, and openness overcomes barriers to human contacts and economic cooperation. In approaching the problems of the region, United States' policy is guided by certain constants: first, we recognize no lawful division of Europe. There is much misunderstanding about the substance of the Yalta Conference.⁵ Let me state as clearly as I can: there was no agreement at that time to divide Europe up into "spheres of influence"; on the contrary, the powers agreed on the principles of the common responsibility of the three allies for all the liberated territories. The Soviet Union pledged itself to grant full independence to Poland and to all other states in Eastern Europe, and to hold free elections there. The Soviet violation of these obligations is a root cause of East-West tension today.

16. A similar misunderstanding about the Helsinki Accords.⁶ Some argue that Helsinki endorses the status quo, the present division of Europe. We reject this notion. At review sessions in Belgrade, Madrid, and the upcoming session here in Vienna in 1986, we have stated and will continue to insist that the heart of Helsinki is a commitment to openness and human rights.

17. Let me stress here that the United States does not seek to destabilize or undermine any government, but our attitude toward the region is informed by a sense of history—of European history. For this reason we support and will encourage all movement toward the social, humanitarian and democratic ideals which have characterized the historical development of Europe. We appreciate the special role of countries such as Yugoslavia and Austria which have contributed so much to restoring historic patterns of trade and communications.

18. We share with the people of Eastern and Central Europe three basic aspirations: freedom, prosperity and peace. We recognize the diversity and the complexity of the region. Of Austria's neighbors to the east, some have shown a greater measure of independence in the conduct of their foreign policy. Some have introduced greater openness in their societies, lowered barriers to human contacts, and engaged in market-oriented economic reforms. Others, unfortunately, continue to toe the Soviet line. Their foreign policy is determined in Moscow, and

⁵ Reference is to the February 4–11, 1945, summit in Crimea, at which President Franklin Roosevelt, Soviet leader Joseph Stalin, and British Prime Minister Winston Churchill discussed, among other things, postwar Europe.

⁶ The Helsinki Accords, or the Helsinki Final Act, was adopted on August 1, 1975, at the Conference on Security and Cooperation in Europe. Signed by 35 countries, the Final Act dealt with a variety of issues that were divided into four "baskets." The first basket addressed political and military issues. The second basket included economic issues. The third basket focused on human rights. The fourth basket addressed implementation and follow-up meetings. See *Foreign Relations, 1969–1976*, vol. XXXIX, European Security, Documents 319–339.

their domestic policies still flagrantly violate the most fundamental human rights.

19. In our relations with the countries of Eastern Europe, we take these differences into account. Our policy is one of differentiation—that is, we look to what degree countries pursue autonomous foreign policies, independent of Moscow's direction; and to what degree they foster domestic liberalization—politically, economically, and in their respect for human rights. The United States will engage in closer political, economic, and cultural relations with those countries such as Hungary and Romania which assert greater openness or independence. We will strengthen our dialogue and cooperation with such countries.

20. We are not saying that countries must follow policies identical to those of the United States. We will not, however, reward closed societies and belligerent foreign policies—countries such as Bulgaria and Czechoslovakia, which continue to flagrantly violate the most fundamental human rights; and countries such as East Germany and, again, Bulgaria, which act as proxies to the Soviets in the training, funding, and arming of terrorists, and which supply advisors and military and technical assistance to armed movements seeking to destabilize governments in the developing world.

21. Let me stress once more that our hopes for Eastern Europe are peaceful, but we believe that reform is essential. Over the span of many years, the United States has provided hundreds of millions of dollars of loans and credits for the Polish economy in the hope that this aid would help build a more plentiful and open society. We cannot, however, be expected to shore up a nation's economy when the government refuses to institute the most basic economic reforms. If countries insist on following the Soviet model, even dollars, francs, and marks cannot prevent the certain failure of their economies.

22. It is by now abundantly clear that highly centralized, command economies cannot fulfill the basic needs of their populations, let alone remain competitive in world markets or keep pace with technological advancement. Just as retarded industrial development relegated much of nineteenth century Central Europe to a backwater of agricultural poverty, there is ample evidence that the unfolding information revolution will sweep past an unprepared Soviet Union and much of Eastern Europe—unless there is basic change. For example, Hungary's relative prosperity demonstrates the practical, positive results that follow on social and economic liberalization.

23. The countries of Eastern Europe have a choice to make. They can close themselves off, or they can open up and join the world economy positively, as traders rather than debtors. Think about this: 25 percent of all Soviet farm output comes from private plots that occupy less than three percent of the Soviet Union's agricultural land. It's doubtful

whether Soviet agriculture could survive without this concession to private enterprise.

24. Freedom is the essential component of progress—the freedom of each individual to bring his knowledge and wisdom to bear on the economic decisions that will directly affect his life. This requires freedom of information, the free flow of ideas and the free movement of people. We take these freedoms to be fundamental, moral precepts; but they are also practical necessities. If a society revises history to suit ideological needs; if it censors information; if it punishes imaginative and creative individuals and discourages initiative in its people—that society condemns itself to ignorance and backwardness and poverty.

25. Just as freedom and prosperity go hand in hand, so, too, are freedom and prosperity linked to peace. I know that the people of Central Europe, who have such an intimate experience of the waste and horror of war, ardently yearn for peace. President Reagan and I and the American people share in your hopes and desires. Our commitment to nuclear arms reduction—not just arms control, but the reduction of these terrible destructive weapons—is unshakeable. The United States has already unilaterally withdrawn 1,000 nuclear warheads from Europe. The implementation of the 1979 NATO decision to deploy INF will not increase by even one the number of nuclear weapons in Europe. But while we've been withdrawing nuclear weapons, the Soviets have been engaged in an unprecedented and relentless military buildup in conventional and nuclear arms.

26. One of the most dangerous and destabilizing new elements is the Soviet Union's monopoly of intermediate-range nuclear missiles—missiles which can strike any target in Europe within a few minutes. The Soviets have already more than sufficient INF weapons in place to meet their security requirements, and yet they seek to further intimidate the people of Europe by dire unclassified warnings of counter-deployments in Eastern Europe should NATO go ahead with deployments in December.

27. It is our hope that the Soviet leadership will have the courage and vision to reverse their dangerous arms buildup. If they show some flexibility at the bargaining table and a balanced approach is adopted, an agreement in Geneva is still possible before the end of the year. Here in Vienna at the negotiations for Mutual and Balanced Force Reduction, after many years of stalemate, there are some signs of movement toward verifiable reductions in conventional forces in Central Europe.

28. But a prerequisite for peace is respect for international law. Regrettably, the Soviet Union and most of the Warsaw Pact countries continue to flout the human rights agreements to which they are all signatories. And the world is still in shock from the brutal murder of

269 civilians aboard a commercial airliner which strayed off course and was unlucky enough to pass over Soviet territory.⁷

29. Let me ask you this question: Would the United States, would Austria, ever wantonly shoot down a commercial airliner? Never. But the Soviets resolutely state they would do it again. These are not the actions and words of a civilized system. The European tradition stresses above all things a respect for human life. Those traditions, sadly, are not universal.

30. What are we to think of leaders who compound such brutal deeds with bald and careless lies and who respond to the just inquiries of the international community with utter contempt? This use of brute force is exactly the kind of Soviet behavior in Eastern Europe that the United States has been protesting for years.

31. Recognition of the true nature of the Soviet system doesn't make our desire for peace any less strong. If anything, it makes it stronger. But we enter all negotiations with the Soviets with our eyes open. We will never give up in our attempts to use reason and whatever reassurances we can give to persuade the Soviets to truly, constructively join the community of nations. Our desire for peace is strong and unflinching. With your help, with the help of all nations, I'm certain we can make that hope a reality.

32. I'd like to close with the words of a great Mitteleuropean, His Holiness Pope John Paul II. In just three lines he pointed out the road toward a better future:

33. Persons over things/ethics over technology/spirit over matter.

34. I have visited four important nations in Central Europe—nations rich in culture and history; nations with differing systems and perspectives. But in my talks with the people of these countries, I've become convinced that we all share a common goal—to heal the wounds that separate us, to remove the artificial barriers which divide us, and to reduce the level of fear and terror in the world through arms reduction.

35. I come away from Eastern Europe with a strong sense of its diversity, a strong sense of the uniqueness of each country. With some, our ties are already vastly improved—my visit is one indication of that. But we are not about to write off a single country. We are ready to respond to each to the extent that they are meeting their own peoples' aspirations, are pursuing their own, independent foreign policy, and are willing to open up to the rest of the world.

36. I am an optimist. I see a bright future for Central Europe—a future of peace, prosperity, and freedom. I am positive the barriers will

⁷ Reference is to the September 1, 1983, shootdown of Korean Air Lines Flight 007. See *Foreign Relations*, 1981–1988, vol. IV, Soviet Union, January 1983–March 1985, Chapter 3.

come down and that the desire of our neighbors to the east to once more become a full part of Europe will finally, after many hard and bitter years, be fulfilled. In this spirit of reconciliation, we must all work together to make this optimistic vision a reality—to once again make Europe whole.

37. Thank you.

(End of text)

Kohl

22. Information Memorandum From the Assistant Secretary of State for European and Canadian Affairs (Burt) to Secretary of State Shultz¹

Washington, October 25, 1983

SUBJECT

U.S. Policy Toward Eastern Europe: Difficulties and Opportunities

SUMMARY

Recent developments in Eastern Europe suggest that this region is by no means in the Soviets' hip pocket and that we can have an important impact there. The Vice President's trip to Yugoslavia, Romania and Hungary enhanced our position in each of these countries.² The Polish people continue to assert their sense of national identity and to look westward for support. Shortly after exchanging views with you, the Hungarian and Romanian Foreign Ministers participated in the Sofia Warsaw Pact meeting that produced a notably mild statement on INF.³

At the beginning of this year, however, we were in danger of losing the toe-hold in Eastern Europe that had taken us years to establish. We managed to overcome the immediate crises in the three countries where our relations are strongest (with the massive "Friends of Yugoslavia"

¹ Source: Reagan Library, George Shultz Papers, Official Memoranda (11/03/1983) (1). Secret. Drafted by Combs on July 25; edited on October 25; cleared by Palmer, Miles, Simons, and Kornblum. Combs initialed for the clearing officials. Sent through Eagleburger. An unknown hand wrote "GPS" at the top of the memorandum. Hill initialed the top of the memorandum and dated it November 3.

² See Document 21.

³ The Warsaw Pact Foreign Ministers met in Sofia October 13–14.

package; with resolution of the Romanian education tax/MFN issue; and with the quieter IMF/bank effort for Hungary).

But these crises are symptoms of larger, longer-term problems in Eastern Europe, which in turn pose important policy options for both the U.S. and the USSR. The basic issue is whether there will be movement towards greater independence from Moscow and greater internal economic and political reform (with potential impact upon the Soviet Union's own economic and political development). Or will the Soviets succeed in bringing about greater area-wide integration and gaining tighter control over the region? For example, will Poland now revert to the repression and conformity of the 1950's, or move towards the Hungarian model of the 1980's? In larger perspective, will Eastern Europe be a source of Soviet strength or a source of Soviet weakness?

This paper discusses three key factors that will shape the outcome of this issue: (1) Andropov's policies; (2) the policy debate inside the Administration; (3) the current policy opportunities and pitfalls for the U.S. and its Allies in Eastern Europe. It proposes a new offensive for the region, pointing out that in the aftermath of the KAL tragedy,⁴ we should renew our efforts to weaken the USSR by diminishing its control over Eastern Europe, while we continue to strengthen our economic and defense posture relative to that of the Soviet Union. End Summary.

Andropov's Policies

In the period following Brezhnev's death,⁵ the importance of Eastern Europe for the Soviet Union has been emphasized, by Soviet spokesmen, including Andropov. Moscow's response to Eastern Europe's problems thus far has been to seek greater political, economic and ideological unity among the countries of the "World Socialist System"—as Moscow pompously terms its shaky Eastern European (plus Cuba, Mongolia and Vietnam) alliance system, Moscow undoubtedly will also continue to press its economically-strapped allies to maintain, if not increase, real defense spending. As Andropov told the June 1983 CPSU Central Committee Plenum: "The socialist countries and their policy are in our days a factor of immense importance . . . To strengthen the cooperation and cohesion of these countries is, I would say, the paramount direction of the international activities of the CPSU and the Soviet State" (underscoring added).

It is not surprising that Andropov would highlight the importance of Eastern Europe. He has worked fulltime on Eastern European problems for roughly one-half of the past 30 years (as Ambassador in Hungary, 1955–57, and as head of the Central Committee Department for Socialist Countries, 1957–67). In fact, it is his one real specialty.

⁴ See *Foreign Relations*, 1981–1988, vol. IV, Soviet Union, 1983–1985, Chapter 3.

⁵ November 10, 1982.

Throughout the postwar period Moscow has had two fundamental goals regarding Eastern Europe: *conformity* to the Soviet Union's domestic and foreign policy norms, and *stability* that presents a solid facade to the West and averts reallocation of scarce Soviet resources to crisis management in Warsaw Pact countries. As the current Hungarian case shows, Moscow is willing to trade a measure of conformity for enhanced stability, in the sense of accepting internal diversity attractive to the Hungarian populace, so long as Soviet security and foreign policy needs are not jeopardized. However, the current Polish case, as with Hungary in 1956 and Czechoslovakia in 1968, makes clear there are limits to the amount of non-conformity Moscow will tolerate.

What has changed since 1956 and 1968 is the USSR's growing inability and unwillingness to provide large-scale economic assistance to Eastern Europe. Because of its own economic stringencies, Moscow can no longer meet the economic needs of its Warsaw Pact allies, particularly those whose relatively developed economies need the West if they are to remain competitive in world markets. Moreover, Moscow does not have an effective prescription for curing the present economic, social and other domestic ailments in Eastern Europe, any more than it has an effective program for addressing its own very serious domestic troubles. Moscow may also feel that the impact of Soviet military intervention in Eastern Europe would be significantly more costly to its policies *vis a vis* Western Europe than heretofore, because of Moscow's strong interest in countering tough U.S. policies by fostering "Euro-detente" and isolating the U.S. from its European Allies.

On the other hand, Soviet political doctrine asserts that underlying trends in the area ultimately will bind Eastern Europe closer to the USSR, and Moscow probably believes it feasible to increase economic, political and military integration. The USSR without question has considerable assets in the region. These include overwhelming military power, economic leverage stemming from the Soviet-engineered dependence of most Eastern European economies upon the Soviet economy, and a demonstrated capacity to use coercion against an errant Eastern European regime.

These realities indicate that our objective of reducing Soviet control over Eastern Europe can be achieved only through a gradual process, in which the Soviet leadership will not be able to point to any one specific step as threatening to its vital interests, and therefore as justifying a specific reaction. "Creeping counter-revolution" is what Moscow fears most, and with good reason.

Policy Differences Within the Administration

After lengthy and difficult interagency debate, the President in September 1982 approved National Security Decision Directive 54,

"U.S. Policy Toward Eastern Europe."⁶ The NSDD determines that our primary long-term goal in Eastern Europe is "to loosen the Soviet hold on the region and thereby facilitate its eventual reintegration into the European community of nations." It calls for our policy to differentiate among the countries of Eastern Europe so as to encourage diversity, using as a baseline our policy toward the Soviet Union. To weaken overall Soviet control in the region, our policy should:

- encourage more liberal trends in Eastern Europe;
- further human and civil rights in East European countries;
- reinforce the pro-Western orientation of their peoples;
- lessen their economic and political dependence on the USSR and facilitate their association with the free nations of Western Europe;
- encourage more private market-oriented development of their economies, free trade union activity, etc.;
- undermine the military capabilities of the Warsaw Pact.

Despite the President's approval, a contrary approach still flourishes among some elements of the USG (primarily OSD) who opposed the NSDD in the first place. Crudely put, this school argues that because the USSR is our mortal enemy, and mince Moscow regards Eastern Europe as its sphere of influence, the worse things are in that region, the worse for Moscow, and the better for us. This school questions the wisdom of trade with Eastern European countries on grounds that such trade would strengthen their economies and thereby contribute to the overall strength of the Soviet empire. It is uneasy about technology transfer of even mundane items to the most independent of the East European countries, convinced that the technology subsequently will find its way to the USSR.

In short, this approach tends to ignore both the potential and the limitations on our approach to Eastern Europe. The policy of "the worse, the better," plays into Soviet hands by weakening the modernizing Europeanist elements in Eastern Europe and by increasing divisions between the United States and its allies over policies in the region. This at a time when the Soviets are vigorously trying to isolate us from our NATO allies. Such an approach concentrates on one aspect of our relationship with the East—the U.S.-Soviet super-power competition—without allowing us to use positive opportunities both to improve our position in Eastern Europe, to weaken the Soviet hold over the region, and to help manage our important alliance relationships.

⁶ See Document 18.

Current Policy Opportunities

The current situation in Eastern Europe presents the U.S. with unique opportunities to weaken Moscow's hold over the area, while demonstrating to the rest of the world the incompatibility between Soviet-imposed regimes and national aspirations.

U.S. opportunities arise from four salient facts:

—First, Soviet-style ideology as a motivating force in Eastern Europe is increasingly insignificant. Opportunism and self-advancement are the keys; few in authority believe in a doctrinal program whose inadequacies have become steadily more apparent over the years. Those in high positions continue to have a personal stake in the system, of course, but conviction and proselytizing zeal are waning.

—Second, the unwritten "social contract," whereby political acquiescence of the population is purchased by steadily rising living standards, is under increasing challenge as those standards continue to fall. Poland is the classic example of the destabilizing political influence of economic stagnation and even decline. Economic deprivation has the potential of causing political instability throughout the region.

—Third, as noted above, the large, sustained injections of Soviet resources that were characteristic of past crisis periods have simply not appeared, and each of the Eastern European countries is seemingly left to work out its own economic problems. In the face of dwindling economic resources, the perceived need to boost productivity with Western equipment and technology is bound to increase.

—Fourth, the bankruptcy of the Soviet model reinforces the general historical tendency of East Europeans to look westward for new ideas. This is particularly true of the most innovative groups: youth and the intelligentsia.

At the same time, U.S. near-term opportunities in Eastern Europe are limited:

—As NSDD-54 points out, Moscow has the capability of using force in the region and likely would do so if it perceived a threat to the Soviet Union's vital interests.

—Given the reality of Soviet power, plus the promise of Western know-how, East Europeans will attempt to play off East against West to get as much as possible from both.

—In countries whose present regimes emphasize loyalty to the USSR (e.g., Bulgaria and Czechoslovakia), differentiation will have marginal short-term impact, particularly if US-Soviet relations remain strained.

—Our economic leverage is constrained by the nature of Eastern European economies. In addition to the Soviet economic model's predominance in most European countries, the East Europeans must rely

on the Soviet Union for energy and other raw materials and as a market for large quantities of industrial products whose shoddy quality or low technology make them unmarketable in the West (although some can be marketed in the developing world).

—The kinds of actions we can take are also constrained by our limited domestic resources and by the size of Eastern Europe's debt burden. The ever more acute economic and political dilemmas of the Eastern Europeans, however, make them increasingly receptive to a differentiated approach.

Country Agendas. Pouring more money into Soviet-style economic systems would be foolish, as the experience of the 60's and 70's made clear. We need instead to fine-tune our policy for each country to encourage structural change away from the Soviet economic and political model. Specific agendas should be tailored to the countries of the region along the following lines:

—*Poland's* distinguishing characteristic continues to be the fundamental refusal of the populace to accept the Soviet-imposed political system. Despite the relative success of martial law in maintaining order, Moscow must be concerned about Poland's reliability as a Warsaw Pact ally, its political and economic stability, and its future evolution. We should show realism and flexibility in fostering evolution within Poland along the lines of Kadar's Hungary, as opposed to Husak's Czechoslovakia. If the human rights situation in Poland allows, we should consider conducting a new high-level dialogue with Warsaw.

—While *the GDR* is buffeted by many of the forces that affect other Eastern European countries, it has been allowed to develop a higher standard of living to minimize embarrassing comparisons with life in the FRG. At the same time, political and ideological purity have been strictly enforced, and the GDR has been expected to align its economy especially closely to that of the USSR. Even so, an unofficial anti-war movement has developed in the GDR, as has a heightened awareness of the special role of Germany in Europe. While our ability to influence political and economic developments in the GDR is quite limited, we are exploring with the GDR the possibility of moving forward in parallel to solve several long-standing problems: U.S. official claims against the GDR, non-official Jewish claims, and family reunification. As an incentive for the GDR to deal with these issues constructively, we are holding out the possibility of a trade agreement (short of MFN) containing tariff reductions or elimination on a specified list of items at the end of the process.

—*Hungary* is implementing a pragmatic, market-oriented economic reform and is experimenting with limited political reform. The Hungarian leadership clearly does not regard the Soviet Union as a model for Hungary, has expanded ties with Western economic institutions,

and has been quietly seeking increased elbow room in Warsaw Pact and CEMA affairs. The Vice President's September visit to Budapest,⁷ plus the new Hungarian Foreign Minister's visit to Washington in the same month, have underscored our regard for Hungary's relative independence from the USSR. We should broaden and deepen our dialogue with Hungarian officials, encourage Budapest's experimentation with economic and political reform, and maximize Hungary's affinity with the West. Specific goals include an enhanced cultural affairs program and multi-year MFN.

—*Romania* suffers domestically from Ceausescu's repressive rule, aptly termed "dynastic socialism." But Romania's maverick role in the Warsaw Pact and CEMA is a headache for Moscow, as is the anti-Soviet feeling and tradition of independence from foreign domination of the Romanian people. The September visit of the Vice President⁸ has bolstered Bucharest's sense of independence and enhanced Ceausescu's personal prestige. We need to keep pressure on the GOR for improved human rights performance, as we encourage Romania's independence from the Soviet Union. An immediate goal should be to provide Bucharest with a Landsat ground station.

—There are stirrings even in Moscow's most loyal Slavic allies, *Czechoslovakia* and *Bulgaria*. The Western-minded Czech and Slovak people clearly resent their Soviet-style, Soviet-oriented government, as indicated by the Charter 77 movement and continuing internal dissent. We shortly plan to test Prague's willingness to improve our bilateral relationship by having our new Ambassador, Bill Luers, propose the entry into force of a long-standing draft consular agreement and negotiation of a cultural exchanges agreement. In addition to continuing manifestations of Bulgarian national pride, the Bulgarian leadership is quietly experimenting with decentralizing economic reforms similar to the Hungarian approach. Ambassador Barry's lengthy meeting with Bulgarian Party and Government Chief Zhivkov this summer produced Zhivkov's promise to move on several bilateral issues of interest to us. This promise has begun to materialize. We are developing an agenda of further bilateral steps that can encourage a more nationalistic, less Soviet-oriented Bulgaria (assuming the absence of a credible "Bulgarian connection" to the Papal assassination attempt).⁹

—The two countries in the southwestern part of the region, *Yugoslavia* and *Albania*, demonstrate even more clearly than Hungary and Romania that once loyal socialist allies can break out of the Soviets'

⁷ September 19–20, 1983. See Document 322.

⁸ See Document 120.

⁹ The assassination attempt of Pope John Paul II by Mehmet Ali Agca took place on May 13, 1981. See Documents 368–382.

grip. Both have refused participation in Moscow's economic, military and ideological integration schemes (although Yugoslavia maintains observer status in CEMA).

—While maintaining its isolation from the U.S. as well as the USSR, *Albania* has diplomatic ties with almost 100 countries, including all of Europe except the UK and the FRG. Albania has made some intriguing small openings to the West (though not to the U.S.) over the past five years. We will send you a separate policy paper on Albania. Meanwhile, we are proceeding with the initial stages of a World War Two-related claims/gold agreement with Albania. We also plan to urge our Allies to increase their contacts with the current Albanian regime.

—*Yugoslavia* is struggling to modernize its economy, with emphasis on decentralization and market forces, while its foreign policy remains independent and nonaligned. We should continue our strong commitment to support Yugoslav independence, most recently accentuated by the Vice President's visit to Belgrade.¹⁰ In particular, this will require our leadership in crafting a financial assistance package for 1984 acceptable to private banks and participating governments, as well as to the GOY. The package should be in hand when Yugoslav President Spiljak visits the President early next year.

* * *

CONCLUSION

Our assessment of the current difficulties and opportunities for our policy toward Eastern Europe indicates that we should resist calls, in the aftermath of the KAL tragedy, to treat Eastern Europe as an integral part of the Soviet Empire and to pursue a policy of "the worse, the better" with regard to individual Eastern European countries. Continuing repression in Poland should not be misread as a signal for retreat by the West, but rather as proof of the weakness of the existing system, and as the inspiration for a *new offensive* using all of the economic, cultural and ideological weapons in our arsenal.

This will require considerable effort across a broad front, sensitivity to the constrained circumstances of East Europeans and to the differences among them, and political determination in Washington. Like our policy toward the Soviet Union, this approach toward Eastern Europe is a policy for the long haul. It will not bring dramatic short-term payoffs. It will require intensified bilateral dialogue to sustain step-by-step progress. But while we build our strength relative to the USSR, we should undertake a sustained offensive to weaken the USSR by promoting greater independence in Eastern Europe and enhancing

¹⁰ See Documents 211 and 212.

our own position in this vital region. The INF issue, U.S.-Soviet relations and other pressing problems have tended to push Eastern Europe to the back burner. We should now move it forward.

The Vice President's trip to Yugoslavia, Romania and Hungary provides a good beginning. I am planning a trip to Eastern Europe early in 1984¹¹ which could serve to lay the groundwork for a visit to the area by you later next year. Meanwhile, we intend to consult with our respective Eastern European embassies regarding detailed agendas for the near and middle terms. We will confer with our Allies concerning common opportunities in the region. And we will push hard for, the specific items presently on our agenda, including a Landsat ground station for Romania, a 1984 financial assistance package for Yugoslavia, an enhanced cultural affairs program with Hungary, new bilateral undertakings with Bulgaria and Czechoslovakia and a new policy towards Albania.

¹¹ February 20–26, 1984.

23. Paper Prepared in the Central Intelligence Agency¹

Washington, undated

CA PROGRAM STATEMENT—1 OCTOBER 1982–31 OCTOBER 1983

COUNTRY: USSR/Eastern Europe

DATE OF FINDING(S): 7 June 1978, 7 March 1979, 25 September 1980

SUMMARY OF FINDING(S):

Publish and infiltrate literature into the USSR/EE and generate publicity to support and encourage the citizens of these countries who favor liberalization and moderation of their country's foreign and domestic policies; establish and provide covert support to a small study project [*less than 1 line not declassified*] to produce information and analyses on Soviet realities to influence appropriate Soviet and West European audiences.

¹ Source: Reagan Library, System IV Intelligence Files, 1983, 400217. Secret. The paper was included in a binder entitled "Review of FY1983 CIA Covert Action Programs."

PROGRAM ACTIONS:

The program of ongoing covert action operations targeted into the USSR and Eastern Europe at the beginning of FY-83 consisted of 13 program elements:

—Book distribution mechanism into the USSR/EE [*dollar amount not declassified*]: This activity purchases books, pamphlets, and newspapers from other program elements and in the world at large for distribution to persons and organizations in the USSR/EE desiring same, [*3 lines not declassified*]. The emphasis is on the provision of material supportive of the Finding. [*less than 2 lines not declassified*] During FY-83 the project provided 500,000 individual items to the USSR and Eastern Europe.

—Mechanism to publicize Soviet/EE human rights abuses [*dollar amount not declassified*]: This is an umbrella project covering ad hoc activities supporting those in the Soviet Union and the Bloc working to improve human rights of the citizens there. A journal on abuses of human rights is produced, [*less than 1 line not declassified*], while another journal compiling Soviet abuses is published [*less than 1 line not declassified*]. A number of particular demonstrations and actions were undertaken and supported through this project in various European countries.

—Russian-language newspaper of moderate rightist bent [*less than 1 line not declassified*]: This well-established and respected Russian language paper keeps up a steady pressure on the Soviets and is a constant target of hostile Soviet propaganda.

—Ukrainian journal [*dollar amount not declassified*]: This project has grown considerably beyond the journal around which it operates. The project also involves [*less than 1 line not declassified*] support for related independent peace activities and human rights adherents in the Soviet Union and adjacent countries such as Poland.

—Subsidy to [*1 line not declassified*]: The Agency subsidy for this organization allows it to continue in existence, but we do not provide a majority of funds needed. It has a world-wide network of activities to reach Soviets abroad [*less than 1 line not declassified*] and to support anti-Soviet elements in the USSR. It also is a constant “enemy” consistently cited in Soviet propaganda.

—Russian and Polish language publishing house in [*less than 1 line not declassified*]: These two publishing organizations print and distribute books which otherwise would not be published and works toward their distribution into the USSR and Poland. [*less than 2 lines not declassified*]

—Russian book distribution mechanism [*dollar amount not declassified*]: This activity consists of a firm [*less than 1 line not declassified*] which is the distribution agent for a number of other projects and independent publishers which publishes an annual catalogue of Russian-language books and supplies same to established customers. This operation relates to the above cited larger scale distribution mechanism but acts

as the sales representative of particular projects, while the larger group cited above is itself a distribution action mechanism.

— [1 line not declassified] This is a relatively new project which publishes a quarterly journal of Soviet Central Asian affairs, various manuscripts, and hold seminars.

— [less than 1 line not declassified] This institute was specifically created under the 1980 Finding and provides an umbrella mechanism [less than 2 lines not declassified] and his activities. These later included numerous speaking engagements in Western Europe, the publication of books and pamphlets, and his regular broadcasts in the Russian language to the Soviet Union [less than 1 line not declassified]

—Czech journal [less than 1 line not declassified] This activity centers around a Czech affairs journal published in the Czech language for over 20 years and includes support activities for dissidents and human rights supporters in Czechoslovakia.

—A Czech journal [less than 1 line not declassified]: Where the above project supports centrists and moderate right activities, this journal is managed by and works with dissident communities from the Dubcek period. It also involves related political action and support activities in Czechoslovakia and is supportive to the independent Eastern European peace movement.

—Polish journal [less than 1 line not declassified]: This project supports an activity centered around the leading Polish journal in exile, and has had and continues to have a noticeable direct impact on Solidarity and other dissident activities in Poland.

—Study project on the Prague Spring [dollar amount not declassified]: This activity supports the publication of papers and holding of related seminars on degradation of the Soviet model of communism, and is targeted on dissident communities in East and West Europe. During the course of FY-83 it broadened its focus from the Czech case to include Poland and Hungary.

During the course of FY-83 eight new operational activities under the cited Findings were commenced:

—A new Ukrainian historical/political journal with a new group of Ukrainian activities was organized. This new activity [less than 1 line not declassified] will complement the other Ukrainian activity in the established program, whose journal is more cultural. Publication of the first issue of the journal is anticipated early in 1984.

—Subsidy to Russian language journal [less than 1 line not declassified]. This journal had been supported [less than 1 line not declassified] but that support is being cut back, and we are picking up part of the expenses to keep this valuable asset in existence.

—A new dissident communist-oriented journal in Western Europe to publish in French, German, Italian and Spanish. This activity will

provide an opportunity for dissident West European communities to publish their views when denied access to their own press and will be utilized to denigrate the Soviet model of communication and support further "freedoms" in Eastern Europe. It will initially be published as an add-on into existing journals. The first effort will be accomplished in French and German and should appear at the beginning of 1984.

—Reinstitution of support to Hungarian newspaper and related book publishing. This activity reintroduces support to the influential Hungarian paper published in the West, [1 line not declassified]. The newspaper and some of its related publishing activities has considerable influence in Hungary today.

—A new Czech-language "Readers Digest" type journal. This is a pilot project to respond to constant requests from inside Czechoslovakia for written material to amplify the brief notations heard on RFE and other Western broadcasts into Czechoslovakia, to provide information on significant developments in the West and other East European countries. The initial response has been enthusiastic, and we will consider adding such publications in Polish and Czech in the future.

—New Latvian/Estonian/Lithuanian journal. This is the first venture of the Soviet/EE CA program into the Baltic republics area. [less than 2 lines not declassified] The first issue should appear early in 1984. There seems to be exceptionally good potential for distribution into the three Baltic republics. [less than 2 lines not declassified]

—Support for actions in the USSR and Eastern Europe in support of Soviet withdrawal from Afghanistan and "peace" in general. This activity provides support for ad hoc operations aimed at particular peace actions in the USSR and Eastern Europe [less than 2 lines not declassified] The activity has considerable potential for expansion.

—New left of center Russian-language newspaper. We are working [less than 1 line not declassified] to establish a new newspaper to appeal to more leftist-oriented elements in the USSR than those appealed to through the established newspaper cited above.

ASSESSMENT OF IMPACT

During FY-83 we estimate that a total of 568,000 literary items (books, journals, brochures) were distributed into the USSR and the Bloc. This represented in particular a considerable improvement in material sent into Poland. (See attached breakdown.) These materials continued to be sent into the USSR and the Bloc [less than 1 line not declassified] Highlights of a heavy schedule of political action activities relative to Soviet and Bloc human rights abuses involved the preparation of a white paper on Czech abuses, which was distributed at the Helsinki Review Conference at Madrid, and a major conference on Soviet suppression of intellectual freedom held in Milan, Italy. Three groups with which we worked involved themselves in publicizing

opposition to Soviet continued involvement in a “war” in Afghanistan
[less than 3 lines not declassified]

We also were able to undertake a considerable expansion of our actions to counter hostile Soviet activity world-wide. We have come a long way in convincing the European governments to take actions against Soviet active measures, [less than 3 lines not declassified]. We have begun a campaign to ensure that the world sees Soviet President Andropov for what he is. Later in the FY we initiated a program to ensure that the world did not quickly forget the implications of the Soviet shootdown of the KAL airliner with the killing of 269 people.

PLANS FOR FY–84:

A major continuing task concerns the constant initiation of new initiatives to infiltrate and distribute materials we produce, in the USSR and the Bloc. [less than 3 lines not declassified]; we will try to initiate more of these types of techniques during FY–84 and beyond. As an assist to this effort, and as a way to get a better insight into what we are infiltrating as well as provide insights for future targeting, [less than 2 lines not declassified]

Given the expansion of the program in late FY–83, considerable effort will be devoted in FY–84 to the systematic development and consolidation of these new operational activities. The future expansion of the program will be limited. Assuming only a modest increase in funds beyond that included at the base-level in the budget, we anticipate new major developmental activities in the following areas in FY–84/FY–85:

- New Uzbek Language Newsletter
- New Book Series in Russian and major East-West European languages denigrating Soviet system: Eyewitnesses to communism.
- New activity for Soviet human rights support.

Attachment

Chart Prepared in the Central Intelligence Agency

SOVIET/EE LITERATURE DISTRIBUTION PROGRAM²

(Figures Represent Distribution Into Bloc)

FY–83

USSR:	[less than 1 line not declassified] books and journals
	[less than 1 line not declassified] magazines, brochures and leaflets

² Secret; Sensitive.

	<i>[less than 1 line not declassified]</i> Russian language weekly
	<i>[less than 1 line not declassified]</i> Ukrainian publications
POLAND:	<i>[less than 1 line not declassified]</i> books and journals
	<i>[less than 1 line not declassified]</i> political monthly
	<i>[less than 1 line not declassified]</i> political/literary monthly
CZECHOSLOVAKIA:	<i>[less than 1 line not declassified]</i> books and journals
	<i>[less than 1 line not declassified]</i> political/literary periodicals
HUNGARY:	<i>[less than 1 line not declassified]</i> books and journals
	<i>[less than 1 line not declassified]</i> political/literary quarterly
RUMANIA:	<i>[less than 1 line not declassified]</i> books and journals
BULGARIA:	<i>[less than 1 line not declassified]</i> books and journals

24. Draft Telegram From the Department of State to Multiple Eastern European Diplomatic Posts¹

Washington, February 21, 1984

Subject: US Policy Concerning Sit-Ins by Would-Be Emigrants on US Diplomatic/Consular Premises in the Soviet Union and Eastern Europe.

1. In the last two months, there have been several incidents in which persons seeking emigration from the German Democratic Republic

¹ Source: Reagan Library, George Shultz, Official Memoranda (03/02/1984) (4). Confidential; Papers Priority. Proposed to be sent Priority to East Berlin, Belgrade, Warsaw, Budapest, Bucharest, Sofia, Prague, Leningrad, Moscow, Poznan, and Krakow; also sent to Bonn and West Berlin. Drafted by Gallup; cleared by Matthews, Burt, Palmer, Elizabeth Verville (L), Surena, West, Niles, and Eagleburger; approved by Shultz. A sent copy of this telegram was not found.

have entered the US Embassy² and other allied missions in Berlin and refused to leave until they are permitted to emigrate. In consequence, Department has conducted a thorough review of policy in this area and has developed the following guidance for Soviet and Eastern European posts.

2. It is the policy of the United States not to repeat not to grant asylum at its units or installations within the jurisdiction of a foreign state. Immediate temporary refuge for humanitarian reasons, however, may be granted in extreme or exceptional circumstances wherein the life or safety of a person is put in danger (2 FAM 228.3).³ The Department reaffirms the applicability of 2 FAM 228.3 under the extreme or exceptional circumstances it envisions.

3. The following guidance is intended to address the more common situation in which an individual seeking emigration refuses to depart US diplomatic or consular premises but danger to life or safety is not present.

4. Each addressee post is instructed to designate suitable personnel to perform the task of handling cases of would-be emigrants who occupy USG premises. These personnel, as well as post duty officers, should become thoroughly familiarized with pertinent FAM provisions and these instructions. These personnel should be rehearsed and trained in procedures for handling these cases. During an incident, persons assigned to handle the incident should be available on 24-hour call.

5. In such incidents, the post's goal is to persuade the individual to depart within two hours of arrival.

6. If the initial two-hour period lapses with the individual still refusing to leave, the Department should be notified by NiACT Immediate telegram. Posts should follow the following format for their telegram: the cable should be slugged for P, HA, L, and the appropriate geographic bureau. The cable should include the following information when available, but submission should not be delayed pending its development.

A. Names and nationality of the individual(s) involved. If the individual has a claim to US citizenship or might qualify for visa to enter the US, this should be noted.

B. Date and place of birth and occupation.

C. Description of any documentation in the individual's possession.

² See Documents 269–273.

³ Attached but not printed.

D. What foreign authorities are aware of individual's action. Any actions taken by the foreign government related to the individual's presence on US diplomatic or consular premises.

E. Background and circumstances surrounding the individual's course of action.

F. Exact location of the individual and conditions under which the individual is maintained.

G. Reason for the individual's action.

H. Description of any criminal charges known or alleged to be pending against the individual, including any previous punishment for attempts to emigrate. Indicate also any piracy at sea, air piracy, or hijacking background,

I. Any Communist Party affiliation or affiliation with other political party, any government office now held or previously occupied.

J. Assessment of mental state and—if there appear to be serious problems—physical condition of individual.

K. Status of post's efforts to persuade the individual to leave.

L. Whether the case is known to the public or press, or is likely to become known.

M. Post's recommendation as to action by the Department.

7. Following the expiration of the two hour period, posts should continue to make every effort to persuade the individual to leave. Nothing should be done to reinforce his intention to stay on USG premises—Chiefs of Mission are authorized to determine how this provision should be implemented.

8. Chiefs of Mission have the discretion to determine when this secondary period has ended and more permanent arrangements (i.e. for a longer stay) have to be considered.

9. Chiefs of Mission are authorized to force the departure of any individual who exhibits violent tendencies threatening the safety of US employees.

10. In all other cases, the Chief of Mission may recommend forced departure of the individual if that appears the only viable alternative. Any decision to do so will be made by principal of the Department, normally the Under Secretary for Political Affairs.

25. Memorandum From the Under Secretary of State for Political Affairs (Eagleburger) to Secretary of State Shultz¹

Washington, March 12, 1984

SUBJECT

Asylum-Seekers in our Embassies

Our policy towards Eastern Europeans seeking refuge in our Embassies has been based on three fundamental truths:

—Much as we would like it to be otherwise, the host government has complete authority to grant or deny exit permission to its citizens. Our intercession carries little or no weight.

—Although the situation varies from country to country, the mere presence of an individual in our Embassy may get him or her in trouble. The longer the stay, the more certain that the individual will face serious consequences upon departure. The exception to this—at least temporarily—is East Berlin, where the authorities have proved willing to negotiate with their citizens refusing to leave our Embassy. Their continued willingness to do so, however, is dependent on the numbers of such cases staying within tolerable limits.

—Even short stays by one person can severely strain the security and administrative workings of the Embassy. Longer stays by larger numbers could quickly lead to a complete inability of the Embassy to perform its regular functions.

As a result of the above, our policy has been to take down all relevant information concerning an individual and then persuade him or her voluntarily to leave the Embassy as quickly as possible. With the notable exception of the Pentacostals in Moscow, this policy has been effective.²

The attached memo asks you to decide what happens when our strategy fails, i.e., when the individual involved refuses to leave the Embassy.³ It is timely because the publicity now being given to the East German cases can easily lead desperate people in other Warsaw Pact countries to try the same thing.

¹ Source: Reagan Library, George Shultz Papers, Executive Secretariat Sensitive (03/08/1984–03/12/1984). Secret. Hill initialed and dated the top of the memorandum on March 12.

² See *Foreign Relations*, 1981–1988, vol. III, Soviet Union, January 1981–January 1983, Documents 46 and 193.

³ Attached but not printed.

It is EUR's recommendation that we give the Ambassador the discretion (with the understanding that in normal cases, it would be used) forcibly to eject individuals that otherwise cannot be persuaded to leave at the end of the workday. I, on the other hand, recommend that all such cases be referred to the Department for decision (with the presumption being that no one would be forcibly ejected). HA supports my view.

This is a very tough call, as either choice has serious drawbacks. My option could lead to severe disruption of the functions of an Embassy for an indeterminate period of time. The EUR option could lead to harsh domestic and international criticism when the policy became known, as it surely would. (Genscher, for example, has already laid down several markers that forcible ejection of East German nationals from our Embassies would, to put it mildly, not be regarded favorably in the FRG.)

On balance, I believe that the cost of forcibly ejecting individuals seeking our help is simply too high to pay. First and foremost, it is not in keeping with our human rights policy. Moreover, the criticism would be too strong, both towards the Department and the Administration.

In reaching this conclusion, I was influenced by an incident at our Embassy in Warsaw less than one month ago. We were notified that the Embassy was planning forcibly to eject a Pole who was seeking asylum. Only due to this policy review were we made aware of the Embassy's plans in time to prevent the ejection. Later we found that the man was in fact a dual national with a valid claim to American citizenship. The firestorm of criticism that would have hit the Department—and the Administration—if the ejection would have been carried out and the press informed—would have been simply overwhelming. It would also have made it more difficult to pursue our current policy initiative with the Polish Government. In the event, the individual was persuaded that it was in his best interests to leave and he did so voluntarily.

This is not to say that our Ambassadors cannot be trusted or that their judgment is suspect. It is to say that it is in the interests of the Department—and the Ambassadors themselves—that decisions of this magnitude are made here.

I recommend that you approve a policy that would have the decision forcibly to eject an individual be made in the Department and the normal presumption be that such a recommendation would be denied.

Lawrence S. Eagleburger⁴

⁴Eagleburger signed his initials above his typed signature. Beneath his signature, he hand wrote, "I'm ready to discuss, if you wish."

**26. Telegram From the Department of State to the Embassy
in the Federal Republic of Germany¹**

Washington, March 30, 1984, 0408Z

92819. Subject: Letter From FonMin Genscher on Would-Be Emigrants at U.S. Embassies

1. Following is text of letter from FRG Foreign Minister Genscher received by Secretary on March 29 1984 concerning treatment of East German would-be emigrants at US embassies and consulates. Response is under preparation and will be transmitted separately.²

2. Begin Text.

Dear George.

At the breakfast with you in Washington on 5 March, the Federal Chancellor voiced the urgent request that no German from the GDR who seeks refuge in a U.S. Embassy in a Warsaw Pact country be removed from the building against his will, and also requested close consultation with us in all such cases. The U.S. administration sent us a message on this problem via its embassy in Bonn on 18 March.³ Which message we have carefully examined.

The Federal Government appreciates the U.S. administration's understanding for the desire of Germans to leave the GDR and its understanding for the care and responsibility of the Federal Government towards persons who opt for us to claim their rights deriving from German nationality. The Federal Government is grateful for your administration's readiness to do its utmost to support emigration through normal channels.

The Federal Government shares the view of the U.S. administration that seeking refuge in embassies is not a suitable way of obtaining emigration. It has repeatedly stated this in public.

It respects the U.S. administration's viewpoint that persons seeking to leave Eastern European countries will normally not be allowed to stay in U.S. embassies after office hours. The Federal Government earnestly strives to persuade Germans seeking emigration from the GDR to

¹ Source: Reagan Library, George Shultz Papers, Official Memoranda (03/30/1984) (2). Secret; Immediate; Nodis. Sent Immediate for information to East Berlin, the mission in West Berlin, Bucharest, Budapest, Prague, Sofia, Warsaw, Belgrade, and Moscow. Drafted by Gallup; cleared by Kornblum, Cynthia Smith (EUR/EE), James Shumaker (EUR/SOV), Niles, Thomas Randall (S/S-O), Burt, James Covey (S/S), and Michael Butler (S); approved by Burt.

² See Document 27.

³ Reference is to telegram 78942 from the Department of State, March 17, which dealt with asylum seekers in embassies in the Eastern Bloc and the implications of recent West German radio and television broadcasts that encouraged asylum seekers not to turn to FRG missions. (Department of State, Central Foreign Policy File, N840004–0515)

leave of their own accord the missions or posts of the Federal Republic of Germany both in their own interest and for the sake of preserving and improving their own and their compatriots' chances of emigration.

However in such cases the Federal Government cannot, for legal and moral reasons, bring itself to remove Germans coming from the GDR against their will from its missions or posts. It is gratified to note that the U.S. administration is prepared to make allowances for such persons. I should like to ask, however, that the conditions set by your side be reviewed.

The time limits set by you can lead to situations that make it impossible to extend effective assistance to the persons concerned. In all cases where the persons seeking refuge cannot be persuaded to leave the missions or posts of their own accord, the Federal Government seeks to achieve a settlement with the GDR authorities with the emphasis on ensuring that they will not prosecute the persons concerned. The time needed to obtain a settlement may vary considerably, but the efforts to this end have always proved successful until now.

Your demand that persons seeking refuge be transferred to missions or posts of the Federal Republic of Germany is not only very difficult to put into effect but also detrimental to the interests of the persons concerned. In the light of our discussions with the GDR Government it is to be assumed that this would create insurmountable obstacles to an effective settlement. The Federal Government is ready to assist to the best of its ability all U.S. embassies whenever Germans from the GDR seek refuge there. We would therefore be grateful if we could be informed as soon as a case arises in order to determine the most effective action we can take. Staff members of our missions or posts are available, if necessary, for talking on the spot to persons seeking refuge. They can also, if need be, bring about contact with the solicitor engaged by the GDR authorities for such matters. Finally the Federal Government is prepared to make any contributions needed to solve such cases.

I fear that any forcible action against Germans seeking aid to obtain freedom would, even in an isolated case, lead to strong reactions among the public, which might be detrimental to the image of the United States as our main ally, as a country bearing responsibility for Germany as a whole and as a power protecting Berlin.

The Federal Government would be grateful if the U.S. administration could review its position on such cases in the light of my remarks above and, in particular, ensure that no force is used against Germans seeking refuge.

Yours sincerely,

(sgr) Hans-Dietrich Genscher

End text

Shultz

27. Telegram From the Department of State to the Embassy in the Federal Republic of Germany¹

Washington, April 5, 1984, 1758Z

103208. Subject: Reply to Genscher on Would-Be Emigrants. Ref: State 92819.²

1. Embassy is requested to deliver following letter from the Secretary to FRG Foreign Minister Genscher on would-be emigrants on US diplomatic and consular premises in East Berlin, Eastern Europe, and the Soviet Union. The letter responds to Genscher's letter sent reftel.

2. Begin text:

Dear Hans-Dietrich:

Thank you for your letter dated March 28 about US policy toward East Germans who seek emigration by staying at US embassies or consulates. I appreciate fully that this is an issue of great delicacy and concern for the Federal Republic. Let me assure you that our ambassadors have proceeded, and will continue to proceed, in each case on the basis of compassion and sensitivity toward the individuals involved.

In particular, we have recognized the need to take account of the readiness of the Federal Republic to make special arrangements to ensure the welfare and possible emigration to the Federal Republic of Germany of Germans living in the GDR who call at our embassies. It was for this reason that guidance to our ambassadors stated clearly that if such persons do seek assistance to emigrate, these ambassadors are to notify their Federal German colleagues immediately and, as appropriate, seek to make arrangements for German assistance to these persons.

We are prepared to provide the Federal Government all the relevant data in our possession related to such persons' request to emigrate to the Federal Republic. Instructions to persuade the persons to leave our embassy by the close of the business day are based on our misgivings about using diplomatic premises as a haven from local authorities, but also on our strong feeling that the safety and welfare of such persons is seriously endangered if they remain on our premises overnight.

I recognize your concern that the deadline set by the US for departure of individuals from our embassies may in some cases be tight. But I should like to stress once again that our ambassadors are authorized to

¹ Source: Department of State, Central Foreign Policy File, N840005–0450. Secret; Immediate; Nodis; Stadis. Sent for information to East Berlin, Belgrade, Sofia, Budapest, Bucharest, Warsaw, Moscow, Prague, and the mission in West Berlin. Drafted by Gallup; cleared by Burt, Palmer, Niles, Surena, West, Matthews, Eagleburger, Hill, Robert Pearson (S/S–O), and Thomas Farrell (S); approved by Shultz.

² See Document 26.

be flexible on this point. If arrangements for the individuals' departure are underway and success is imminent—through the Federal Republic's taking the individual from the embassy, through persuasion by the Federal Republic's authorities, or through the intervention of intermediaries engaged by the GDR—our ambassadors may allow the individuals to remain temporarily pending completion of arrangements. We do not, however, foresee allowing such persons to remain indefinitely in the uncertain hope that in several days or weeks efforts to arrange their departure may succeed. We are willing to refrain from removing East German would-be emigrants from our embassies unless they threaten the safety of our embassy personnel, provided that the Federal Republic agrees in each case to take them physically off the hands of the US Embassy and to do so the same day. If this is impossible but arrangements are in process for the next day we will try to be flexible. The Federal authorities would escort them from the US Embassy and, if necessary, transport them to the Federal Republic's Embassy or permanent representation, if the Federal Republic deems that advisable. Prolonged stays, in our experience, create the most serious and intractable problems for the individuals and for our embassies. However, if you think that some of these people should be allowed to stay for a longer period, we believe your government should assume responsibility for them and take them to your embassy.

I would like also to reassure you that forcing persons physically from our premises is an action we would take only with the greatest reluctance as a last resort. One such circumstance would clearly arise when the safety of our embassy personnel is at stake. Our policy is to treat the individuals with respect and sympathy, but to make clear from the outset that they must leave by the end of the first business day. This does not involve crude physical force or bodily ejection on our part. It does involve a firm US attitude. We may have our embassy officers escort individuals from the embassy and away from the local government's nearby security officers. We are sensitive to the public opinion aspects. Disagreeable incidents between East Germans and US personnel in this regard have not occurred, and we do not anticipate their occurring in the future.

I recommend, in view of the importance and delicacy of this issue, that our governments conduct intensified consultations in the near future. Our representatives are prepared to join yours in Bonn or Washington to discuss this matter.

Sincerely,
George
End text.

Shultz

28. Memorandum Prepared in the Central Intelligence Agency¹

EURM84–10136

Washington, June 26, 1984

Eastern Europe-USSR: Rising Discord Within the Soviet Bloc

SUMMARY

Moscow's East European allies, who have become increasingly unhappy over the past year with Soviet policies on East-West relations and CEMA integration, have been showing more willingness to argue their own views and, in some cases, to resist Soviet pressure for greater conformity. At one time or another, all of the East European states except the hardline Czechoslovaks have expressed misgivings over Soviet policies. For the first time there even are indications that Hungary, Romania, East Germany, and to a lesser extent Bulgaria have supported one another in opposing Soviet initiatives. [*portion marking not declassified*]

The East Europeans fear that Moscow's tough stance on East-West relations and its pressure for increased economic integration will make it harder to maintain the Western economic and political ties they consider necessary to help their ailing economies. Some East European states also are concerned about preserving the degree of policy latitude they already enjoy. [*portion marking not declassified*]

These differences will probably persist and may deepen. The Soviets at least for the time being do not seem inclined to moderate their policies. They apparently are unwilling or unable to crack down on their allies, at least partly because a curtailment of East European economic ties to the West might force Moscow to raise its own subsidies to the region or confront the prospect of social and political instability there. The East Europeans have equally strong reasons to stick to their guns. East European assertiveness also may be strengthened by the belief by some leaders that the Chernenko regime is weak and short-lived. [*portion marking not declassified*]

Introduction

Relations between the Soviet Union and its Eastern European allies have historically been marked by a degree of friction. Romania's maverick foreign policies have been a source of stress within the alliance for nearly two decades, and individual East European solutions to domestic political and economic problems have periodically raised eyebrows in

¹ Source: Central Intelligence Agency, Office of Support Services (DI), Job 85T00287R: Production CaseFiles, Box 11, Folder 36: Eastern Europe-USSR: Rising Discord within the Soviet Bloc. Secret; [*handling restriction not declassified*] The memorandum was prepared in the Office of European Analysis with a contribution from the Office of Soviet Analysis.

the Kremlin. Moreover, differences over economic priorities have long existed between Moscow and its CEMA partners. Over the past year, however, the discord has become more intense as the USSR has sought East European support for a harder line toward NATO INF deployment and has pushed CEMA integration—policies that threaten the East Europeans' lucrative economic relations with the West. This memorandum examines the evidence of the growing disharmony within the Soviet bloc, analyzes its causes, and assesses the implications. [*portion marking not declassified*]

The Issues

Tough measures advocated or in some cases taken by the Soviets to discourage or limit NATO INF deployment have evoked concern among the East European countries, who do not fully share Moscow's fear of a growing military threat from the West. [*portion marking not declassified*]

—Most of the East Europeans failed to endorse unspecified tough INF countermeasures proposed by the Soviets at a Warsaw Pact summit in June, 1983 and at several ministerial meetings in the fall, [*less than 1 line not declassified*] All Pact members except Czechoslovakia expressed misgivings about a hardline policy, with Romania and Hungary the most outspoken. The eventual Soviet decision to break off the Geneva talks² was publicly criticized by Romania and, [*less than 1 line not declassified*] opposed privately by all the other East European countries. [*portion marking not declassified*]

—The prospect of counterdeployments was greeted with little enthusiasm by the East Europeans. [*less than 1 line not declassified*] East Germany and Czechoslovakia agreed only with great reluctance to accept new Soviet missiles [*less than 1 line not declassified*]. Hungarians and Bulgarians have labored hard—and thus far successfully—to persuade the Soviets not to deploy on their soil. [*portion marking not declassified*]

— [*less than 1 line not declassified*] agreement last fall to have no official contact for six months with those NATO countries that accepted INF basing also caused friction. Moscow criticized Hungary for not heeding the ban, even though the Soviets maintained their own high-level contacts with INF basing countries. [*portion marking not declassified*]

—At an April meeting of Warsaw Pact Foreign Ministers, Soviet calls for a toughly worded statement on INF provoked further disagreement. [*less than 1 line not declassified*] the Romanians reiterated

² The Soviet delegation walked out of the INF negotiations in Geneva on November 23 after the West German Bundestag voted to approve INF deployment. Documentation is in *Foreign Relations*, 1981–1988, vol. IV, Soviet Union, January 1983–March 1985.

their earlier criticisms of Soviet counterdeployment and advocated resumption of the Geneva talks. Hungary, East Germany, and Bulgaria also urged moderation, while the Poles and Czechoslovaks supported the Soviet line. The final communique was milder than an earlier Soviet draft: it emphasized dialogue and was less categorical in demanding reversal of INF deployment as a condition for resumed armed talks. *[portion marking not declassified]*

Squabbling over East-West issues has been paralleled by differences within CEMA. The USSR wants greater CEMA integration through more closely coordinated economic policy, more joint projects, and more specialization agreements. At the same time, beset by its own economic problems, Moscow has been offering the East Europeans less payoff from the CEMA relationship: over the past two years, the Soviet Union has substantially increased the price of its oil, reduced the volume of oil deliveries, and narrowed the large East European trade deficits. The USSR apparently wants to reduce its subsidies further while the East Europeans want at least to maintain the level of assistance they now receive. *[portion marking not declassified]*

—CEMA's members repeatedly failed to agree on the scheduling and agenda for the economic summit that eventually met this month. The Soviets made a major effort to hold the summit in May 1983, *[less than 1 line not declassified]* high-level officials could not resolve important questions on cooperation, integration, and foreign trade pricing. Subsequent Hungarian-Soviet differences on foreign trade prices for food and energy products reportedly forced further postponement. *[portion marking not declassified]*

—East European press coverage of the summit indicated that the meeting was the scene of disagreement, probably, as the US Embassy reported,³ over East-West trade, CEMA integration, and pricing issues. Moreover, the public pronouncements after the summit stressed unity but provided few concrete measures to achieve that aim. *[portion marking not declassified]*

The disharmony had become highly visible early this spring, when the Czechoslovak party daily *Rude Pravo* attacked unspecified bloc "socialist" countries for pursuing independent foreign policies, placing national interests over those of the bloc, and deviating from the Soviet economic model. The Soviet foreign affairs weekly *Novoe Vremia* reprinted the *Rude Pravo* article, and Soviet radio broadcast portions of it to Eastern Europe. Two leading Soviet party dailies subsequently praised the Husak regime's loyalty and economic orthodoxy, and the prestigious theoretical journal *Voprosy Istorii KPSS* called for greater

³ Telegram 7552 from Moscow, June 15, described the outcome of the CEMA meeting held in Moscow. (Department of State, Central Foreign Policy File, D840388-0464)

bloc cohesion and criticized unorthodox economic reforms. [*portion marking not declassified*]

The Hungarians, apparently the principal target of the Czechoslovak assault, stood their ground. The Budapest press carried rebuttals in the form of interviews with party leader Janos Kadar and the party secretary for foreign affairs, Matyas Szuros. East Berlin joined the fray, implicitly supporting the Hungarians by reprinting key parts of the interviews with Szuros and Kadar and ignoring the original *Rude Pravo* article. [*portion marking not declassified*]

The East Europeans have begun to show growing unity in resisting Soviet pressure. [*less than 1 line not declassified*] several East European countries have supported one another in arguing against Soviet positions, although they apparently have stopped short of outright collaboration. Romanian diplomats have accorded an unusual degree of credit to Bulgaria, Hungary, and East Germany in helping to moderate Soviet policy at the foreign ministers meeting in April. A senior East German foreign policy advisor told the US Embassy in early May that these four countries had "lobbied" the Soviets at the meeting and claimed that Hungary and the GDR have reached "virtual unanimity" in their views on foreign policy. Moreover a senior Hungarian party official has also referred to a Budapest-East Berlin-Sofia axis on foreign policy matters. [*portion marking not declassified*]

The Olympic boycott by socialist countries illustrates, however, the limits of East European independence, as all East European Warsaw Pact countries except Romania bowed to Soviet pressure.⁴ For the Romanians, Olympic participation represents the kind of dramatic gesture of national independence President Ceausescu likes to make which may irritate the Soviets but not threaten their vital security interests. Other East European states, although unhappy with the Soviet decision, probably view participation in the boycott as a useful way to demonstrate bloc loyalty on an issue of less direct significance to them at a time when they have been resisting Soviet initiatives in more important areas. They also realize that heeding the boycott does not seriously affect their vital interests vis-a-vis the West. The Hungarians, for example, told US Embassy officials after the Soviets rejected Budapest's proposal to send a small team to the games that, in the end, this was not the issue on which to make a stand. [*portion marking not declassified*]

⁴ The Soviet Union announced on May 8 that it would boycott the Los Angeles Summer Olympics in part because of Soviet concern about defections of athletes. See *Foreign Relations*, 1981-1988, vol. IV, Soviet Union, January 1983-March 1985, Document 217.

The Soviet Perspective

Increased Soviet insistence on bloc unity apparently reflects Moscow's fears that its allies have become more vulnerable to Western political and economic pressures. Several authoritative Soviet press articles reveal concern that the West may divide some East European states from the USSR on arms control and other important issues by rewarding states whose "foreign policy is autonomous and independent from Moscow." One article criticized unspecified Warsaw Pact states for drawing an artificial line between large and small states and for praising the latter's role in trying to promote East-West dialogue. Such remarks indicate growing Soviet suspicions that some East European leaders increasingly view themselves and the West Europeans as victims of superpower confrontation. [*portion marking not declassified*]

Moreover, Soviet Premier Tikhonov stressed [*less than 1 line not declassified*] that East European dependence on the West for technology would not be tolerated and that overall trade with the West should be sharply limited to that which brought "direct advantage." The Vice Chairman of the Soviet Central Committee's bloc relations department recently called for reducing to the minimum strategic goods obtained from Western suppliers. Greater CEMA integration would address some of these concerns by strengthening the economic cohesion of the alliance, increasing Moscow's economic authority in the region, and reducing East European dependence on the West. [*portion marking not declassified*]

Nonetheless, the Soviet leadership thus far has not shown any determination to crack down decisively on its allies. This could reflect uncertainty or disagreement within the Soviet leadership. While some members of the Politburo such as Foreign Minister Gromyko, Defense Minister Ustinov and Premier Tikhonov probably favor imposing greater discipline on the East Europeans, others such as Gorbachev and Vorotnikov appear willing to tolerate national autonomy over economic development, including the development of trade and cooperation with the West, as long as this does not directly threaten Soviet security interests. [*portion marking not declassified*]

East European Concerns

The specific concerns of individual East European countries vary widely. They generally are preoccupied, however, with their economic problems and fear that increased CEMA integration could enhance the dominance of the USSR over their economies and curtail access to Western credit, technology, and markets—a particularly serious cost at a time of declining Soviet subsidies. They worry that East-West strains over INF also could threaten these economic links with the West and that heightened international tension increases Soviet pressure on them

to boost their military spending. The East German and Czechoslovak regimes also have been concerned about domestic criticism of Soviet counterdeployments and the difficulties this creates for their peace propaganda, which attempts to lay all the blame for increased armaments on the West. East European behavior also reflects their uncertainty about the situation in the Soviet leadership. Andropov's long illness and the unsettled political relationships in the Politburo following his death may be leading some of the bolder East Europeans to view this as an opportune time to test the limits of Soviet tolerance. [*portion marking not declassified*]

Hungary

Budapest has shown itself willing in recent months to press its own interests when they clash with the Soviet line. In January, Szuros even asserted the primacy of national over bloc interests except in "extraordinary circumstances." During Soviet Foreign Minister Gromyko's visit to Budapest in April, the Hungarians raised the possibility of improvements in East-West relations while Gromyko was harshly criticizing the US⁵ and explicitly reaffirmed their commitment to further economic reforms despite some signs of Soviet unease. Hungarian Central Committee members recently advised US officials to offer the US non-use of force proposal as a NATO initiative to the Warsaw Pact so that the smaller East European states could influence the Soviet reaction. [*portion marking not declassified*]

The Kadar regime's apparent boldness partly reflects its realization that it badly needs Western economic support. Budapest conducts half its foreign trade with countries outside CEMA, has benefited extensively from Western credit, and currently is negotiating a trade agreement with the EC. Hungary's unorthodox economic reform program, which has permitted greater enterprise freedom, market orientation, and tolerance for the private sector than anywhere else in the Soviet bloc, also depends heavily on the availability of Western markets, credit and technology. Soviet-backed CEMA initiatives that would strengthen supra-national centralized planning are ill-suited to the Hungarian experiment. [*portion marking not declassified*]

⁵ Gromyko's harsh criticism of the United States—in a toast at the official dinner—was followed by some mild remarks from Hungarian Prime Minister Lazar, who expressed the hope that the international climate would improve. The communique after the talks used more abrasive anti-Western language than Budapest probably would have liked, but did suggest the possibility of a turnaround in East-West relations. A communique from the Hungarian Party Central Committee session that met during the Gromyko visit mixed cautious support for Soviet positions with calls for a better international dialogue and defended Hungary's Western contacts. [*portion marking not declassified*] [Footnote is in the original.]

The Hungarians also may believe that General Secretary Chernenko's leadership is transitory and incapable of forcing major policy changes on Budapest. [*less than 1 line not declassified*] the Hungarians believe that their economic policies enjoy support from some Politburo members, including Gorbachev, whom they reportedly believe to be the strongest contender for the Chernenko succession. [*1 line not declassified*] Hungarian resolve to hold to their reformist course remains unshaken because their policies have been economically more successful than those of the USSR. [*portion marking not declassified*]

East Germany

The East German leadership has increasingly demonstrated a willingness to pursue its interests in areas where it can do so without seriously challenging the Soviet line. The East Germans reportedly share some of Hungary's apprehension over Soviet INF policies, although the cautious Honecker regime has not made any dramatic gestures of opposition to Soviet policy. [*less than 1 line not declassified*] Soviet counter deployment was unpopular in East Germany, and that a petition drive supporting deployment had to be cancelled when it encountered resistance. [*portion marking not declassified*]

East Berlin appears particularly concerned that Soviet policies may imperil its lucrative economic relationship with West Germany. [*less than 11 lines not declassified*]

Romania

Romania has been the most audacious and open critic of Soviet INF and CEMA policies within the bloc, although even it has been careful not to challenge Moscow on issues vital to Warsaw Pact military security. The Ceausescu regime has long derived legitimacy from its relatively independent foreign, economic, and military policies. Bucharest is probably concerned that deteriorating East-West relations will lead the Soviets to enforce greater conformity within the bloc. Moreover, the Romanians, already deeply in debt to Western creditors, would like to preserve the option of further Western assistance. [*portion marking not declassified*]

The Romanians may have been somewhat emboldened by the emergence of Chernenko as Soviet party chief. [*less than 1 line not declassified*] Bucharest was relieved at the passing of Andropov, whom they considered unsympathetic to their position. In Romanian eyes, the Chernenko regime reportedly represents a return to the Brezhnev era when Romania's wayward behavior was grudgingly tolerated by the Kremlin. [*portion marking not declassified*]

Bulgaria

Traditionally the least venturesome of Moscow's East European allies, the Bulgarians nonetheless have begun cautiously to pursue policies predicated more on their own interests. [*Less than 6 lines not declassified*], Sofia publicly denounced as "groundless" reports in the Western press that Soviet missiles would be deployed in Bulgaria. The Bulgarian press also has continued to highlight Sofia's desire for a Balkan nuclear-free zone. [*Less than 1 line not declassified*] Bulgarians are worried, [*less than 1 line not declassified*], that worsening East-West relations will frustrate their efforts to improve relations with the West, especially in the economic sphere. Moreover, Bulgaria has embarked on a program of modest economic reforms which depend in part on greater access to Western credit, markets, and technology. [*portion marking not declassified*]

Czechoslovakia

Ultra-orthodox Czechoslovakia has been the most supportive of Soviet policies. Prague's criticism of nonconformity—particularly the economic experimentation and relatively liberal political atmosphere of neighboring Hungary—probably reflects the concern of some Czechoslovak leaders that a new "Prague spring" is in the works in Budapest. The Czechoslovak attacks also may derive from the perception by the leadership, especially the hardline faction led by Party Secretary Vasil Bilak, that it would be well received in the Kremlin. Despite Prague's conformist behavior, however, some differences do seem to exist between the Czechoslovaks and the Soviets. [*Less than 1 line not declassified*] Prague was not pleased with the Soviet decision to deploy missiles on its territory, and Embassy sources indicate that the Czechoslovaks might prefer better relations with the West. Unpopular at home, in part for its support of the Soviet line, the Husak regime may be growing uncomfortably isolated in bloc meetings as the only knee-jerk Soviet supporter. [*portion marking not declassified*]

Poland

Poland has not been a major actor in the current bloc disputes, even though Warsaw has little to gain from a further deterioration in East-West relations. Poland's military rulers would like, if possible, to increase contacts with the West in order to end Western sanctions imposed in the wake of martial law and, in a broader sense, to gain international acceptance and legitimacy. On the other hand, INF countermeasures are not a pressing issue for Poland, which is not presently scheduled for basing. More significantly, a Poland beset by popular discontent and serious economic malaise is compelled to look to

the Soviet Union for economic help and at the same time allay Soviet apprehension over Polish internal instability. The Poles probably are concerned that Chernenko, with his background in the Soviet apparatus, will ask them to take a tougher line against the church and domestic opposition. [*portion marking not declassified*]

Outlook

We believe Soviet-East European differences are likely to continue to grow. Moscow shows few signs of weakening its tough line on INF and other East-West issues and probably will continue to press for more CEMA integration. All the East European states except possibly Bulgaria and Czechoslovakia face economic difficulties over the medium term, and they will be eager at least to preserve existing trade and financial links with the West. [*portion marking not declassified*]

Consequently, in the absence of strong and determined Soviet demands, we expect that the East Europeans will continue to try to promote East-West dialogue and to maintain contacts with Western leaders. They will probably also continue to press the Soviets to soften their line on East-West issues. The Hungarians are unlikely to halt or substantially alter their controversial reform program. Moreover, most of the East Europeans—especially the Hungarians and Romanians—are likely to resist Soviet initiatives for greater CEMA integration for political and economic reasons. [*portion marking not declassified*]

If Soviet leaders can unite behind a decision to enforce conformity within its alliance, its allies will yield, but probably only after putting up some stiff resistance. Some East European leaders may be more willing to balk because of their belief that the leadership in the Kremlin is divided and transitory. The increasing support that the East Europeans are beginning to extend to one another could also encourage further resistance. Moreover, because their vital interests are at stake, the East Europeans would give way grudgingly and probably would work behind the scenes to salvage what they can of their present positions. [*portion marking not declassified*]

The East Europeans thus have presented the Soviets with a dilemma. A crackdown on East European relations with the West would oblige Moscow to raise its subsidies to the region or risk social and political instability there. On the other hand, if Moscow continues its hardline posture toward the West while opting against a crackdown on its allies, it will face growing difficulties in managing its critical East European alliance system. [*portion marking not declassified*]

29. **Memorandum From Walter Raymond of the National Security Council Staff to the President's Assistant for National Security Affairs (McFarlane)**¹

Washington, July 17, 1984

SUBJECT

Soviet Covert Action Program

My understanding from former colleagues is that the Soviet/East European Covert Action Program was budgeted at \$8.3 million for FY 84. The program managers projected funding needs at \$9.1 million for FY 85, however the "bureaucracy" (probably including John McMahon) has cut the figure to \$7.6. Some of my figures may not be totally accurate but the *bottom line* is that there is a projected cut in this program. I do not believe that this issue has been brought to Bill Casey's attention. I have a personal interest in this program, not only because I was responsible for it before, but also because I worked very closely with the Agency on this activity. I have been trying to generate a parallel non-covert dimension in the field of political action toward the target. I think it is vital that funding be continued. Indeed, more could and should be more meaningfully spent on this program.

I would urge you to raise this with Bill Casey privately and insure that he sees the program is continued without reductions.

Attached at Tab I is a bootleg copy of a recent letter from Secretary Shultz to Bill Casey underscoring the importance of the program and the need for it to be expanded.² Ken³ and I and others share this view.

FYI: [2 lines not declassified] This is a second item I believe you should raise with Bill Casey in order to develop a Congressional strategy designed to reverse this HPSCI position.

Recommendation

That you underscore to Bill Casey your commitment that the Soviet/East Europe Covert Action Program continue at equal or greater funding levels in FY 85.⁴

¹ Source: Reagan Library, System IV Intelligence Files, 1984, 400684. Secret; Eyes Only. Sent for action.

² Attached but not printed. The attachment is printed in *Foreign Relations*, 1981–1988, vol. IV, Soviet Union, January 1983–March 1985, Document 245.

³ Ken deGraffenreid.

⁴ McFarlane initialed the "Agree" option.

That you raise [*less than 1 line not declassified*] funding with Bill Casey to develop strategy for use with HPSCI.⁵

Ken deGraffenreid concurs.⁶

⁵ McFarlane initialed the “Agree” option.

⁶ DeGraffenreid wrote next to his concurrence, “Strongly agree with Walt that we must *not* let these programs be reduced.”

30. Memorandum From the President’s Assistant for National Security Affairs (McFarlane) to President Reagan¹

Washington, August 1, 1984

SUBJECT

Technology Transfer to East Europe

Issue

Should we permit the export of certain U.S. data processing hardware to East European countries as part of our policy of differentiating them from the Soviet Union?

Facts

Three cases have been under consideration for as long as three years, and no interagency agreement has been achieved. First, Romania applied three years ago for permission to purchase a ground station from NASA to receive near-real-time multi-spectral images from NASA’s LANDSAT. Second, the Control Data Corporation applied for permission to sell technical kits to Romania for the assembly of 200 Megabyte disk drives. These disk drives can be used to expand the memory of computers. Third, Austrian Airlines has applied for permission to reexport a used IBM central processing unit to Hungary. This processing unit would increase the computation capacity of a Soviet computer at the University of Budapest that is used for teaching and research.

¹ Source: Reagan Library, Donald Fortier Files, Subject File, Technology Transfer: Romania Landsat Case 1984. Secret. Sent for action. Prepared by Donald Fortier and Stephen Rosen. The memorandum was faxed to Santa Barbara for Reagan’s attention on August 3.

These cases were taken up at an Export Administration Review Board meeting on 27 June 1984.² At that time, Secretary Weinberger opposed granting the necessary licenses in all three cases. Secretary Shultz was in favor of granting the licenses. Secretary Baldrige was willing to see the LANDSAT station disapproved, but urged a positive decision on the other two.

Discussion

The primary reason in favor of the transfers that has been cited by Secretary Shultz is the U.S. policy of differentiation, embodied in NSDD 54, of September, 1982, that calls upon the U.S. government to discriminate carefully in favor of East European countries that either display relative independence of the Soviet Union in their foreign policy or which show relatively greater internal liberalization. Romania has displayed greater foreign policy independence, for example, by sending its athletes to the U.S. Olympics, but is more repressive than other East European countries.

In the case of the LANDSAT ground station, the supporters of the transfer argue that the relative independence of Romania should be rewarded by technology transfers. They note that LANDSAT was first supported by President Nixon.

In these two Romanian cases, there appears to be some danger of technology loss that needs to be weighed against the benefit we will gain by pursuing the policy of differentiation by these means. The policy of differentiation set forth in NSDD 54 is an important part of our overall strategy for managing our relations with the Soviet Union. The question is whether and how it should be applied to Romania, given the circumstances that now exist. Dramatic U.S. economic agreements with Romania carry with them the risk that the Romanians and others—for example, the Yugoslavs—may interpret our decision to make concessions to one of the most repressive regimes in Europe as U.S. indifference to political repression in Soviet bloc states. The independent stance of Romania does not depend, in our judgment, on U.S. trade policy.

It is our judgment that the technology loss risk in the LANDSAT case is such that the net political gains do not warrant approval. In the case of the disk drives, we believe that the technology loss risk can be reduced to manageable levels if adequate safeguards are developed to prevent the diversion of this technology. We urge you to approve the transfer in principle³ but return this request to the Department of Commerce and ask that it develop a plan for such safeguards.

² The minutes of the meeting were not found.

³ "We urge you to approve the transfer in principle" was underlined and highlighted in the left-hand margin by an unknown hand.

The IBM processing unit does not carry with it significant technology loss risks, though it contravene some specific guidelines set out in NSDM 247 of 1974⁴ that are no longer relevant.

RECOMMENDATION:

That you disapprove the sale of the LANDSAT ground station to Romania;⁵

That you approve in principle the transfer of the disk drives but request the Commerce Department to develop safeguards to ensure that they are not diverted; and⁶

That you approve the reexport of the IBM unit to Hungary.⁷

⁴ NSDM 247, US Policy on the Export of Computers to Communist Countries, was issued on March 14, 1974. For the text of NSDM 247, see *Foreign Relations, 1969–1976*, vol. E-15, Part 1, Documents of Eastern Europe, 1973–1976, Document 10.

⁵ Reagan checked and initialed the “OK” option for this recommendation.

⁶ Reagan checked and initialed the “OK” option for this recommendation. “That you approve in principle” was underlined by an unknown hand. This recommendation was also highlighted in the margin.

⁷ Reagan checked and initialed the “OK” option for this recommendation.

31. Action Memorandum From the Assistant Secretary of State for European and Canadian Affairs (Burt) to Secretary of State Shultz¹

Washington, September 29, 1984

SUBJECT

Action Plan for Eastern Europe and the GDR

ISSUE FOR DECISION

Whether to approve an action plan for Eastern Europe as a whole, as well as for the region’s individual countries, following up July 1984

¹ Source: Department of State, Executive Secretariat, Sensitive and Super Sensitive Documents, 1984–1989, Lot 92 D 52, ES Sensitive, October 13–21, 1984. Secret; Nodis. Sent through Armacost and Derwinski. Drafted by Combs on September 6; cleared by Kornblum, Palmer, Niles, Azrael, Luers, and Ridgway. Combs initialed for all clearing officials except for Palmer and Niles. McKinley initialed and dated at the top of the memorandum on September 29.

Vienna meeting of our EE Chiefs of Mission² and your August 30 session with Ambassadors Luers and Ridgway.³

ESSENTIAL FACTORS

As you have seen from our report of the Vienna meeting and from your recent meeting with Luers and Ridgway, our EE Ambassadors believe that the 1980's present an opportunity for U.S. policy in Eastern Europe. All agree we should not seek dramatic changes, but, within the framework of NSDD-54 (setting forth the Administration's differentiation policy), we should do what we prudently can to foster trends leading toward more national diversity and a looser Soviet hold on the area. We should of course continue to resolve outstanding bilateral problems and pursue specific U.S. objectives as we try to advance the principal goals of NSDD-54. Our Chiefs of Mission also agreed that USG public statements about our differentiation policy tended to restrict the EE countries' room for maneuver and therefore were best avoided.

Our differentiation policy has two aspects: distinguishing EE countries from the Soviet Union to heighten the divergence, and distinguishing among EE countries according to their foreign policy independence and domestic liberalism. In accordance with the first aspect, we conduct political dialogue directly with all EE countries to give them our perspective on issues of mutual concern (e.g., arms control, U.S.-Soviet relations, regional problems) as counterweight to the distorted views and limited information they receive from Moscow. In accord with the second aspect, we vary the level of dialogue, as well as the quality and quantity of economic and cultural ties, depending upon the foreign and domestic policies of a given EE country.

Our objectives in the region are ambitious over the long run, and include a greatly weakened Warsaw Pact, elimination of EE support for terrorism, and more normal trade and human interchange between these countries and the West. To get there, the EE countries will have to liberalize their economic and political systems, their dependency on the Soviets will have to be reduced, and the communist parties will have to be weakened or significantly transformed as national institutions strengthen. Our leverage is minimal and these objectives are a long way off. But trends in the area clearly are moving in the directions we favor.

An Area-wide Approach. Our differentiation policy would be considerably advanced by your visiting the three EE countries we most

² A meeting of all ambassadors serving in Eastern Europe to discuss the differentiation policy was held in Vienna on July 13. (Department of State, Central Foreign Policy File, N840008-0504)

³ No record of this meeting was found.

favor—Yugoslavia, Hungary and Romania. I hope you will be able to do this either in connection with your December trip to NATO or early next year. I have sent you a separate memo on timing.⁴

For the purpose of this memo, we are considering the GDR and the Eastern European countries together as “EE,” although the GDR is unique in central ways: we must take into account its special legal and geopolitical situation as part of Germany and Central Europe. Our approach to bilateral relations with the GDR, in addition to differentiation policy goals, must reflect both our special interest in Berlin and Germany as a whole, and interest in working closely with the Federal Republic of Germany on German issues.

We will work with USIA and Commerce toward a more effective EE policy in their respective areas, following up your recent letters to Charlie Wick and Mac Baldrige.⁵ An NSC meeting on Eastern Europe could be useful if it resulted in the President’s clearly indicating his support for a more flexible, activist approach. On the other hand, such a meeting could result in a contentious reexamination of NSDD–54 that would set our policy back. The alternative would be for you to keep the President informed of our current policy and work directly with other Cabinet officers as appropriate. You are the best judge of how to approach the President most effectively regarding our EE policy and its implementation.

We also should quietly build consensus among our allies by bilateral consultations in capitals, perhaps followed by a multilateral effort at NATO.

A Country-by-Country Agenda. We exclude Yugoslavia from our consideration of differentiation because of its total foreign policy independence from the USSR and its uniquely Yugoslav domestic order. Clearly, however, our approach to Yugoslavia should be more robust and forthcoming than toward any other EE country. As indicated above, although the overall framework for our efforts with East Germany should be provided by our differentiation policy, we should also take account of the GDR’s special legal and geopolitical situation as part of Germany. Romania poses a special problem, with a relatively independent foreign policy but an unusually repugnant domestic regime.

Within this framework, we suggest the following country agendas:

—*Hungary:* relatively advanced (but non-sensitive) technology sales as feasible; multi-year MFN as soon as politically possible; an early visit by you to Budapest in return for FM Varkonyi’s visit to

⁴ Not found.

⁵ The letters, dated September 6, are in the Reagan Library, George Shultz Papers, Official Memoranda (09/06/1984) (1).

Washington last year;⁶ continued frequent political consultations in capitals; more cultural and exchange activities, including visits to the U.S. by younger generation Hungarian political leaders.

—*Romania*: non-sensitive technology sales when of particular significance to the GOR and in our interests (e.g., the just-approved Control Data technology); willingness to consider multi-year MFN (along with Hungary) at an appropriate time; a return visit with FM Andrei in Bucharest⁷ (you would of course see Ceausescu as well), but avoidance of a Ceausescu visit to the U.S.; access to members of the leadership group, particularly younger leaders, other than Ceausescu relatives and cronies; continued political consultations.

We should keep pressure on the GOR for improved human rights performance, as we encourage Romania's independence from the Soviet Union.

—*Bulgaria*: pending outcome of the Italian judicial system's consideration of the "Bulgarian connection" to the Papal assassination attempt, maintain our stance of reserved judgment; continued pressure on the GOB for meaningful cooperation on drug trafficking, illegal arms shipments and terrorism; political consultations designed to come to grips with our concerns; willingness to offer improvement in bilateral ties corresponding to movement on issues of concern to us.

—*GDR*: maintain the now re-established dialogue through your meeting with Foreign Minister Fischer at the UNGA,⁸ and continue the schedule of regular political consultations, including a visit by a senior GDR official during 1985; stay in close touch with the FRG and support FRG efforts to improve contacts with the GDR; seek positive results on practical issues of mutual concern, in particular, continue the informal effort to determine whether these matters can be handled in parallel; and push the GDR for more receptivity to U.S. cultural activities, holding out the prospect of a cultural agreement if GDR performance warrants it.

—*Poland*: continue support for Church foundation to aid Polish agriculture, as means of bolstering role of Church and strengthening private agriculture; you have our memorandum on IMF membership; use leverage of remaining sanctions (e.g., MFN, credits) to promote national reconciliation, particularly union pluralism; consider enhanced political dialogue once GOP accepts U.S. ambassador and in the context of progress towards reconciliation.

⁶September 20–21, 1983.

⁷Andrei visited Washington on September 27. See Document 129.

⁸See Document 274.

—*Czechoslovakia*: A moderately enhanced political dialogue, including a visit to Washington by a GOC Deputy Foreign Minister this fall, and a subsequent visit to Prague by me.

S/P COMMENT

S/P believes that EUR's "action plan" lacks sufficient discussion of significant, broad issues of policy that require consideration before we go charging ahead.

In S/P's view, EUR's game plan is heading in a very different direction from the differentiation policy as it was set forth in NSDD-54 and the Vice President's Vienna speech of September 1982.⁹ Our policy should offer positive reinforcement to Eastern European countries that display independence from the Soviet line and should maintain penalties against countries that do not. Particularly in the wake of the Soviet crackdown on East European relations with the FRG—demonstrating Soviet dominance again—this seems an inappropriate moment to be dispensing (or offering) rewards. Yet EUR is proposing a wholesale effort to woo all of Eastern Europe and to offer rewards in advance of, or in the absence of, performance.

As for EUR's specific recommendations, S/P has the following reservations:

—"Enhanced political dialogue" with Poland should be contingent on the GOP *making* progress towards reconciliation rather than on its taking undefined steps "in the context of progress towards reconciliation." (EUR agrees. That is our policy).

—Czechoslovakia was singled out in the Vice President's Vienna speech as particularly non-deserving. Since then Prague has done nothing, either domestically or internationally, to warrant an exchange of high-level visits. On the contrary, it has accepted Soviet counter-deployments with scarcely a whimper (unlike the GDR) and has remained an active mischief-maker on Moscow's behalf throughout the Third World. Upgrading our relations with Czechoslovakia now would seem to erode, rather than implement, a policy of differentiation. (Bill Luers may be recommending somewhat faster movement than warranted, but EUR believes it in our interest to have political consultations with all of the EE countries, and that it is in varying the level of those consultations that we can signal the level of our differentiation policy. In fact, with the Czechs, we are not thinking of anything more than consultations at the Assistant Secretary level in contrast to Hungary where we have had exchanges at the Vice Presidential and Secretarial level).

⁹ The Vice President's speech was in September 1983. See Document 21.

—The inner-German dialogue poses a special problem. The failure of the Honecker visit,¹⁰ instead of slowing down the FRG's eagerness to pursue better relations with the GDR, has regrettably pushed Kohl in the direction of more significant concessions. The most serious problem we face in this whole East European area is West Germany's being pulled or distracted from its Western relationships by the siren song of inner-German ties. This is a major structural change in the European system. Our embrace of East Germany is likely to accelerate FRG policies in the same direction when we in fact should be encouraging restraint. In addition, the GDR's anti-Western activity throughout Africa and the Third World must surely rank it low on the list of countries deserving favorable treatment. S/P favors probing the GDR on "practical issues of mutual concern," but we are disturbed by Embassy Berlin's willingness to talk to the GDR about something akin to partial MFN in return for very small steps in the area of bilateral relations. Our principal item with the GDR should be its anti-Western Third World activism—particularly since the FRG omits the subject from its agenda. (EUR's views and those of Roz Ridgway are well known to you and are set forth briefly in this memorandum. They are very cautious and incremental—and certainly do not amount to "an embrace of East Germany").

RECOMMENDATION

That you approve the action plan outlined above (EUR).¹¹

Alternatively, that the action plan be remanded for further study, so that broader policy issues can be presented more fully for your consideration (S/P).¹²

¹⁰ Telegram 2621 from West Berlin, August 29, reported that despite a previously scheduled trip to the FRG at the end of September, Honecker would probably not be traveling there anytime soon. (Department of State, Central Foreign Policy File, D840550-0836)

¹¹ This recommendation was neither approved, nor disapproved.

¹² This recommendation was neither approved, nor disapproved.

32. Memorandum From the Under Secretary of State for Political Affairs (Armacost) to Secretary of State Shultz¹

Washington, October 19, 1984

SUBJECT

Policy Toward Eastern Europe

EUR has come up with a detailed action plan for Eastern Europe² which has evoked some strong reactions from Peter Rodman and Ed Derwinski. Given the importance of the subject and the strong feelings that surround it, it would be worthwhile, I believe, to convene the key players to consider next steps. I don't have great problems with EUR's specific suggestions, though some could use fine tuning. But we do need to do some consciousness-raising on the same policy guidelines.

—Our general objective remains: to nurture greater Eastern European independence from the USSR in relation to their external conduct and their domestic arrangements.

—We should not repeat the detente period era mistake of disdaining or neglecting Eastern Europeans out of excessive sensitivity for the Soviet's views. A key issue will be how hard to push the more visible initiatives toward Eastern Europe—particularly your trip—over the next six or eight months. Soviet power has to be taken into account, and we will need to assure that our efforts in Eastern Europe are in sync with our broader strategy vis-a-vis Moscow.

—Differentiation should consist of negative as well as positive incentives. In this connection we must be particularly attentive to the actions of Eastern European countries in support of wider Soviet objectives (e.g. acting as surrogates for the USSR in the provision of arms to trouble makers).

—While it may be useful on occasion to remind people publicly of our reservations about the Yalta Agreement, we should watch our rhetoric, and avoid raising questions about fidelity to the post war territorial agreements and the Berlin Accords.³ We should conduct our diplomacy the way a duck swims—placid on the surface, but paddling efficiently underneath.

¹ Source: Department of State, Executive Secretariat, Sensitive and Super Sensitive Documents, 1984–1989, Lot 92 D 52, ES Sensitive, October 13–21, 1984. Secret. McKinley initialed and dated the top of the memorandum on October 19.

² See Document 31.

³ The Quadripartite Agreement on Berlin was signed on September 3, 1971. For the text, see *Documents on Germany, 1944–1985*, pp. 1135–1143.

—We should talk less in public about “differentiation,” and more about “Europeanizing” Eastern Europe. This means generally increasing links to the West. We can afford to let the Western Europeans take the lead in the visible contacts; there is plenty of room for everyone to play.

—Our relations with the GDR pose special challenges, since the German question touches Soviet and FRG nerves. Bonn need not monopolize the relationship with the GDR; We need to continue pressing them for more openness about their own contacts; but we also need to keep Bonn well informed about our own activities. I would go slow on high profile activities there, leaving it to Roz Ridgway to work the claims issues for now.

—Your trip to Eastern Europe will require very careful planning. A separate trip to Eastern Europe—particularly before we have sorted out where we are going with the USSR—could have substantial—and possibly unintended—effects. Stopovers in several Eastern European capitals either enroute or returning from a Moscow trip might be one means of handling some of these risks.

—Vis-a-vis the Eastern Europeans on the lower end of the differentiation spectrum, we should sustain diplomatic contact, but avoid the visible gestures. It is for that reason I have not been particularly keen about Bill Luers’ suggestions to invite a Deputy Foreign Minister from Czechoslovakia in the absence of any evident movement on either the foreign policy or domestic front in Prague.

Michael H. Armacost⁴

⁴ Armacost initialed “MA” above his typed signature.

33. Paper Prepared in the National Security Council Staff¹

Washington, undated

*EASTERN EUROPE: "WHAT IS TO BE DONE?"**(OUTLOOK FOR A SECOND TERM)**I. U.S. Policy Toward Eastern Europe*

Since the early 70s, the U.S. has pursued a policy of differentiation toward Eastern Europe. This policy, as defined in NSDD 54, seeks to effectuate a major long-term U.S. goal in Eastern Europe, namely, "to loosen the Soviet hold on the region and thereby facilitate its eventual reintegration into the European Community of nations." U.S. policy has been predicated on the assessment that "the United States can have an important impact on the region, provided it continues to differentiate in its policies toward the Soviet Union and the Warsaw Pact countries of Eastern Europe, and among the countries of Eastern Europe, so as to encourage diversity through political and economic policies tailored to individual countries."

The policy of differentiation has been and remains the only viable approach for dealing effectively with Eastern Europe. We cannot afford an East European policy that blindly follows the course of our relations with the Soviet Union. Conversely, the decoupling of our ties with individual East European countries from the overall context of East-West relations would be equally inappropriate. Differentiation has enabled the U.S. to maintain flexibility vis-a-vis the region and successfully integrate diverse considerations (i.e., Soviet, West and East European factors) into a coherent policy posture.

II. Policy Achievements

The pursuit of a differentiated approach over the last four years has resulted in a number of important foreign policy achievements. We have: a) averted the deterioration of U.S. relations with several East European countries despite U.S.-Soviet tensions and tighter Soviet controls in Eastern Europe; b) significantly improved U.S.-Hungarian relations (i.e., resolution of all outstanding family reunification cases, continuation of high-level visits, support for Hungary's IMF membership); c) maintained and strengthened relations with Romania (i.e., effective repeal of education repayment tax, progress on human

¹ Source: Reagan Library, Paula J. Dobriansky Files, Europe, Eastern (General) (3). Secret; Sensitive. In a covering memorandum of November 5, Dobriansky wrote to McFarlane that per his request, she was sending him her concept paper. (Ibid.)

rights, and fruitful exchanges on arms control and foreign policy issues); d) preserved our special relationship with Belgrade in the aftermath of Tito's death and effectively supported an independent, unified, non-aligned, economically stable Yugoslavia (i.e., U.S. sponsorship of "Friends of Yugoslavia" economic assistance package, successful implementation of President Spiljak's visit²—the first head of state visit to the U.S. since 1978).

III. *Projected Developments in Eastern Europe*

Despite these accomplishments, a number of emerging trends both indigenous and exogenous to Eastern Europe suggest that for the rest of the 1980s and beyond, successful implementation of the differentiated approach would require a new policy mix. Such trends include:

A. *East European Economic and Debt Crises*: Almost all East European countries are struggling with problems of declining economic growth, heavy debt burden, and growing consumer dissatisfaction. Despite the economic recovery in the U.S. and Western Europe, it is unlikely that the West would be able to provide economic aid and credits to Eastern Europe on a scale comparable to the massive transfers of the 1970s. At best, a new infusion of funds would suffice to stabilize the East European debt situation. Thus, it is clear that Western economic aid, which until now has been a key instrument of the differentiated approach, would be unable to play an equivalent role in the future.

B. *Soviet Coercion*: In the last several years, Moscow has been striving to reimpose orthodoxy in Eastern Europe, place curbs on U.S.-West European relations with the East and reintegrate East European economies into CEMA. This rigid approach is likely to exacerbate present East European problems—economic weaknesses, deep popular discontent, recurrent political disruptions, spreading ideological decay and a pervasive, often anti-Soviet nationalism. Despite the counterproductive nature of this policy, it is extremely unlikely that Moscow in the next decade would be able or willing to change its heavy-handed approach.

C. *Need for an Active Policy*: The ability to demonstrate improved relations with Eastern Europe is likely to acquire growing importance for U.S. foreign policy in the years ahead. Given the prospects for U.S.-Soviet relations, West European anxieties and U.S. domestic pressures, the development of strong and viable ties with key East European countries would improve intra-Alliance cohesion, increase European security and enable the Administration to better respond to its domestic critics.

²February 1–2, 1984. See Document 215.

IV. *Recommendations*

Given these emerging trends, there is a need to reconsider the way in which the policy of differentiation should be implemented.

Eastern Europe

A. Instruments of Differentiation:

—*Economic Aid.* There is a need to develop better criteria for deciding how and when economic aid is to be apportioned among East European recipients. Concomitantly, we need to explain to the East Europeans that existing economic realities permit the provision of only modest economic assistance. This might dispel some of their unrealistic expectations and compel them to pursue more vigorously prudent economic policies.

—*Technology Transfers.* We have to vigorously resist the intense pressure to utilize technology transfers as the main vehicle of differentiation. The growing complexity and interdependence of modern technologies has enhanced the probability that most civilian technologies would be dual-use capable. Also, the relentless Soviet drive to acquire key Western technologies is likely to trigger intensified pressure on East European recipients of U.S. technology transfers. To manage effectively technology transfers, there is a need to break the interagency deadlock and develop detailed criteria that are both country and technology specific.

—*Intensified Bilateral Ties.* The main instrument of differentiation should be the development of an extensive framework of cultural and scientific exchanges, visits, treaties/agreements, and other similar steps between the U.S. and individual East European countries. Although each of these steps by itself might have only a negligible impact, in totality, they would foster close and vigorous contacts among our peoples and between our governments.

While it would be inappropriate to utilize these instruments vis-a-vis each East European country (i.e., high-level visits, in particular, should be planned discriminatingly), dialogue should be intensified with even such countries as the German Democratic Republic (GDR), Bulgaria and Czechoslovakia, albeit at a low level. We should also consider undertaking such low-cost steps as negotiating cultural agreements with these countries, provided that an agreement clearly benefits us.

The strong desire of key East European leaders to play a positive international role should also be tapped. Their interest stems from a deep-rooted dissatisfaction with their dependency on Moscow and craving for international recognition. Thus, we should make a special effort to solicit East European views on such issues as arms control, East-West relations, and regional conflicts, and underscore our belief

that East European countries can and should play a vital role in solving international problems.

—*High-level Visits.* A visit by the President to Eastern Europe (Hungary, Romania, Yugoslavia) in May 1985 would provide an excellent opportunity to underscore our policy of differentiation, strengthen our ties with these countries, and manifest to the West Europeans and domestic critics our commitment to improving East-West relations. Other high-level visits (i.e., the Secretary of State) should be conducted periodically.

B. *Declaratory Policy:* There is a need to rethink our public strategy on how to clearly and effectively enunciate the policy of differentiation toward Eastern Europe. Our declaratory policy should emphasize the quality and intensity of U.S. ties with Eastern Europe. It should be made clear that differentiation is not a rigid system of rewards and punishments nor does it seek to discriminate against any East European country. The essence of our policy is that we seek to improve relations with all regional actors so long as they demonstrate a willingness to engage in positive steps in their foreign and domestic policies.

C. *Implementation and Coordination:* To better implement the differentiation policy and coordinate the use of the above referenced instruments, an interagency group should be convened. This group should: a) Reexamine and expand NSDD 54 into an operational document outlining a specific policy agenda. b) Develop a strategy for better coordination with West European countries as there are a number of areas in which U.S. and West European efforts can be complementary and mutually reinforcing. (In those countries in which direct U.S. involvement can be counterproductive, i.e., GDR, we should seek to work with and through the West Europeans.) c) Devise guidelines for our declaratory policy on Eastern Europe.

Poland

We have reached a critical juncture in our relations with Poland. In order to manage the remaining sanctions and promote positive changes in the Polish situation, we should seek to acquire a better grasp of what are the intentions of the present Polish regime. Toward that end, it would be highly desirable to conduct exploratory high-level discussions with Warsaw. The best approach would be to send an envoy (Walter Stoessel) who knows Poland and would be well received by Jaruzelski, to be accompanied by Mark Palmer and Paula Dobriansky. This should enable us to explain our policies and concerns firsthand, to probe Jaruzelski's intentions and to assess the prospects for positive change in the Polish internal situation. If approved, this mission should be handled in a very low key, discreet fashion to avoid premature leaks and ensure its effectiveness.

Yugoslavia

This key area of the Balkans is highly volatile and crisis-prone due to ethnic rivalries, institutional conflicts and a stagnating economy. Our primary interest in Yugoslavia is the preservation of Belgrade's unique foreign and domestic policies. Thus, it is imperative that we continue to monitor closely the situation, reaffirm periodically our support for Yugoslavia's territorial integrity and independence, and furnish needed economic aid. Given these considerations and our long-standing military cooperation, we should also immediately resolve the current bureaucratic impasse (State/Defense) over Yugoslavia's military assistance requests. This matter ought to receive serious interagency consideration so that a) a better conceptual framework for evaluating the desirability of individual military sales can be determined and b) pending requests be reviewed and acted upon.

34. Action Memorandum From the Assistant Secretary of State for European and Canadian Affairs (Burt) to Secretary of State Shultz¹

Washington, December 5, 1984

SUBJECT

Eastern Europe: Next Steps

ISSUE FOR DECISION

Whether to approve possible next steps to advance our objectives in Eastern Europe. As you requested at the conclusion of the November 15 meeting on Eastern Europe,² we have set out areas of agreement and disagreement.

¹ Source: Reagan Library, George Shultz Papers, Executive Secretariat Sensitive (12/05/1984–12/07/1984). Secret; Sensitive. Sent through Armacost. Drafted by Kuchel on November 23; cleared by Rodman, Azrael, Abrams, Neitzke, Price, Courtney, Thompson, Palmer, Brown, Niles, and Hurwitz. Kuchel initialed for all of the clearing officials. Shultz's initials are stamped at the top of the memorandum. McKinley initialed the memorandum on December 5 and again on December 28, and wrote in block letters "treat as original."

² Minutes of this meeting were not found.

ESSENTIAL FACTORS

From the Soviet perspective, Eastern Europe has gone from a disciplined, Moscow-led "socialist" camp to a more disparate alliance consisting of states that assert varying degrees of national autonomy. Moscow's assets include military preponderance, economic leverage and guarantor status for some of the EE ruling elites. On the negative side, Moscow faces a prolonged leadership crisis, and serious structural economic difficulties, in addition to a nationalistic Eastern Europe with serious economic problems of its own.

Soviet-EE differences have been exacerbated in recent years, partly as a result of EE efforts to maintain and expand contacts with the West. The commencement of NATO INF deployments³ was a defeat for the Soviets that had particular resonance in Eastern Europe. EE leaders and publics expressed dissatisfaction and unease over Soviet counter deployments in Czechoslovakia and East Germany. To varying degrees, the EEs resisted Soviet efforts to reduce political and economic contacts with the West, resulting in the emergence of new alignments in Warsaw Pact and CEMA circles which, at times, grouped East Germany, Hungary and, on occasion, Bulgaria and Romania. If the Soviets were successful in forcing postponement of the Honecker and Zhivkov visits to the FRG, the EEs regard it as but a temporary setback. If only because their economies are heavily dependent on trade, the EEs will press even more strongly to advance, wherever feasible, their national interests.

S/P—and to some extent, HA—are skeptical that recent developments in Eastern Europe have created an "historic opportunity" for U.S. policy. They believe that our margin for achieving real strategic gains from a more forthcoming policy toward Eastern European hard-line states is less than EUR estimates. They believe that EUR exaggerates the latitude that most EEs have, within the constraints of Soviet power, to define their own domestic and foreign policies. There is no difference in our evaluation of EE desire to carve out greater independence from Moscow; this had *always* been the *EE desire*. Where we differ is in *EE ability* to achieve that goal. S/P interprets recent developments in the region (the Honecker/Zhivkov visit cancellations, the postponement of Genscher's visit to Poland) as confirmation of Moscow's desire and ability to crack down and arrest EE efforts to assert greater autonomy. It also believes that underlying economic trends in the area point to increasing Soviet leverage—irrespective of feasible Western initiatives. In short, S/P sees the present period as one of the intermittent Soviet crackdowns on Eastern Europe, which could even be exacerbated by overly activist U.S. diplomacy with the more recalcitrant EE states.

³ November 1983.

There is no consensus on the fundamental nature of the trends in the region.

Broad Policy Perspectives. There is consensus, however, that there are some interesting developments in the region offering potential policy opportunities, and that we should take advantage of these when it clearly serves our interests. All recognized that our approach should be guided by NSDD–54, which provides that:

—our fundamental goal is to loosen the Soviet Union’s grip on Eastern Europe;

—in pursuing this goal, we differentiate the EE countries from the Soviet Union, and we differentiate among the EEs according to the degree to which they demonstrate foreign policy independence or greater internal liberalization, including human rights performance, and market-oriented economic decentralization and reform.

—U.S. concessions should be in exchange for concrete actions by EE regimes—rewards must be earned.

—As provided by NSDD–54, in implementing our differentiation policy, “the baseline for comparison, will be our policy toward the Soviet Union.” (S/P disagrees with NSDD–54 in this respect, noting the special character of U.S./Soviet relations and that NSDD–54 contains specific provisions on high-level visits. If U.S./Soviet relations were to be the baseline for hard-line EEs, we would be receiving their Foreign Ministers at the White House, as we did recently with Gromyko.)

All agree that we should be particularly mindful of human rights performance and of EE behavior contrary to U.S. interests in the Third World. There is agreement on the usefulness of penetrating EE societies with VOA/RFE radio broadcasting and USIA in-country programs to erode Soviet-imposed barriers between EE and the West.

EUR also believes that as we do more with Eastern Europe, we should say less publicly about differentiation and speak instead of “Europeanization.” S/P disagrees, believing that continued emphasis on the President’s differentiation policy is essential in sending signals concerning rewards for more liberal and autonomous polices.

EUR believes that trends in the region favor a somewhat more active, responsive, yet differentiated approach. S/P believes that this is true in some cases but not in others, and that the very essence of differentiation is to be forthcoming only in the former cases rather than across-the-board, lest we blur differentiation among EE countries. Since we cannot raise the ceiling for Hungary and Romania much higher, the floor should not be raised indiscriminately for the less cooperative EEs. HA agrees and believes that an across-the-board approach would undercut the Administration’s human right policy, particularly regarding Romania, and downplay EE activities in the Third World that are harmful to our interests.

Possible Specific Steps. Several possible specific steps over the next year and their pros and cons are discussed below:

- 1) A Secretarial Visit to Eastern Europe.
- 2) Differentiated political discussions.
- 3) Multi-year MFN for Hungary and Romania.

1) *Secretarial Visit to Eastern Europe.*

A Secretarial visit is one of the most effective ways to demonstrate U.S. interest in Eastern Europe and advance our policy objectives in the region. The choice of countries to visit would reaffirm our differentiation policy. The choice of countries *not* visited would signal our unwillingness to reward regimes unwilling or unable to differentiate their policies from those of the Soviet Union and/or those which pursue particularly repressive policies.

Your visit would also serve another important objective of differentiation: that we don't accept the Soviet view that Eastern Europe is their exclusive sphere of influence. As long as our public statements do not restrict the EE countries' room for maneuver, your visit can strengthen historic trends in the region toward greater nationalism and independent behavior, and demonstrate that we remain committed to the Helsinki process.

Although HA and S/P are particularly concerned that a visit to Romania not fail to underscore our deep human rights concerns, there is agreement in recommending that you schedule an early visit to Hungary, Romania and Yugoslavia:

—*Hungary.* The Hungarians are anxious to have you return Foreign Minister Varkonyi's visit to Washington last year. Our bilateral relations are good and devoid of serious problems. Your visit would underscore our support for Hungary's market-oriented economic reforms and internal liberalization. Hungary provides an effective and convincing example to the communist world of the efficacy of decentralization, the application of market mechanisms, and experimentation with private enterprise. Your visit would also encourage Hungary's generally helpful bridging role in East-West relations and moderating influence in Warsaw Pact and CEMA deliberations. Your visit could also bolster advocates of further reform and political liberalization within Hungary at a time when the Soviets are exerting greater economic demands and ideological pressures.

—*Romania.* You have accepted in principle Foreign Minister Andrei's invitation to visit Bucharest. Over the last year, Romania has continued to demonstrate independence in ways important to us, most dramatically by defying the Soviet Olympics boycott and by Ceausescu's visit to Bonn after the Soviet-forced cancellations by Honecker and Zhivkov. Despite its relatively independent foreign policy, Romania is distinguished for

its repugnant domestic regime. This prompts S/P and HA to point out the importance of ensuring that a visit not lend itself to misinterpretation as an endorsement of Ceausescu's despotic record. EUR shares this view. HA is particularly concerned that human rights not be relegated exclusively to private talks, for this will aid the regime by conveying an impression that human rights is being ignored. We agree, but believe the problem is manageable.

Your visit would also underline our interest in improving the human rights and economic well being of the Romanian people. Our repeated expressions of human rights concerns have produced some notable results: higher emigration (more than all the rest from EE combined), reduced harassment of prospective emigrants and the release of some prominent human rights cases such as Father Calciu. (HA believes that Romanian concessions on emigration are simply designed to retain MFN, and are not a reaction to our "expressions of human rights concerns".) While the human rights situation is extremely serious, to some extent the perception is worse than reality. For example, the Vatican is pleased with progress made in Church-State relations, a variety of new churches (including Baptist) have been built, and the Jewish community has been generally well treated.

At the same time, years of economic mismanagement, repression, and an unbridled personality cult have made Ceausescu and his politically active family universally unpopular. You would see Ceausescu, but care would be taken in your statements to emphasize support for Romanian independence and the well being of the Romanian people in order not to enhance Ceausescu's personal status or to identify the U.S. unduly with his regime. Vice President Bush has visited Romania,⁴ as have Presidents Ford and Nixon.⁵ So a visit at your level would not in any way change our approach. On the other hand, failure to visit Romania while you visited Hungary would bring about a major crisis in relations with Romania and convey a confused signal about differentiation, i.e., that we have abandoned one of our criteria—foreign policy independence—and care only about internal reform and human rights.

—*Yugoslavia*. Neutral and non-aligned, Yugoslavia could be part of your East European itinerary even though it is not, strictly speaking, a target of our differentiation policy. Because Yugoslavia stresses its independence from the Soviet Union and the Warsaw Pact EEs, your visit

⁴ September 18–19, 1983. See Document 120.

⁵ For Nixon's visit, see *Foreign Relations*, 1969–1976, vol. XXIX, Eastern Europe; Eastern Mediterranean, 1969–1972, Documents 183 and 184. For Ford's visit, see *Foreign Relations*, 1969–1976, vol. E–15, Part 1, Documents on Eastern Europe, 1973–1976, Documents 36–38.

should be structured to emphasize the distinction. You might also consider visiting Yugoslavia separately as part of other travel to Europe. In either case, Belgrade will welcome your presence. As the country undergoes increasing political strains in the post-Tito period, your visit could provide needed reassurance of our continued support for Yugoslavia's independence, territorial integrity and economic viability. We are currently engaged along with other Western creditor governments in an effort to work out with the IMF and commercial lenders an appropriate rescheduling of Yugoslav foreign debt. This process should be on the way to completion, if not completed, by the time of your visit. The visit also should be used to strengthen moderate advocates of needed economic reforms and greater democratization against conservatives who prefer tighter controls (including the recent crackdown on dissidents).

2) *Differentiated Political Discussions.*

There was general agreement at your November 15 meeting that some US-EE political consultations (e.g., the Goodby visit)⁶ can be effective in conveying our foreign policy agenda, including arms control and regional conflicts. They can also serve to express the concerns over EE behavior we find objectionable (e.g., human rights, terrorism, Third World activities).

Without abandoning our differentiated approach which accords the highest level of contacts (President, Vice President, Cabinet officers) to Romania and Hungary, EUR proposes that we engage in a somewhat more intensive, but still calibrated approach that would broaden the range of our political consultations to include, *as circumstances warrant*, the other EE countries. By a more "intensive" approach, we mean seeking opportunities to convey our message directly to senior EE government officials without the Soviet filter through which EUR believes that the EEs normally learn of major foreign policy developments.

EUR believes our consultations and representations over the past year on arms control, regional issues such as the Middle East and Central America, and U.S.-Soviet relations have forced the Soviets to deal with their Warsaw Pact allies with more circumspection. The EEs have increasingly functioned as something of a political lobby with the USSR on these issues within the Warsaw Pact and in other ways. EUR concedes that our ability to influence EE behavior is limited, yet convinced it is, nonetheless, worth the effort. We have also raised directly and forcefully with EE leaderships our concerns over their objectionable human rights behavior and involvement in terrorism, arms deliveries and Third World meddling, either on their own or as surrogates for the Soviets.

⁶ Not further identified. James Goodby was head of the U.S. Delegation to the Conference on Confidence- and Security-Building Measures and Disarmament in Europe (CDE) in Stockholm.

EUR does not believe we should reward the “problem EEs” with visits by you or the Deputy Secretary. Indeed, withholding visits at that level as well as the tangible economic benefits of differentiation make it abundantly clear that we are not abandoning differentiation or rewarding repressive and undeserving regimes. We have in mind visits by senior officials (such as Ambassador Goodby) to address specific multi-lateral concerns. If circumstances warrant, EUR thinks visits to the area by Under Secretary Armacost and Assistant Secretary level Department officials (EUR, HA, S/P, etc.) would advance specific objectives without signalling any unearned reward. As to the EE representatives coming to the United States, EUR would receive them from “problem” countries at the level of their Deputy Foreign Ministers (of whom each has four to five), a position that falls roughly between our Assistant Secretary and Under Secretary.

Arguments Against Political Consultations. S/P believes that high level political consultations at the Assistant Secretary level and above with the hardline EEs (GDR, Czechoslovakia, Poland and Bulgaria) would seriously undermine differentiation as defined in NSDD–54. In the past, such officials generally have *not* visited hardline EEs to avoid legitimizing those regimes. S/P fears that our differentiation policy would be debased and our leverage lost if we treat with the “problem” states in much the same manner as with Hungary and Romania. Furthermore it does not believe that broader U.S. policy interests are well-served by legitimizing countries such as the GDR with an increase in the level of dialogue with us at a time when it is deploying Soviet INF, mucking about in Nicaragua and other Third World crisis areas, actively cooperating with the Soviets to acquire embargoed Western technology, and supporting anti-U.S. terrorist groups in the Third World. The same applies to Czechoslovakia, which recently killed an escaping citizen in Austrian territory. S/P believes that high-level visits to Prague would be especially ill-advised. HA adds that if the Administration’s human rights policy is to be seen as credible and effective in Eastern Europe, the U.S. should not “reward” EEs with notorious human rights records. It believes that a “modest and cautious” program of contacts can be useful, but is concerned about the symbolic impact of high-level meetings. S/P shares HA’s concerns that we must be careful not to appear to be legitimizing repressive regimes that have done nothing to earn positive treatment under differentiation.

Dealing with the GDR: As U.S. relations with the GDR are driven in substantial part by the unique geopolitical situation of Germany as well as by considerations of differentiation, EUR does not believe that this paper is the right vehicle for a comprehensive and detailed discussion of our entire bilateral relationship with the GDR. We have dealt with the GDR in the context of our EE policy where appropriate in this paper. S/P, on the contrary, notes that NSDD–54 states: “In this

NSDD Eastern Europe refers to Bulgaria, Czechoslovakia, the German Democratic Republic . . ." S/P expresses its surprise at the notion that East Germany is not a part of Eastern Europe, where we believe it to have been located from time immemorial, and at least since the linking at the Elbe in 1945, the formation of the Warsaw Pact, and construction of the Wall. In brief, deleting GDR from this analysis would undercut U.S. policy of the last 20 years and simply relieve the East Germans of the criteria of U.S. policy applied to *all* other Warsaw Pact members. In this connection, S/P understands that Ambassador Ridgway will be sending you a report on discussions with the GDR on concessionary trade benefits and Jewish claims.⁷ Following that, S/P believes that you should be presented with an action memorandum from the concerned bureaus.

3) *Multi-year MFN for Hungary, Romania (and China).*

Hungary, Romania (and China) are granted MFN through a Presidential waiver as required by the provisions of the Jackson/Vanik Amendment to the Trade Act of 1974. That waiver is linked to emigration practices and must be renewed annually. The Romanians and Hungarians (and Chinese) have made removal or modification of the annual waiver requirement a high priority. Even though the Supreme Court appears to have nullified the one-house legislative veto aspect of waiver certification in the 1983 Chahda decision, the Administration has not objected to (and indeed, encouraged) continued Jackson-Vanik Congressional review. We do not know the White House's attitude toward changes in Jackson-Vanik. While a candidate in 1980, President Reagan pledged to Senator Jackson that he would not seek a modification of Jackson-Vanik while President. Although that pledge clearly was issued in the context of the Soviet Union, the White House may still be unwilling to consider multi-year MFN. There is some interest developing in Congress to re-examine Jackson-Vanik; last year hearings were only held in the Senate. Some key House leaders (Gibbons and Frenzel) openly support multi-year MFN and introduced such legislation in 1983; others are against any change that might reduce human rights leverage on Romania.

We agree that we should retain the leverage provided by the annual review process, but believe that this can be accomplished in a multi-year arrangement that would better meet needs of U.S. exporters as well as the Romanians and Hungarians (and Chinese). As the President begins his second term, the time is opportune to consider whether a multi-year approach (initially for two years) could satisfy our objectives and to explore whether there might be support in the Administration and

⁷ See Document 276.

the Congress. To assure that multi-year would continue to provide us needed human rights and emigration leverage, we favor:

—An explicit Presidential statement at the time a two-year multi-year MFN arrangement is accorded Hungary and Romania (and China) that the Administration reserves the right to withdraw MFN should the recipient grossly violate “Jackson-Vanik” commitments.

—An annual Presidential report to the Congress on emigration and human rights progress in each country and certification that continued MFN status is merited.

—Continued annual Congressional review.

EUR and EB believe that if multi-year MFN is to be implemented, it should be applied initially to all three countries (Hungary, Romania, and China). Should multi-year be arranged only for Hungary, this would seriously damage our relationship with Romania which would consider such a step politically discriminatory and hostile. It could even be seen in Bucharest as lending support to Hungarian irredentist claims in Transylvania. Should multi-year be considered in the context of continued annual human rights review and Presidential certification, we would not sacrifice the leverage we want to retain on Romanian human rights and emigration performance.

EUR and EB believe that we should sound out other agencies and the Hill to determine the level of support and opposition before making any final recommendation to you and the President.

Arguments against Multi-Year MFN.

HA opposes a move to multi-year MFN; S/P is concerned about its application to Romania. First, MFN is accorded to Hungary and the PRC almost automatically, and the annual review is not disruptive of relations. Second, Romania behaves best when under MFN pressure, as witness its imposition and then withdrawal of an education tax on emigrants. Granting multi-year MFN to Romania seriously erodes our human rights leverage. Third, an effort to open up the Jackson Amendment will be fought by many in Congress. This is a gratuitous fight. If we “win,” we gain little regarding the PRC or Hungary, lose leverage on Romania, and go through a bruising battle. If we lose, we have demonstrated our limited influence on the Hill.

S/P and EAP further believe that consideration of multi-year MFN for China is not relevant to this paper. Our relations with China have a strategic rationale totally different from our relations with Eastern Europe. Thus, multi-year MFN for China ought to be considered on its own merits. EUR and EB agree that in terms of abstract logic this should be the case, but in the real world Congress and the two EE countries have expectations that all three will be dealt with together.

RECOMMENDATIONS⁸*A. Secretarial Visit to Eastern Europe*

That you agree in principle to visit Hungary, Romania and Yugoslavia as early as your 1985 schedule permits, and authorize us to explore timing of the trip. (All favor)⁹

B. Political Consultations

1. That we engage the hardline EEs somewhat more actively in calibrated political consultations at the Assistant Secretary and Under Secretary level (as well as with experts on multilateral issues) to advance bilateral agendas, convey our foreign policy views (including arms control and regional conflicts), and express our concerns over objectionable EE behavior. (EUR favors)¹⁰

2. Alternatively, that we restrict political consultations with countries undeserving of positive differentiation to below the Assistant Secretary level, except for meetings devoted to bilateral issues and specific multi-lateral concerns (e.g., Goodby). (S/P and HA favor)¹¹

C. Multi-year MFN

1. That you authorize us to sound-out with interested agencies and the Congress the feasibility of multi-year MFN for Hungary, Romania and China with explicit reporting and review requirements, and that we report back to you before any decisions are taken. (EUR and EB favor)¹²

2. Alternatively, that we seek no change at the present time in the MFN extension and review process for Hungary, Romania and China. (EAP, HA and S/P favor)¹³

⁸ In the margin, Butler hand wrote, "Per Secto 20004. MB 12/28/84."

⁹ Butler wrote on the "Agree" line, "Probably, but get ready to start explorations."

¹⁰ Butler checked "Disagree."

¹¹ Butler checked "Agree."

¹² Butler checked "Disagree."

¹³ Butler checked "Agree."

35. **Action Memorandum From the Assistant Secretary of State for European and Canadian Affairs (Ridgway), the Assistant Secretary of State for International Organization Affairs (Keyes), and the Director of the Office of Foreign Missions (Nolan) to Secretary of State Shultz¹**

Washington, undated

SUBJECT

Travel Restrictions on East European Officials

ISSUE FOR DECISION

How to implement the National Security Decision Directive concerning the possible imposition of OFM travel restrictions on East European officials.

ESSENTIAL FACTORS

The Issue

On November 1 the President approved NSDD 196² which, *inter alia*, directs that we

“Require East European hostile country officials to use the OFM service bureau to book commercial transportation and public accommodations unless expressly waived in specific instances by the Secretary of State.”

The NSDD option represents a substantial modification of the SIG/I recommendation that was approved by the August 7 NSPG.³ It deletes a second sentence which has provided two criteria for the exercise of your waiver authority: reciprocity (the East Europeans do not require that we use a central bureau to book transportation etc.) and the President’s policy of differentiation. The previously unqualified waiver authority was further restricted to “specific instances”.

The NSDD nonetheless retains your waiver authority. We also understand that the NSC at a high level agrees that reciprocal treatment is a valid criterion to be considered in establishing waivers [*1 line not declassified*] Judge Sofaer (joined by OFM) finds that, as reformulated,

¹ Source: Reagan Library, George Shultz Papers, Official Memoranda (11/14/1986). Secret. Sent through Armacost and Spiers. Drafted by Kuchel on November 11; cleared by Gilmore, Palmer, West, Courtney, Heichler, Murray, Williams, Hulings, Rashkow, and Kovner. Initialed and dated November 14 by an unknown hand at the top of the memorandum.

² Counterintelligence/Countermeasure Implementation Task Force. The text of the NSDD is scheduled for publication in *Foreign Relations, 1981–1988*, vol. II, Organization and Management of Foreign Policy.

³ Minutes were not found for this meeting.

the option establishes a presumption that travel requirements are to be applied across the board, except in regard to "specific instances" for which you find appropriate and sufficient reasons for a waiver. The expression, "in specific instances," is ambiguous and is not defined or explained in the NSDD or elsewhere.

In L's view, the expression could apply to particular trips or kinds of travel, or perhaps travel by particular kinds of officials. The expression may also have been intended to apply to particular countries. Under the latter construction you could determine whether to impose or waive the travel requirements on the basis of the lesser risks some countries present and in pursuance of the President's policy of differentiation.

The restrictions contemplated would require the use of OFM travel services for the booking of commercial transportation and hotel accommodations for both official and unofficial travel. They do not involve the imposition of travel controls such as authorization to undertake travel or closing areas.

The question has now been publicly aired in open hearings on the Foreign Missions Act⁴ and espionage activities in the U.S. being conducted by the Roth Subcommittee on Investigations.⁵ On October 22, Senators Durenberger, Leahy, Cohen and Nunn, joined by DOD's Perle and FBI's Webster, vociferously criticized the Department's performance in this area and, *inter alia*, called for imposition of travel controls on the EE's. Roz Ridgway and Jim Nolan may be asked to testify in early December. OFM, L and H believe that unless the Department establishes meaningful controls on EE travel, restrictive legislation is likely to be enacted.

The East European Hostile Threat in the U.S.

The EE Warsaw Pact countries have [number not declassified] bilateral diplomatic and support staff personnel assigned to their missions here. In addition, there are [number not declassified] EE multilateral diplomatic and support staff personnel attached to EE UN missions. [number not declassified] more East Europeans are employed in the UN Secretariat. [less than 2 lines not declassified]

[1 paragraph (9 lines) not declassified]

Situation for U.S. in Eastern Europe

Unlike the Soviets, the East Europeans impose no discriminatory travel controls or restrictions against U.S. personnel. Our embassy staffs, military attaches [less than 1 line not declassified] can travel at will

⁴ 22 U.S.C. 4301-4316.

⁵ The Permanent Subcommittee on Investigations of the Senate Governmental Affairs Committee was chaired by Senator William V. Roth (R-Delaware) through 1986.

without advance authorization of closed area constraints. [1 line not declassified]

The East Europeans also do not impose travel service restrictions involving commercial transportation or hotel accommodations. While transportation and accommodations are government-owned, embassy officers may register at hotels without advance notification or bookings. They may also purchase air and train tickets at airports and train stations. Our ability to travel unimpeded by controls or restrictions is of significant operational value to us in these closed societies.

Options

1) *Impose OFM travel restrictions on EE UN Mission and Secretariat employees. Put the EE's on notice that any criminal act of espionage involving travel on the part of their bilateral official personnel will have severe consequences, including imposition of OFM travel restrictions. As provided in the NSDD, waive OFM restrictions on individual Warsaw Pact EE's which do not impose such controls on us.* (Favored by EUR, opposed by OFM, Ambassador Walters,⁶ IO and L as insufficient.)

EUR favors this approach for the following reasons:

It is a major step toward improving our ability to counter the hostile EE intelligence threat in the U.S. [less than 4 lines not declassified] By placing the other EE's on notice that acts of espionage will have severe consequences for their presence here, we establish workable guidelines and deterrents to deal effectively with the problem. [less than 3 lines not declassified] It provides a response that is both effective and credible in meeting Congressional and public opinion concerns.

This approach preserves our ability to travel without prior notification throughout the region. Imposition of retaliatory travel restrictions by the EE's, in our judgment, would impair our ability, *inter alia*, to:

- [less than 2 lines not declassified]
- [less than 2 lines not declassified]
- Investigate human rights abuses and attend trials of dissidents.
- Provide the range of services to American citizens in distress that the public and Congress have come to expect.

It would minimize the risk of East European retaliation, which would probably not be reciprocal. Were we unilaterally to impose travel restrictions on bilateral EE personnel, the EE's would almost certainly retaliate. However, it is likely that the East Europeans would cite differences in size between the U.S. and their countries to justify an escalatory retaliation that would be difficult to control. Escalatory imposition of closed-area regimes could result. Since bilateral reciprocity considerations are

⁶ Vernon "Dick" Walters was the U.S. Representative to the United Nations from May 1985.

less likely to apply in the case of EE UN missions and Secretariat staff, we believe that imposition of OFM travel service restrictions on these personnel carries lower, tolerable risks of harmful retaliation.

It implements the President's policy of differentiation effectively by forcing the EE's to take the threat of travel controls and more severe measures into account when asked to take on assignments for the Soviets. By placing them on notice that their participation in hostile intelligence activities will jeopardize their travel situation here, we signal punishment for those caught doing the Soviets' bidding, and rewards (continued freedom to travel) for those who do not. We would therefore be encouraging useful Soviet-EE tensions in this regard.

This approach is also consistent with the SIG/I recommendation as initially written and subsequently approved by the President at the August 7 NSPG,⁷ and EUR believes, with White House understanding of the NSDD. We understand that Admiral Poindexter agrees that the absence of EE travel restrictions against US personnel and the need to preserve our collection ability in Eastern Europe provide adequate grounds to waive OFM travel service restrictions on EE bilateral personnel.

2) *Require East German, Polish, Czech and Bulgarian officials assigned to bilateral and UN missions, the UN Secretariat, and other governmental offices to book commercial transportation and public accommodations through OFM. Waive OFM travel requirements on Romania and Hungary but warn them that similar requirements will be imposed on their officials if their personnel engage in espionage activities in the U.S. (favored by OFM, Ambassador Walters, IO, L, and H; opposed by EUR).*⁸

Proponents of this option appreciate the value of travel without advance notice by U.S. personnel throughout EE, but believe effective steps need to be taken to address the significant support provided to Soviet intelligence collection efforts in the U.S. by EE intelligence personnel assigned to all their establishments in the U.S.

In OFM's view, two recent EE (Polish) intelligence operations, those involving William Bell and James Harper,⁹ both convicted of espionage, demonstrate the threat posed by EE intelligence services. Bell, a radar specialist at Hughes Aircraft Company, saved the Soviets several tens of millions of rubles in research efforts, and advanced Soviet technology by about five years by permitting them to implement proven design

⁷ Not found.

⁸ A November 15 note from Spiers to Shultz stated, "I believe EUR has the better substantive case on this, but the political pressures and perceptions are such that I reluctantly conclude that I must join in the recommendation for Option 2." (Reagan Library, George Shultz Files, Executive Secretariat Sensitive (11/21/1985-11/29/1985)).

⁹ See Howard Kurtz, "Soviet Network Intensifies Hunt for U.S. Secrets," *The Washington Post*, October 23, 1983, p. A11.

concepts. OFM notes that this espionage was conducted by a U.S./Polish commercial enterprise, POLAMCO. Harper provided dozens of documents of potential U.S. ballistic missile defense programs, ICBM basing modes and related technology, affording the Soviets a unique look at potential U.S. future systems concepts. (EUR notes that in neither of these cases were the collectors from embassies or consulates that would be covered by the proposed OFM controls.)

It is OFM's judgment that simply to warn the EE's about possible travel controls is not an effective deterrent. [7 lines not declassified] OFM argues that the likelihood and degree of EE retaliation may be held to acceptable proportions. The OFM travel service restrictions would not impose a requirement for notice or permission for travel and would permit uncontrolled travel by automobile.

[1 paragraph (10 lines) not declassified]

Views of Ambassador Walters and IO

Ambassador Walters and IO support the proposal to impose OFM travel restrictions on EE bilateral UN mission and on Secretariat personnel provided that similar restrictions are placed on all EE bilateral personnel or, at least on those bilateral EE's which the intelligence community finds to pose the greatest domestic security threat. They also recommend that the USG not impose such steps until Ambassador Walters reports that the UN Secretariat has agreed to measures which effectively implement our travel restrictions on the six groups of "hostile country" (USSR, Afghanistan, Cuba, Iran, Libya, and Vietnam) personnel on the Secretariat.

L Views

Strong reasons exist immediately to impose the proposed travel requirements on the three or four EE countries considered by the relevant agencies to be the most actively engaged in espionage, leaving open the possibility of narrower waivers at a later time, if you deem that desirable:

— The original SIG/I proposal adopted by the President apparently contemplated broad application of the requirements to EE countries.

— If we fail to apply requirements broadly, Congress is likely to mandate controls that are more comprehensive and severe than may be warranted by the actual threat, and which almost certainly would prompt retaliation against our personnel (H concurs strongly with this view.)

— We should not apply travel requirements only to EE UN missions and Secretariat personnel. We could not justify such measures to the UN on security grounds in the absence of similar requirements on the far larger bilateral missions of those countries. Moreover, Congress would likely view the imposition of such half measures as an admission of the problem but a refusal or inability to take effective measures.

(IO concurs, noting also that option 1, it adopted, would destroy the rationale we have used with the Secretary General and the Congress in determining which “hostile country” Secretariat employees come under our September 15 program of travel regulations.

Recommendations

1) Impose OFM travel restrictions on EE UN Mission and Secretariat employees. Put the EE’s on notice that any criminal act of espionage involving travel by their bilateral personnel will have severe consequences, including OFM travel restrictions. Waive OFM travel restrictions on Warsaw Pact EE’s which do not impose such controls on us. (EUR favors, OFM, Ambassador Walters, IO and L oppose.)¹⁰

2) Require East German, Polish, Czech and Bulgarian officials assigned to bilateral and UN missions, the UN Secretariat, and other governmental offices to use OFM to book commercial transportation and public accommodations. Warn the Romanian and Hungarian governments that similar requirements will be imposed on their officials if their personnel engage in espionage activities in the U.S. (OFM, Ambassador Walters, IO and L favor, EUR opposes).¹¹

¹⁰ Shultz checked the “Disapprove” option, and the date, December 9, 1985, was stamped next to the check mark.

¹¹ Shultz initialed the “Approve” option, and the date, December 9, 1985, was stamped beneath his initials.

36. Memorandum From the Under Secretary of State for Political Affairs (Armcast) to Secretary of State Shultz¹

Washington, November 22, 1985

SUBJECT

Travel Restrictions on East Europeans

Travel restrictions on East Europeans can no longer be avoided. At present EE officials can travel without warning in the U.S. The FBI cannot always provide coverage. [*less than 3 lines not declassified*]

¹ Source: Reagan Library, George Shultz Papers, Executive Secretariat Sensitive (11/21/1985–11/29/1985). Secret; Sensitive. McKinley initialed and dated the top of the memorandum on November 22.

We have travel controls on the Soviets, but not on EEs—because our diplomats are not restricted in their countries. This freedom makes it easier for us to watch military activities in EE [1 line not declassified] and to learn about such events as Bulgaria's brutal campaign against ethnic Turks.

Everyone agrees, however, that we must run the risk of retaliation against our personnel in EE, if that is the price for better controlling EE espionage here. EUR wants to thread this needle by putting travel restrictions on EEs at the UN in New York, while only warning EEs in Washington (Option 1). This might minimize the retaliation risk.

Ron,² Dick Walters, OFM, IO, and L think tougher action is needed. They want travel restrictions on the worst offenders—the East Germans, Bulgarians, Czechs, and Poles—and would draw no line between the UN folk and those in Washington (Option 2). All pose a serious espionage threat.

At issue are not the tough controls binding the Soviets—no travel beyond 25 miles without U.S. approval, and closed areas throughout the U.S. Rather, the CI community will be satisfied if EE officials have to give advance notice of travel, and use OFM to book travel and accommodation. This will give the FBI time to organize coverage.

The second option makes the most sense to me. The CI concerns are valid, and the remedy reasonable. We fought the SIG/I measures for too long. The President now wants firm action. If we seek to waive restrictions on all EEs in Washington, we'll take heat, inter-agency and from the Hill. A tougher approach will better protect our CI interests. It risks retaliation, but even the EUR option may not prevent it.

Michael H. Armacost³

² Ron Spiers, Under Secretary of State for Management.

³ Armacost initialed above his typed signature.

37. Memorandum From Paula Dobriansky and David Major of the National Security Council Staff to the President's Assistant for National Security Affairs (McFarlane)¹

Washington, December 10, 1985

SUBJECT

Imposition of Travel Restrictions on East European Officials

Attached at Tab I is a memorandum from State regarding the imposition of travel restrictions on East European officials.² Specifically, it notes that in accordance with NSDD 196 (Tab II),³ the Department has imposed a requirement that all East German, Polish, Czech and Bulgarian officials in the U.S., as well as their nationals assigned to the U.N. Secretariat, use the Office of Foreign Missions (OFM) to book commercial transportation and public accommodations. The Department has advised the Hungarian and Romanian governments that similar requirements will be imposed on their officials if their personnel engage in espionage activities in the U.S.

NSDD 196 (option #7) states that "East European hostile country officials are to use the OFM service bureau to book commercial transportation and public accommodations unless expressly waived in specific instances by the Secretary of State". State's memorandum, however, does not indicate why Shultz waived this requirement for the Hungarians and Romanians. In fact, their memorandum seems to imply that Hungary and Romania have abstained from espionage and intelligence-related activities in the U.S.—which is clearly not true. If the reason for their exclusion stems from our differentiation policy, one must ask whether the political benefits of their exclusion outweigh the costs of not restraining their intelligence activities.

As you know, this was a contentious issue during the IG/CI and ISG(I) deliberations. A decision was reached that waiving the restrictions for any Eastern European country would require a specific explanation. Up until late October, State repeatedly indicated that they planned to exempt all the East European countries. In November, Jim Nolan advised us that a proposal was being forwarded to Secretary Shultz which would exempt Hungary and Romania. Neither the

¹ Source: Reagan Library, Paula J. Dobriansky Files, Europe, Eastern (General) (6). Secret. Sent for action.

² Attached but not printed. The memorandum from Platt to McFarlane, December 2, outlined the travel restrictions that the Department of State was now imposing on East German, Polish, Czech, and Bulgarian government officials traveling in the United States.

³ Attached but not printed.

paper nor State's rationale for this recommendation was provided to the NSC.

Coincidental to State's testimony before Congress on this issue, State called in and briefed the East European Ambassadors on the travel guidelines. Apparently, these steps were taken simultaneously to avoid the Administration from being accused of responding solely to Congressional pressure on this issue. However, State undertook this unilateral action without coordinating with NSC, despite the language of NSDD 196 which provides that "the CI/CM implementing task force will make the decisions on the method, timing, and procedures to implement the SIG(I) options . . . *The final implementation decision will be made by the President.*"

The NSDD also indicates that waived countries will be placed under OFM controls if their personnel engage in espionage *and/or intelligence related activities* in the United States. As State's memo omitted any reference to *intelligence related activities*, it is unclear whether the Hungarian and Romanian Ambassadors were correctly informed about the content of our policy (Note: There is a major distinction between pure espionage resulting in an arrest and an intelligence activity (i.e. clandestine meeting with a double agent)).

Given the actions taken by State already, it is arguably too late to raise this issue in formal interagency channels. It would, however, be advisable for you to discuss this matter with Shultz during one of the breakfast meetings. You should inform him of State's lack of coordination and query him as to why Hungary and Romania were excluded from the imposed travel restrictions.

Jack Matlock and Ken DeGraffenreid concur.⁴

RECOMMENDATION

That you raise this matter with Shultz at a breakfast meeting.⁵

⁴ Matlock and deGraffenreid initialed their concurrence. Major initialed for deGraffenreid.

⁵ The recommendation was neither approved nor disapproved.

38. Information Memorandum From the Ambassador to Hungary (Salgo) to Secretary of State Shultz¹

Washington, undated

SUBJECT

Some Thoughts on U.S. Policy Toward Eastern Europe

As you requested when we met on January 9,² I am attaching a short essay on how we might devise more effective policies toward Eastern Europe.³

Attachment

Paper Prepared by the Ambassador to Hungary (Salgo)⁴

Washington, undated

U.S. POLICY TOWARD EASTERN EUROPE

Summary. You asked me to write down my thoughts on devising a more effective approach toward the non-Soviet members of the Warsaw pact. In brief, my observations and suggestions are:

A—We should stop talking both in public and in private about “differentiation”. Branding countries as “good” or “bad” or “better” from a U.S. point of view does not encourage change in those countries; it embarrasses the reformers and puts them under greater pressures from the Soviets.

B—Abandoning the touting of differentiation does not mean we shouldn’t make policy distinctions between the countries of Eastern

¹ Source: Department of State, Executive Secretariat, Sensitive and Super Sensitive Documents, 1984–1989, Lot 92 D 52, ES Sensitive, February 12–22, 1986. Secret. Shultz’s initials are stamped at the top of the memorandum. McKinley initialed on January 17. McKinley initialed again on January 21, when the memorandum came back through the Executive Secretariat in order for Shultz’s handwritten notation to be transcribed. Beneath that, in the right-hand margin, McKinley wrote, “Secretary’s letter sent from S/S.”

² No minutes of the meeting were found.

³ Shultz wrote two notations at the bottom of this memorandum. The first reads, “Dear Nick: Thanks for your most thoughtful and helpful essay. I will use it to help stir up thinking on this subject. WPR sy [With warm personal regards, Sincerely yours] GPS.” The second notation reads, “Roz: I asked for this ‘essay’. Pls give me your thoughts on it and on how to organize a useful discussion of this issue. G.” Typewritten transcriptions of both notations bear the date January 1, 1986.

⁴ Secret.

Europe, based on the extent to which each is prepared to reciprocate steps we might take to improve bilateral ties.

C—Political relations in this part of the world are essentially influenced by economic and cultural relations. They legitimize better political ties.

D—Most of the East European leaders want improved cultural and economic ties with the United States. Disillusionment with Marxism-Leninism is growing. However, we should not be pushing East Europeans for closer ties. Rather, we should encourage them subtly that it is in their interest to move toward us and then be prepared to respond. East European leaders are the best judges of what the Kremlin will tolerate.

E—We must learn oriental patience. We should recognize that leaders like Janos Kadar think policies should be devised for 20–30 years ahead, implemented in a process of “small steps”. In Eastern Europe the chess players win against the poker players.

F—It will be decades before Soviet military and foreign policy reins will be loosened. We must be more sensitive to ethnic and nationalistic rivalries, latent (and not so latent) fears about boundary realignment and explosiveness of ethnic hatred.

G—Artificial information boundaries are disappearing. We, much more than the Soviets, can exploit this. Audiences in Eastern Europe are receptive to U.S. cultural influences, provided they follow a straight-forward BBC style rather than the ideological style RFE has adopted.

H—We should not expect Eastern Europe to emulate the U.S. model. Austria, with its welfare state but efficient private sector, is the model for Hungarians—and probably for the Poles, Bulgarians and Czechoslovaks as well.

I—We should try to understand East European long-range objectives, and decide whether they correspond to our own long-range interests.

— In twenty to thirty years time, the Hungarians see themselves as evolving into a neutral federation of non-Slavic states, something akin to a Danubian, Austro-Hungarian entity.

— Similarly, the future may see a pan-slavic, Swiss-type federation of the Slav elements of the non-Soviet Warsaw Pact states. Such a federation would be neutral and perhaps demilitarized. It would be an economically viable political buffer zone, probably including Yugoslavia.

- Romania may want to join either 1 or 2, most likely 1. However, until a sound new leadership emerges, Romania will be a destabilizing factor.

- East Germany does not fit either mold. They are the logical turn-plate of the historical “drang nach Osten”⁵ and the equally historic Russian ambition westwards.

J—We must clarify our own policy. We need to reach an effective consensus within our Government on what our economic and financial policy toward Eastern Europe should be. A policy review should include a thorough interagency examination of the technical transfer issue: protect our military interest, but use our technical progress to further our economic interest and link meaningfully Eastern European economies to ours.

K—We need to be more imaginative in devising ways to encourage U.S. trade and investment with Eastern Europe. One promising way to do this is establishment of joint trading companies to channel U.S. investment and know-how into Eastern Europe to be financed through sales hard-currency generating exports to the far east or other markets. It is in our interest to introduce U.S. marketing and business concepts into Eastern Europe. It is also in our interest to increase their stake in economic relations with the U.S. and the West. End Summary.

The countries of Eastern Europe share certain conditions:

A—Disillusionment of the population with Marxist propaganda and promises, and, particularly, the alienation of the younger generation from the “ruling classes” (party apparatchiks).

B—In this age of communication, there is no way to shut out information—they compare their stagnant living standards with the West.

C—History: Eastern Europe always absorbed and often even improved on the great waves of human progress from the West; waves generally stopping at the borders of impenetrable Russia. Forty years ago the military conquest from the East brought Eastern Europe under Russian hegemony, and the western waves of progress now stop at their western borders. The material and spiritual benefits of western achievements stop at the iron curtain—but not the knowledge and envy of it.

D—Last but not least: The governments in Eastern Europe are Soviet-imposed. They are judged, maintained or toppled not by local will but by Russian control.

All of the above would logically indicate a very strong desire for “common action” among these populations. Nothing is further from the truth. Probably one substantial element of the Russian hegemony is that the Eastern European countries even today are more preoccupied by their conflicts, internal and external, than by their common fate. No East European country can today or in the foreseeable future tolerate an openly touted “differentiation” policy toward them. Of course, they yearn for ties to the U.S. and the West. But they need to build these ties

⁵ “Yearning for the East,” an historical term used to refer to German expansion to the east.

discreetly and gradually, without a lot of references to their departures from the Soviet model or comparisons to other East European states.

The borders of practically every Warsaw Pact member state were changed by another member following World War II. We should keep this fact, and the resulting minority and historical forces, in mind in dealing with Eastern Europe. Nationalism is increasingly a force to be reckoned with in Eastern Europe. It brings opportunities for increased independence from the USSR on cultural and economic issues, but recreates some of the dangerous rivalries of the past.

The next generation of East European leaders, 30–45 years of age, could not be more different than their predecessors. While trained in the USSR, they fall into different national molds. They show greater diversity in their adherence or deviation from the Russian “model”, and they nonetheless demonstrate initiative only in areas tolerated by Moscow, which are essentially in the economic and cultural sectors. Of course, they take advantage of opportunities for change depending on timing and national characteristics.

In this regard, the most successful have been the “survivor nations”—the Hungarians, followed, and sometimes overtaken, by the “achievers”—the East Germans. But the others will emerge in time with similar, evolutions based on their diverse national characteristics.

Remarkably, even the Soviet Union is waking up and its leaders begin to worry about the ever greater discrepancy between their and our human progress. The overriding advantage of the western democracies is the living proof of the 20th century: Modern capitalism is able to produce the greatest advance in the conditions of man in an atmosphere of human freedom unprecedented in man’s history. Our western allies and Japan have greater ease in dealing with Eastern Europe than we do. Some of my recommendations are inspired by their successes.

The do’s and don’ts as I see them are as follows:

—Do not knock on closed doors. Pass by and enter those that are open. By sheer curiosity, the man behind the closed door will open his to see what happens in the neighborhood.

—Watch for the smallest signals and acknowledge and return them, but do not take visible initiatives—this may give rise to paranoia.

—Expect hard bargaining and reciprocate just as hard as an evenly matched partner. Consider every opening a “trade”, whether it is cultural or economic, and shoot for “even”. A good agreement is one that both sides consider good.

—Encourage meaningful personal travel by East European party leaders to the U.S. No reading, no telling, will sell as experience will. It took Havasi four impromptu visits into four different department stores in four cities to overcome his natural inclination to believe that we had artificially organized things to impress him—a normal procedure in the

East. (The winning item was his search for and purchase of a pair of well made size 14C shoes for his son—no 14C in Potemkinia!)⁶

—Be extremely sensitive and responsive in a pragmatic way to any suggestions and openings which are not contrary to our national interests. Adopt the “continuous small steps” formula so dear to Eastern Europeans. Our allies understand this. We should too.

—Be patient, accept eastern rites and rhythms. Moscow’s eyes are watching.

—Maintain our fundamental policy of respect for human rights and freedom of choice as our long range aim. But for greater effectiveness, do it in a discreet way.

—Look for “openings” and, once created, respond swiftly, with subtlety and understanding of the circumstances.

—Develop specific policy initiatives to enhance our trade relationship with Hungary and the rest of Eastern Europe. A first step would be an interagency re-examination of the technology transfer issue. We need a coherent tech transfer policy that permits us to be a reliable supplier of non-strategic technology. At the same time, we can turn necessary COCOM restrictions to our advantage by luring East Europeans with the possibility of acquiring presently controlled technologies at a later time (the “delay factor”) when the technology could be safely released. Offer them the possibility of a higher technology item later in return for purchase of a non-strategic item now. Such a policy turns negative into positive elements; gives us a sales tool to increase exports; provides necessary controls over tech transfer; and gives us leverage to obtain other trade advantages.

—Another way to enhance our trade relationship, particularly with Hungary, is to establish American trading companies to provide working capital to enable Hungarian industry to develop new products for sale in the U.S., the Far East, and elsewhere. The credits would be repaid with export goods. Other creative ideas to stimulate a growing business relationship between Eastern Europe and the U.S. would give the East Europeans a greater stake in relations with the West.

The Future

It is clear that the East Europeans yearn for much greater independence, a better life for their populations and a much sounder economic and political base. If we are sensitive to their dreams and listen to their subtle allusions, we can sense how they see their evolution twenty to thirty years ahead. The vision here is of a new Austro-Hungarian federation based on neutrality and complementary economies. The Russians

⁶ Ferenc Havasi, National Secretary of the Hungarian Communist Party and Politburo member, made an unofficial visit to Washington in late January 1985.

left Austria, maybe they will leave Hungary one day too. For the rest of Eastern Europe, one can envisage a multinational, pan-slavic federation from the Baltic to the Mediterranean, including Yugoslavia, and possibly Romania. It is hard to imagine Balkan countries in such a federation but there are clearly very few choices—either Russian tutelage and exploitation, or voluntary confederation under new, pragmatic, intelligent leaders. Long-range U.S. policy toward this region should take into account these East European aspirations.

39. Note From the Assistant Secretary of State for European and Canadian Affairs (Ridgway) to Secretary of State Shultz¹

Washington, February 11, 1986

Mr. Secretary:

You found Nick Salgo's views² helpful on developing more effective techniques to advance U.S. interests in Eastern Europe and asked for a paper to serve as the basis for discussion with a small group in the Department. There is attached a paper with EUR's views.³ In brief, we find that:

— Our differentiation policy has worked in spite of continuing unresolved differences over how it should be interpreted in dealing with Eastern Europe.

— While the word doesn't trouble us, it bothers the East Europeans who have to defend their interest in closer relations with us against Soviet charges of wedge-driving. Where possible, we should try to define our policy in terms of recognition of the region's diversity rather than the short-hand "label" of differentiation.

— Nonetheless, our differentiation policy provides a valid framework to advance our interests in Eastern Europe; we need not change our basic approach. In working EE issues, however, we must not lose

¹ Source: Department of State, Executive Secretariat, Sensitive and Super Sensitive Documents, 1984–1989, Lot 92 D 52, ES Sensitive, February 12–22, 1986. Secret. Shultz's initials were stamped at the top of the note. McKinley initialed and dated the top of the note on November 2. An unknown hand wrote, "S/S & EUR see GPS note & meeting time."

² See Document 38.

³ Attached but not printed. The attachment, drafted by Kuchel, was entitled "Advancing U.S. Interests in Eastern Europe" and was dated January 29.

sight of the geopolitical realities which limit our ability to effect change and provide the real framework for our choices.

— Depending on the situation of each individual country, we propose:

- *Expanded political dialogue*, including areas such as terrorism; regular political consultations at a level calibrated to our differentiated treatment of each; and greater use of a “two-track” approach on human rights which combines public pronouncement with quiet diplomatic initiative.

- *A concerted effort to expand U.S. trade*, recognizing that the economic relationship gives us leverage in other areas. This includes more efficient and rational export-licensing, targeting of promising exports, and work with Commerce to enhance our commercial presence in Eastern Europe.

We’ve also attached a suggested list of participants⁴ for a meeting⁵—whenever you are ready to hold one.

Rozanne L. Ridgway⁶

⁴ Attached but not printed.

⁵ Shultz highlighted the words “a meeting” and wrote beneath this line, “OK to sch[edule].”

⁶ Ridgway signed “Roz” above her typed signature. Underneath her signature, an unknown hand wrote, “March 6, 1986, 4:30–5:30 p.m.”

40. Information Memorandum From the Chairman of the Policy Planning Staff (Solomon) to Secretary of State Shultz¹

Washington, March 5, 1986

SUBJECT

Advancing U.S. Interests in Eastern Europe Meeting, Secretary’s Office,
March 5, 4:30 pm

SUMMARY: In preparation for Wednesday’s² meeting on Eastern Europe, I thought it would be useful to try to clarify the main issues

¹ Source: Department of State, Executive Secretariat, Sensitive and Super Sensitive Documents, 1984–1989, Lot 92 D 52, ES Sensitive, March 1–12, 1986. Secret; Sensitive. Solomon signed “Dick” next to his name in the “From” line. Drafted by John vanOudenaren (S/P). Platt initialed and dated the top of the memorandum on March 5.

² March 5.

raised by Ambassadors Salgo and Ridgway in their recent memos.³ I think it is important for us to be clear about our own assumptions and to distinguish between what we would like to happen in Eastern Europe and what probably can happen.

The task we face in Eastern Europe is not only to support strivings for autonomy. We also need to find ways to deter or dissuade the Soviets from crushing renewed bids for autonomy when they occur. Therefore, I believe the following issues merit attention in the meeting:

- the effect that increased trade and political dialogue with Eastern Europe will have on *Soviet* perceptions and policies;

- the relationship between our efforts to foster long-term change and our pursuit of short-term objectives such as combatting terrorism and increasing U.S. exports;

- the trade-offs we face in pursuing policies that give us leverage over East European regimes, but that also could bolster these regimes and thus help to maintain Soviet hegemony over the long run. *END SUMMARY.*

The question you posed to Ambassador Ridgway during the flight from Belgrade⁴—how to make it more difficult for the Soviets to turn the screws on the East Europeans—seems to me to go to the heart of the matter. There can be little doubt that the East Europeans would like greater autonomy from the Soviet Union and more latitude to shape their own internal political and economic systems. The history of the postwar period offers many examples of the East European peoples and governments pressing for change.

But history also shows that in the final analysis, East European strivings for autonomy have been largely unsuccessful. Romania has carved out an autonomous foreign policy role, and Hungary has cautiously charted a reform at home. These achievements are by no means negligible, and our differentiation policy should continue to support them. But these achievements should not obscure the fact that more ambitious East European bids for autonomy—in Hungary in 1956, in Czechoslovakia in 1968, and most recently in Poland—have all been crushed by Soviet intervention or Soviet-supported internal repression. The main problem for us is therefore not how to encourage East European opposition to the Soviet Union. If anything, the East Europeans often have been ahead of us on this score, and we have been surprised repeatedly at how quickly anti-Soviet movements can erupt in Eastern Europe. Rather, *the problem for us is what, if*

³ See Documents 38 and 39.

⁴ Presumably a reference to Shultz's trip to Belgrade to meet with Prime Minister Planinc, Foreign Affairs Secretary Dizdarevic, and President Vojakovic December 17–18, 1985. See Documents 235 and 236.

anything, we can do to deter or dissuade the Soviets from crushing renewed East European bids for autonomy when they arise—as they are certain to do irrespective of the policies we adopt. I therefore believe our discussions should focus a bit more on how we can influence decision-making in the Kremlin, and somewhat less on what we can or should do “on the ground” in Eastern Europe.

While it is true that opposition to Marxism-Leninism is growing in Eastern Europe, it is also true that the Soviets have had increasing success in using indirect methods to defeat challenges to their control. In 1953 and 1956, Soviet troops were involved in bloody clashes with East German and Hungarian freedom fighters. In 1968, the Soviet Union and its Warsaw Pact allies bloodlessly crushed the Prague Spring. In 1981, the Soviets watched from the sidelines as the Polish police and militia crushed Solidarity. After all these episodes, the Soviets and their East European allies pressed, with varying degrees of success, for rapid “normalization” on Soviet terms.

I assume we do not want to go back to the 1950s and to encourage violence and direct Soviet intervention in Eastern Europe. But we do need to find ways *to make it more rather than less costly for the Soviets to crush movements for autonomy in Eastern Europe.* To some extent we have already had some success in this effort. The Soviets were reluctant to intervene directly in Poland, not only because they feared military clashes with the Poles, but because they knew that direct intervention would deal a heavy blow to U.S.-Soviet and Soviet-West European relations. After the crackdown on Solidarity, we made clear that indirect Soviet intervention was also unacceptable. But we need to do more to close off the indirect option and to discourage other East European leaders from playing the part of a Husak or a Jaruzelski in a future crisis.

In cases where it serves our concrete interests (e.g., in combating terrorism, promoting human rights, or increasing U.S. exports) we should expand our political and economic relations with Eastern Europe. But to raise the costs of maintaining Soviet rule in Eastern Europe in the face of popular resentment, *we should do nothing to legitimize leaders who do the work of the Soviets.* In 1956, Kadar came to power as a Soviet puppet. Over a period of many years, he made peace with and even came to be admired by his own people. Then—and only then—did he become a desirable interlocutor for Western governments. To provide other East European leaders with short-cuts to the same international acceptability will only encourage the Soviets to believe that by finding reliable surrogates in Eastern Europe they can reap the benefits of empire without paying its costs.

In addition to withholding our prestige from leaders who, whatever their personal motivations, are in effect helping the Soviets to

maintain their empire “on the cheap,” we of course need to look for positive steps that could increase Soviet-East European strains and raise the costs of empire for the Soviets. We should encourage developments which would heighten Soviet uncertainty about the reliability of their Warsaw Pact allies in a conflict situation (an issue Harry Rowen⁵ of Stanford has been exploring).

One possibility would be to work the SRINF issue. The Soviets irritated their East European allies by placing new short-range missiles in Eastern Europe after our INF deployments. Eliminating SRINF from Europe is one issue on which we, the West Europeans, and many East Europeans can agree, and on which the Soviets are potentially isolated.

Another possibility is to focus on the question of East European support for Soviet policy in the third world. East European contributions to the USSR’s global empire lower the net cost of maintaining Soviet hegemony in Eastern Europe. We should pressure the East Europeans to cease these contributions—to choose, in effect, between better relations with us and continued support for the Soviets. By pressing them to make this choice, we can increase strains within the Soviet bloc and encourage Soviet leaders to reevaluate the benefits they derive from maintaining tight control in the region.

Against this background, I believe the issues that are likely to figure prominently in the discussion include the following:

- the effect that increased trade and political dialogue with Eastern Europe is likely to have on *Soviet* perceptions and policies

- the relationship between our efforts to foster long-term change and our policies geared toward immediate objectives such as combating terrorism and increasing U.S. exports

- the dilemmas we face in pursuing policies that give us leverage over East European regimes, but that can also bolster these regimes and thus over the long run help to maintain Soviet hegemony.

⁵Senior Fellow at Stanford’s Hoover Institution.

41. Information Memorandum From the Chairman of the Policy Planning Staff (Solomon) to Secretary of State Shultz¹

Washington, June 12, 1986

SUBJECT

U.S. Policy Toward Eastern Europe: Heightening the Soviet Burden of Empire Through "Selective Engagement"

Summary. At the conclusion of the March 5 meeting on Eastern Europe,² you expressed interest in finding ways to increase our influence in the region and to heighten the Soviet Union's burden of empire. The attached memorandum addresses these issues. It offers a critique of our current policy toward Eastern Europe and suggests a hybrid approach we call "Selective Engagement." This would combine the most useful elements of differentiation and step-by-step activism in the service of increasing the costs to Moscow of sustaining its hegemony over the region. We propose six policy guidelines as the basis for "Selective Engagement" with Eastern Europe:

- Divide opportunities and responsibilities in Eastern Europe with our West European allies.
- Maintain the primacy of our moral high ground in dealing with the regimes in Eastern Europe.
- Use meetings and visits with those regimes more selectively.
- Press the East Europeans to stop supporting Soviet policies in the Third World.
- Target educational and cultural exchange programs more on the populations in Eastern Europe.
- Develop and sustain a hardheaded approach toward economic dealings with Eastern Europe.

Effective implementation of this approach will require a strengthened consensus within the U.S. government of the objectives of our policy toward Eastern Europe. *End Summary.*

How Much Influence Can We Expect to Have?

No matter what policies we adopt toward Eastern Europe, our ability to encourage fundamental change in the region is not great. After four post-war decades, it is evident that the Soviets retain a paramount

¹ Source: Reagan Library, Stephen Sestanovich Files, Eastern Europe: 1983–1986. Secret. Drafted by Barry Lowenkron (S/P), John Van Oudenaren (S/P), and Nelson C. Ledsy signed "Dick" next to his name in the "From" line.

² Minutes were not found.

interest in this “buffer” area and the means to defend that interest. The Soviet grip on the region has been reaffirmed by Gorbachev, a man who will resist any weakening of the bonds that tie these countries to the Soviet Union.

Moreover, the regimes (as opposed to the people) of Eastern Europe do not share the goal of an eventual breakaway from Soviet control. None of these governments will challenge the Soviets on their fundamental catechism: the primacy of Communist Party rule, state control of the economy, and fealty to the Warsaw Pact.

Taken together, these perspectives dim the prospect of eliminating the Soviet grip on Eastern Europe. At the same time, domestic and Allied concerns also rule out a policy of ignoring Eastern Europe. Thus, we will remain engaged in the region, and if our goal is to heighten the Soviet burden, the key operational question becomes whether our policies are working in that direction.

Current Policy: Differentiation

For many years we have pursued a differentiation policy, by which we have sought to encourage the regimes in Eastern Europe to distance themselves from the Soviet Union, both internally and in foreign affairs. We have always been reluctant to accept the idea that these countries are mere “satellites” of the Soviet Union. Yugoslavia’s successful breakaway from the Soviet bloc demonstrated that, at least in theory, there was no limit to how far an East European government could go in distancing itself from Moscow. We therefore took advantage of the East-West thaw in the 1960s to develop relations with the more receptive East European regimes, notably Poland and Romania.

Despite a promising start in the 1960s and ’70s, differentiation as a policy now appears to be at an impasse, partly because of circumstances in Eastern Europe over which we have no control, and partly because we have come to recognize limitations that are inherent in the policy that we tended to overlook during periods of greater optimism in East-West relations.

In practical terms, our differentiation policy is in trouble because we have run out of “eligible” countries to deal with on a privileged basis. We have at most 1½ countries we can reward: Hungary clearly merits favorable treatment for its internal reforms. Romania still deserves support for its relative external autonomy, but its domestic system has become so objectionable that continuing favored treatment is increasingly coming into question. Poland under Jaruzelski has lost its formerly privileged status, and the other three East European states have never merited special treatment.

The paucity of countries with which to work leads to contradictions in our policy and subtle pressures to abandon differentiation in

all but name. Our policy puts pressure on Hungary by drawing too much attention to our satisfaction with its domestic policies. It raises the stakes for us in Romania out of proportion to the issues involved. Finally, differentiation tempts us to try to expand the current roster of "eligible" countries by seeking to improve relations with the GDR, Bulgaria and Czechoslovakia, even if doing so requires overlooking the more objectionable aspects of these countries' foreign and domestic behavior.

A Second Approach: Step-By-Step Activism

Given our natural inclination toward pragmatic problem-solving, we have become increasingly impatient and frustrated with differentiation. As a result, we have been putting it on the shelf, in fact if not in name, and gearing our policies toward exploiting in piecemeal fashion available opportunities to expand our relations with Eastern Europe. Whenever an East European regime signals interest in dealing with us, we are inclined to respond positively on the assumption that any increase in US involvement constitutes a weakening of Soviet control. Thus we have expanded relations with Czechoslovakia, East Germany and Bulgaria, even as our relations with Romania and Poland have stagnated or declined.

Proponents of this kind of step-by-step policy correctly point out that differentiation is geared toward objectives—internal liberalization and international autonomy—that are simply too ambitious to achieve with the leverage we have over Eastern Europe. We therefore end up rewarding one or two regimes for doing things that they would do anyway, while depriving ourselves of potential opportunities to get other East European countries to take modest steps (e.g., against narcotics) that we would welcome. Some would say we could achieve a better balance between available means and policy objectives by shifting the focus of our diplomacy from one of "differentiation" *by country* to a concentration on particular *issues* in our relations with *all* countries.

All this sounds very attractive. If East Germany wants to increase (non-strategic) imports from us, why not move forward in our trade relationship? If Bulgaria is willing to cooperate with us on narcotics control, why not accept such help, even if other aspects of our relationship lag behind? By concentrating on rewarding (and punishing) behavior on specific issues, we could free ourselves from having to assign grades to Communist countries and overcome our 1½ country dilemma.

Yet step-by-step activism carries with it its own set of problems. As we try to keep the focus on specific problems—narcotics, terrorism, trade, mutually beneficial cultural exchanges—the East Europeans will want to focus on political symbolism: regularized political consultations, high-level visits, and parliamentary exchanges. It will not be long before we accept the notion that politically symbolic steps such as

high-level visits are the way to build a “dialogue” toward the solution of concrete problems. In so doing, we will find ourselves responding to agendas set by East European regimes, thus increasing *their* room for maneuver, legitimizing *their* rule, and, in the process, *alleviating* rather than increasing the Soviet burden in Eastern Europe. What we would be left with in the end is the worst of both worlds: normalized political relations with a set of regimes that continue to suppress their own populations and follow Soviet foreign policy directives.

A Third Approach: Fostering Interdependence

Another alternative to differentiation would have us abandon as futile not only the effort to differentiate by country, but reject as impractical efforts to solve problems on an issue-by-issue basis. Instead, this approach would take the long view, and would aim to create as many interdependencies, linkages and contacts between us and Eastern Europe as possible as a means of increasing our leverage and fostering latent tensions between the Soviets and their allies. Proponents of this approach want to deepen the cleavage between Eastern Europe *as a whole* and the USSR. In order to have the capability to do so, they advocate creating a web of ties that can be exploited at some later date or in some future East-West crisis to weaken Moscow’s hold on the region.

Such a policy is favored by many in Europe and, in somewhat different form, by some analysts in this country (e.g., Henry Rowen). Rowen believes we can redress NATO’s conventional imbalance with the Warsaw Pact by undermining Soviet control in Eastern Europe. In West Germany, the Social Democrats believe that they can wean countries in Eastern Europe away from the Soviet Union and toward some “greater Europe” by steps small enough that they will be overlooked or discounted by Moscow.

This approach, like its alternatives, has significant practical limitations. Our government has to function and answer to the public in the present. We therefore cannot indiscriminately bestow official favors on the East Europeans—regimes or peoples—and ask our public to accept such actions on the basis that we are building up leverage for future use. Moreover, U.S. leverage in the region is clearly limited; and long before we would accomplish our objectives the East European regimes would find ways to protect themselves from our inroads, or the Soviets would remind them of how to protect themselves. The Soviets, at some point, instead of growing more suspicious of U.S.-East Europe contacts, would find ways to exploit them.

Implementing a Policy of “Selective Engagement”

Given the arguments above, there is no simple, imaginative new strategy to be found toward Eastern Europe, but we can adopt a hybrid approach that combines the advantages and avoids the pitfalls of all the

policies discussed above. Such an approach would preserve the most useful aspect of differentiation—encouraging East European regimes to pursue policies at variance with Moscow's line. It would also allow us to work, in a step-by-step fashion, to solve problems and seize opportunities but without enabling East European regimes to use our interest in cooperation to sanction their domestic and foreign policies and to bolster their legitimacy. Finally, this approach would allow us to establish ties which could give us leverage in the long-run without our having to abandon the pursuit of immediate policy objectives.

We term this eclectic approach "Selective Engagement", because it would be selective in two important senses: First, as in our current differentiation policy, it would require us to be rigorous in relating US political gestures to the overall political orientation (domestic and foreign) of various East European *countries*. Under current circumstances, only Hungary and Romania would merit special treatment, although this of course could change.

Second, it would require us to be selective in choosing *problems* which we believe can be solved by increased contact and cooperation. In this area, we would be willing to work with all six East European countries on solving problems such as narcotics, trade, and terrorism—but on our terms.

We would judge the value of increased contact by the degree of concrete progress on each problem. If Bulgaria, for example, is willing to work with us on narcotics, we should work with it. But if we do not see concrete results quickly, we should sever cooperation in this area. We have no interest in dialogue with Bulgaria for its own sake. Moreover, even if Bulgaria does cooperate on narcotics, we should not necessarily respond with high level visits or other politically symbolic gestures. In a word, we should not reward Bulgaria and the other East European states for cooperation in solving or controlling problems that they should not be creating or abetting in the first place.

"Selective Engagement" would heighten Moscow's burden of control in several ways. First, taking steps to impose greater discipline on our policy in itself would raise Soviet suspicions and force the Soviets to watch our activities in Eastern Europe more closely. This in turn would engender resentment in Eastern Europe and increase tension in dealings with Moscow. Second, selective engagement would strengthen our traditional policy of differentiation. By making explicit the kinds of dealings we are prepared to have with Poland, the GDR, Czechoslovakia and Bulgaria, and for what purposes, we would put an end to whatever illusions these countries might harbor that we are prepared to change our policies toward them without a change in behavior on their part. Third, by solving problems with the cooperation of the East Europeans, we will begin to create—in a selective and controlled way—the kinds of ties and interdependencies that would raise Soviet suspicions and

force the Soviets to incur real costs. If the East Europeans become more responsive to our concerns on terrorism, narcotics, and Third World adventurism, for example, the Soviets would have to recalculate the benefits and the costs of trying to enlist Eastern Europe in their global strategies.

To carry out a policy which combines elements of differentiation with a practical, problem-solving approach to the countries of Eastern Europe, we need to follow a few simple guidelines. Some are or have been applied selectively already. Others have never been fully fleshed out or pursued over time. It is our contention that the following six policy guidelines will help us avoid pitfalls while heightening Moscow's burden of control. They are:

1. *Divide the opportunities and responsibilities with our West European allies*, who in certain cases have better access, potentially greater leverage, and can arouse greater Soviet suspicion than we can.

2. *Stand on principle. Hold to the moral highground. Stress human rights*, a divisive issue between Eastern Europe and the Soviets and between the East European regimes and their peoples.

3. *Use meetings and visits more selectively and not as a substitute for policy*. We should see to it that meetings foster Soviet-East European suspicions, and not bolster regime prestige.

4. *Pressure the East Europeans to stop supporting Moscow in the Third World*. This will raise Moscow's risk of exposure and increase its economic and political costs in sustaining its involvement in such places as Nicaragua, Libya, Ethiopia, and Angola.

5. *Put our time and money on educational, cultural, and exchange programs directed at the populations and not at the governments of Eastern Europe*. This will foster goodwill toward us in Eastern Europe, and increase Soviet worries about trends in the region.

6. *Develop and sustain a hardheaded approach toward economic dealings with Eastern Europe*. This will make Soviets pay the price economically for their empire. We should stop fooling ourselves into thinking that by having our businessmen deal with the East Europeans, we can "liberalize" Communist states or increase our leverage on individual regimes.

In the paragraphs that follow, we seek to elaborate more fully on each of the six points above. We have attempted to keep the argumentation short, and do not provide the details of individual steps needed to implement each guideline. We are prepared to do so, however, in conjunction with EUR and the Counselor's office.

1. *Divide the Opportunities and Responsibilities with our West European Allies*. In a word, don't jump in everywhere. Complicating Soviet control and exploiting opportunities does not necessarily mean active US involvement in each and every East European country. In fact, as the number of Western states dealing with a given East European country

increases, there is no corresponding growth of East European dependency on the West. Rather, the East European regimes gain the flexibility and leverage we might have hoped to exercise as they can play off the various Western states one against the other. Some division of labor, therefore, is in order.

Eastern Europe is not a traditional area of U.S. involvement or direct interest, and we should let those of our allies who have such background and interest assume the lead in individual countries. Dividing responsibilities among Germany, Italy, France, the UK, and the U.S. would be ideal; but even if this proves impossible (and we do not underestimate the difficulty of this kind of coordination) we should make the effort to limit the ability of the East European regimes to play us and our allies off against each other.

East Germany provides a good example of the dangers of what we have in mind. Honecker's goal is simple: to gain what he wants economically from West Germany without having to pay a political price to the FRG. This means seeking to widen his influence throughout the West, winning approval and gaining concessions from as many states as possible. Thus, as Western relations with the GDR diversify, West German leverage on the GDR declines, while GDR leverage vis-a-vis the FRG increases. In our view, the FRG should be allowed to continue to take the lead in dealings with East Germany and set Western guidelines for contact with the GDR. We should content ourselves with a modest, secondary role.

In sum, selectivity on the part of the West will limit opportunities for the East Europeans to engage in selective manipulation, while also raising Soviet fears of East European interdependence with the West.

2. *Stand on Principle.* Eastern Europe does not pose for us a dilemma of trade-offs between human rights concerns and national security interests. Therefore, we should be loath to compromise our principles with these regimes in the hope of solving minor bilateral problems. The *people* of Eastern Europe know we cannot free them from their oppressors, but they welcome a policy based on principle.

Should the Romanian problem worsen, for example, we should stop fighting to retain MFN privileges for Romania, when we, the Romanian population, and the people throughout Eastern Europe know that Ceausescu is undeserving of such support. Similarly, we should be chary of Jaruzelski, a leader who has earned Soviet praise for his success in fine-tuning the state of repression in Poland. Such actions undermine our moral position and demoralize the peoples of Eastern Europe.

Toning down our relations with the East European regimes denies them the pursuit of political legitimacy and the economic benefits they seek from the West, and heightens the frustration of their populations,

who perceive more clearly the imprint of the Soviet Union on their domestic policies.

3. *Use Meetings and Visits Selectively, and not as a Substitute for Policy.* Dialogue with Eastern Europe—state or working visits, consultations on East-West political-security issues and bilateral matters—can help to expand our limited influence and resolve problems. It can also sow suspicion between Eastern Europe and Moscow, and can reinforce the tendencies of certain regimes to resist toeing the Soviet line completely. *Yet, dialogue is not cost-free.* Its indiscriminate use weakens our political and moral assets in Eastern Europe. Therefore, we must have a clear understanding of the purposes of such dialogue, particularly when it comes to scheduling visits by our senior officials, or granting political access in Washington. Until we have political understandings, a detailed agenda that serves our interests, and indications of East European willingness to accommodate our concerns, visits should be avoided. Otherwise, we end up substituting tourism for policy and legitimizing regimes which represent the antithesis of our values and policies.

Briefing Teams. One key purpose of briefing East European leaders on East-West political-security issues is to sow suspicion between them and the Soviets. Yet if we send the same level of briefers to each country, to meet with the same people, we gear our policy less toward sowing suspicion than toward reinforcing the image of these regimes as independent interlocutors on East-West issues. To be most effective, we should calibrate the level of visiting teams according to the circumstances of each country. We should not routinely offer such briefings. (These regimes have come to value them. We should not let them take them for granted.) And, most importantly, we should use these visits as a wedge to gain access to more diverse audiences in these countries.

4. *Pressure the East Europeans to Stop Supporting Moscow in the Third World.* The Soviets have increasingly relied on the East European regimes to provide intelligence, security, and military assistance to their clients in the Third World. Some examples include arms smuggling to Nicaragua, organization of the Sandinista Communist Party, security protection for Qadhafi, and security and intelligence training in Libya, Angola and Ethiopia.

We can exacerbate East European-Soviet relations by pressing East European regimes to oppose carrying Moscow's water in the Third World. For example, the Bulgarians, at our behest, stopped shipping arms to Central America. Granted the Soviets then shifted this task onto other East European regimes. Yet, if more states exhibit reluctance to participate in these "out of area activities," we will have forced the

Soviets to either devote more time to ensuring bloc discipline, increase direct Soviet involvement in these regional conflicts (with all the attendant consequences for Moscow of its heightened level of direct activity and exposure), or trim their sails in the Third World. There is no reason why we cannot begin to apply this principle more forcefully, especially with the East Germans, a regime deeply involved in Libya, Angola and Ethiopia.

5. *Put our time and money into educational, cultural, and exchange programs directed at the populations and not at the governments of Eastern Europe.* Cultural exchanges have the potential of giving us greater access to East European societies, and their expansion can heighten Soviet concerns. But formal state-to-state agreements will normally serve Eastern more than Western interests. Indeed, exchanges to the same, stale audiences, which are carefully screened by the East European authorities, make a mockery of efforts to broaden our contacts with the people. We have to do what we can to limit the ability of the regimes to select audiences or programs in their countries, or participants for travel to the United States. This also means avoiding scientific exchanges whose only function is to funnel technical expertise to regimes in a way that compensates for internal deficiencies and/or contributes to Soviet technological espionage.

What this suggests is that to the extent possible we should channel our cultural and educational programs through private organizations. We need to use church groups, ethnic organizations, the AFL-CIO, private academic institutions and the National Endowment for Democracy more than we have in the past. As a practical first step, we would recommend establishing a joint State-USIA ad hoc committee to review all of our exchange programs in an effort to highlight ways to expand our exchanges into areas hitherto off limits to us.

6. *Develop and sustain a hardheaded approach toward our economic dealings with Eastern Europe.* There are only limited business opportunities for the U.S. in Eastern Europe. We are not their natural trading partner, and their economies often cannot compete without some form of Western subsidy. You have stated in the past that we should not be in the business of artificially maintaining the level of East-West trade. Where we can promote business without such subsidies or counterproductive technology transfers, however, we should do so.

We should not overestimate our ability to use trade as a lever to advance our policies in Eastern Europe. This is due to the nature of the regimes. These governments are saddled with the problems inherent in "socialist" economic and political centralization. Yet, to preserve their power, the regimes avoid fundamental reforms, tinker with their systems, and draw upon Western resources to fill the gap between economic performance and public expectations.

Neither should we accept the notion that trade will lead to greater liberalization or increase our leverage in the region. The Hungarians—the current economic showcase of Eastern Europe—initiated agricultural reforms in 1956, and formally unveiled their economic reform package in 1968, years before the onset of detente or CSCE. In no East European country has greater East-West trade or importation of expertise led to greater political liberalization.

As for leverage, Romania and Poland provide us two examples of the limits on our ability to use economic tools to stimulate significant regime changes. In Romania we have used the threat of MFN withdrawal to extract limited concessions on human rights. But we must recognize that MFN has been insufficient to prevent Ceausescu from seeking to assure his place in Romanian history at the expense of the basic human needs of his people. In Poland we face a regime \$27 billion in debt to the West and with no prospects for economic, let alone political, reform. When it comes to leverage, it is often the West that ends up getting levered by its investments in Eastern Europe.

By clinging to the notion that trade will bring about liberalization in Eastern Europe, we only help alleviate Moscow's economic burden of empire. Gorbachev is following in the footsteps of his mentor Andropov, who demanded better quality goods from Eastern Europe while cutting back on exports of energy supplies and raw materials to the area. By refusing to be drawn into the pursuit of ill-defined and illusory economic and political goals, we refrain from helping these regimes accommodate to Moscow's demands and exacerbate Soviet-East European relations. If we are disciplined in our economic dealings with the Bloc countries, Gorbachev will be left with two unappealing choices: cracking down on his clients to prove the seriousness of his economic demands—and further alienating the Soviets from East European leaders and these leaders from their populations—or backing down on his demands—depriving Moscow of economic gains *and* exposing Gorbachev's demands as empty rhetoric.

Conclusion

The above steps do not comprise an exhaustive list of tactics we can employ in developing a policy of "Selective Engagement." Moreover, the elements we are suggesting may not move us forward very far or very quickly. In pursuit of the objectives of increasing Moscow's costs of control in Eastern Europe, we may be forced on occasion to develop policies that burden rather than help the populations of the region. In the process, we may risk alienating elements of our own domestic constituency who understandably are more concerned with humanitarian needs than hardheaded political objectives. But we believe that when all considerations are weighed, pursuing a policy

based on the above six guidelines can lead us to do *less* and accomplish *more* in meeting our objective of increasing the Soviet burden in Eastern Europe.

Implementing this approach requires, above all, shared acceptance of the goal of heightening Moscow's burden of control of Eastern Europe within the senior levels of the US government, and some agreement on guidelines for implementing such a policy. It also requires a measure of policy coordination with our West European allies. In pursuit of the first of these requirements, we are prepared to discuss "Selective Engagement" with you, Ed Derwinski, and appropriate members of EUR.

42. Memorandum From David Fairman of the National Security Council Staff to Stephen Sestanovich of the National Security Council Staff¹

Washington, July 3, 1986

SUBJECT

State Policy Planning Paper on Eastern Europe

State's paper on Eastern Europe policy proposes amending our present policy of "differentiation."² It urges a combination of increased issue selectivity and increased attention to political conditions within the six Soviet bloc countries. Reduced contact with EE governments, emphasis on exploiting divisions between Moscow and EE, and co-ordination with the Allies in Europe are the main channels for implementing the policy of "selective engagement." The goals of the policy change are to increase our leverage in Eastern Europe, heighten tensions between Eastern Europe and the Soviets, send clearer critical signals in response to EE governmental behavior, and limit East-West collaboration to specific problems, avoiding the illusion of normal diplomatic relations between the West and EE regimes whose legitimacy we question.

¹ Source: Reagan Library, Stephen Sestanovich Files, Eastern Europe: 1983-1986. Secret. Sent for information. Fairman did not initial the memorandum.

² Attached but not printed. See Document 41.

The argument for the policy shift is threefold. First, differentiation's original goal of weaning EE governments away from Soviet influence seems to be unreachable. Although progress has been made with EE governments on a limited range of issues, they remain dependent on and committed to Soviet economic, political, and military programs. Further, the Soviets continue to have both vital interests in and means to control EE governments. Second, differentiation now puts an unwelcome spotlight on the "1½" countries we favor—Hungary and Romania. Hungary's significant domestic liberalization and Romania's independent foreign policy line have been grounds for expanding Western economic and diplomatic links, but Hungary is under increasing scrutiny from Moscow, and Romania's internal repression is worsening, so our commitment to both countries needs to be de-emphasized. A more even spread of Western involvement in EE might help to take pressure off Hungary, and make our disapproval of Ceausescu's police state more apparent. The third reason is the tendency for differentiation to slide toward normalization of diplomatic contacts between Western and Eastern Europe. In the absence of morally acceptable candidates for Western linkage, "pragmatism" and exaggerated confidence in our ability to influence the EE governments tempt us to respond to their requests for collaboration, rather than sticking to our own agenda.

State's idea is to recognize the reality of Soviet dominance and EE regime inflexibility by pursuing an agenda that reaffirms the West's "moral highground," but also allows us leeway in initiating and responding to East-West collaboration offers. They see six areas for action:

1. increased co-ordination and division of responsibility with European allies
2. maintaining a moral stance
3. limiting "prestige" diplomatic contacts
4. pressure to end EE co-operation with the Soviets in the 3rd World
5. targeting cultural exchange at peoples, avoiding regime screening by using private sector groups
6. tighten up on economic dealings

Comment: State's plan attempts to deal with the reality of limited influence in potentially contradictory ways. By taking advantage of splits within the EE bloc when they occur, it may be possible to heighten tensions between the Soviets and their allies, but this will be difficult to accomplish if diplomatic contacts are severely limited and public condemnation takes the place of quiet pressure. It is necessary to prioritize our EE policy goals, so that we have an understanding of tradeoffs and

a way to choose among alternatives. I suggest the following as a goal ranking:

- 1) maintaining a unified Allied front
- 2) exploiting EE bloc splits
- 3) pressing for EE political and economic reform
- 4) retaining open channels to EE governments

The Allies continue to differ significantly from the U.S. on EE policy. For them economic relations and EE regime stability are more important than loosening the Soviet grip. We saw in the Polish crack-down in 1981 that they are willing to rally against repression in a crisis, but the pipeline problem of 1982 and the ongoing arguments about technology transfer and beefing up NATO show their reluctance to sacrifice economic interests and the desire for stability otherwise. At present, with slow economic growth in Western Europe and clear signals from Gorbachev that EE remains a vital interest, there is little likelihood of Allied co-operation on a tougher anti-EE line and few opportunities to split EE from the Soviets. Given this picture, our best prospect for accomplishing goals 1 and 2 is in the area of reduced diplomatic visibility and increased cultural exchange. These are relatively painless for the Allies, and go some way toward maintaining the moral stance and sowing the seeds for the next EE generations to distance themselves from the Soviets.

Our economic leverage in EE can be used to our benefit in promoting political and economic reform, but it requires a high level of co-ordination among both Allied finance ministers and Western commercial banks. The Polish debt situation gives us the opportunity to send Jaruzelski clear signals against his "normalization" campaign. The fora of the IMF and commercial debt rescheduling talks can be used to push for liberalization. In the current agricultural glut, the damage to Polish exports from Chernobyl might be sustained by encouraging substitutes from the developing countries. If Jaruzelski wants to be the Soviets' "number one ally," let's make him, and the Soviets, pay as high a price as possible for his status.

In Hungary, on the other hand, we may be able to counteract the "spotlight" effect while continuing to support liberalization. Three recent developments—the opening of two funds for industrial and agricultural initiatives (see tab 1),³ Citibank's co-operation with the National Bank, and the IFC's negotiations on a joint venture with a Hungarian and a foreign bank—give us the chance to encourage the private sector while reducing our official visibility in Budapest. If Western commercial banks can get their foot in the door by offering

³ Attached but not printed is a *Euromoney* article on Hungary.

financial service training and small joint ventures, the new funds may spawn a group of entrepreneurs capable of reducing the heavy state dominance of industry and agriculture.

Romania's recent denunciation of contra aid, and Ceausescu's growing personality cult, should prompt a re-evaluation of our diplomatic ties with him. We should however make a positive overture before cutting him off. It may be possible to play up his independent foreign policy line in a way that brings him closer to the West and makes other EE leaders take notice. My suggestion is an offer to collaborate with him on development projects in the Third World through the auspices of multilateral development agencies, European agencies, or possibly through USAID. His wife, a major force in the government, is particularly interested in technology development. Romanian co-operation with the West on a Third World project that involved some technology transfer to Romania might lead others in EE to reassess their co-operation with the Soviets in the Third World. The West can offer technology and technical training on the neutral ground of economic development projects, conditional on reduced EE involvement with Soviet Third World ventures.

At the moment there are few openings in relations with the GDR, Czechoslovakia, or Bulgaria. Renewed calls for FRG-GDR rapprochement and FRG "independence" from NATO commitments, stemming mostly from East Berlin and German youth, make this a poor time for either condemnatory rhetoric or diplomatic overtures. The situation in Bulgaria and Czechoslovakia seems stagnant, so we may end up waiting for a changeover in leadership before any new initiatives.

Conclusion: By maintaining a firm stance on limited diplomacy and limiting economic co-operation wherever the Allies will go along, we can increase the Soviet "burden of empire" and its stigma without dividing our own ranks. We need to maintain a minimum of diplomatic links to EE in order to capitalize on EE bloc gaps as they appear, and our "moral highground" should not be maintained at the cost of letting genuine splits go unrewarded. If implemented along these lines, "selective engagement" may be a more effective policy than "differentiation."

43. Memorandum From the Deputy Secretary of State (Whitehead) to Secretary of State Shultz¹

Washington, August 15, 1986

SUBJECT

Eastern Europe

It concerns me that Gorbachev is making substantial progress in improving his relations with our West European allies, whereas our relations with his East European allies remain in the deep freeze.

This is a serious matter. For if Western Europe moves toward neutralism and Eastern Europe remains firmly in the Soviet camp, the balance of power in the world will surely change. That is certainly Gorbachev's objective. I recognize that we are not there yet, that this is merely a matter of trends at this point, but these trends are not in our interest.²

Gorbachev has visited French President Mitterrand in Paris, and visited London just prior to taking office. Spanish Prime Minister Gonzalez, Italian Prime Minister Craxi, West German Foreign Minister Genscher, and President Mitterrand have all visited Gorbachev in Moscow. Last month Shevardnadze visited London. Possible upcoming trips this year include a visit of Danish Prime Minister Schlueter to Moscow, a Gorbachev visit to Italy and Greece, and a meeting with West German Chancellor Kohl. In contrast, President Reagan has never been to Eastern Europe, and no Eastern Europe head of state has been here in recent years except for Jaruzelski, who was not received by our government.

In all of these high-level contacts, the Soviets urge the Western Europeans to be more independent of the United States. They put their arms proposals in a favorable light, encourage West European "innovation" (i.e. pressure on Washington), and argue that the Soviets and Western Europeans should work together to find "European solutions" to their "common" concerns. This courting of our allies obviously reflects a decision to pursue a long-term strategy to reorient Western Europe away from the United States onto a more independent course.

¹ Source: Reagan Library, George Shultz Papers, Executive Secretariat Sensitive (08/05/1986-08/15/1986). Secret. Shultz's initials are stamped below the date line. A stamped notation at the top of the memorandum reads "Treat as Original."

² In the right-hand margin adjacent to this paragraph, an unknown hand wrote, "Right. And content counts most. GPS 27 Aug. (Secto 17030)." Secto 17030 was not found.

For our part, we have gotten more aggressive in recent years about briefing the East Europeans about our positions on major issues. (Ken Adelman's trip to the "northern tier" countries after your Geneva meeting with Gromyko in January 1985 was the most striking example),³ and this helps encourage more independent thinking in the area. But it is small potatoes compared to what the Soviets are doing in the West.

The Soviets are also building strong commercial ties with Western Europe. Soviet trade in 1985 with five of our major allies was as follows:

	<u>Soviet Exports</u>	<u>Soviet Imports</u>	<u>Total</u>
	(Millions of US \$)		
France	2591.7	1910.8	4502.5
Germany	5066.0	3865.6	8932.1
Italy	2941.1	1579.3	4520.4
United Kingdom	1451.5	815.0	2266.5
Netherlands	1175.2	373.3	1548.5
			<u>21,770.0</u>

Conversely, our trade in 1985 with the four largest Eastern European countries is an order of magnitude smaller:

	<u>US Exports</u>	<u>US Imports</u>	<u>Total</u>
	(Millions of US \$)		
Poland	233.7	217.0	450.7
Romania	206.5	881.3	1087.8
Hungary	92.1	216.6	308.7
Czechoslovakia	62.6	74.9	137.5
			<u>1,984.7</u>

Admittedly, there are structural reasons for this situation. We have a real Alliance, and our Allies are not tempted to adopt Soviet-style systems. The East Europeans on the other hand are attracted by our system, and are kept in line by force as well as by elite self-interest. The Soviets therefore have to work harder to gain influence among our

³ Shultz met with Gromyko January 7–8, 1985, in Geneva. See *Foreign Relations*, 1981–1988, vol. IV, Soviet Union, January 1983–March 1985, Documents 355–363. ACDA Director Adelman traveled to Hungary, Yugoslavia, and Romania to brief officials about the talks.

Allies than we do to gain equivalent influence among theirs. There are also political limits to what we can do with the East Europeans, and we should keep our expectations modest. But that does not invalidate my main point: Within these limits, they are working hard, and we are not. We have practically vacated the playing field.

It seems to me we need a better plan to counter Gorbachev's efforts in Western Europe and, even more important, to achieve our own objectives in East Europe.

In Western Europe, although governments are generally fairly sophisticated about dodging Soviet blandishments, large segments of the public are susceptible, and a double standard in judging US and Soviet policy is widespread. At the very least, we need to continue our program of very active, continuous Alliance consultations, while finding more imaginative ways to get our message across to publics.

As I understand it, our policy in East Europe is to use the tools at our disposal to encourage East European regimes to distance themselves from Soviet orthodoxy in foreign and domestic policy. If that is our policy it has not succeeded very well in the past year, or, indeed, in the past five years. The Soviets are not in great shape in the area—Poland makes the northern tier shaky and the southern tier is very diverse, if also less important to them—but the least that can be said is that their grip has not loosened over the last half-decade.

If we're going to correct this, we need a more concentrated and a more focused effort than we have now. I have the sense that progress is possible, if we try, and that every country in the Eastern bloc would welcome the chance for at least a little more independence in terms of either domestic structure or foreign policy autonomy, maybe in some cases both. But we cannot find out unless we try. I realize that we should only move forward on a reciprocal quid-pro-quo basis tied firmly to specific US interests; that our assets are modest, even compared to those of the West Europeans; that any such program must be handled very subtly; and that there exists here lots of right-wing opposition to any adaptation to Soviet satellites. But if the openings we create are seen as giving a bit more freedom to captive people, they cannot be opposed.

Jaruzelski's offer seems to me to provide a good basis for dealing with an important East European in just the way I've been talking about: solid quids for solid quos, toward a result that encourages the kinds of differences from a Soviet-style system that the US should favor in the area. We need to work that package, and look for ways to put similar packages in place with other countries.⁴

⁴ An unknown hand wrote in the margin adjacent to this paragraph, "I agree. GPS 27 Aug (Secto 17030)."

If you think there is merit to some coordinated action in this area, it is something I'd like very much to be given some special responsibility for myself. I've asked S/P and EUR to give me some practical ideas⁵ for testing how far the various countries can move with us in a reciprocal fashion.⁶

John C. Whitehead⁷

⁵ An unknown hand circled "practical ideas," drew a line to the bottom of the memorandum, and wrote, "equals operational. GPS 27 Aug (Secto 17030)."

⁶ An unknown hand wrote below this paragraph, "OK; when you get them sorted out, let's discuss. GPS 27 Aug (Secto 17030)."

⁷ Whitehead initialed above his typed signature.

44. Memorandum From Secretary of State Shultz to President Reagan¹

Washington, May 26, 1987

SUBJECT

Determination to Extend Jackson-Vanik Waiver Authority

The Jackson-Vanik general waiver authority and the separate waivers for Hungary, Romania, and the People's Republic of China (PRC) will expire on July 3 unless, by June 3, you transmit to Congress a determination to extend this waiver authority. The waivers for Hungary, Romania, and the PRC and the related trade agreements establishing nondiscriminatory trade treatment continue to be important elements in our overall relations with Eastern Europe and the PRC.

Section 402 of the Trade Act of 1974 prohibits the granting of Most-Favored Nation ("MFN") treatment, the granting of government financing or credits, or the conclusion of trade agreements, with any non-market economy country which imposes restrictions on emigration. The Jackson-Vanik Amendment authorizes the President to waive these prohibitions if he determines that waivers will promote the objective of freer emigration from the country concerned and if he receives appropriate assurances from that country. Under Section 402 (d) (5) of the Trade Act, you must transmit to Congress by June 3 a determination

¹ Source: Reagan Library, Nicholas Rostow Files, Romania. Confidential.

that the authority for these waivers be continued. If not, the existing waivers for Hungary, Romania and the PRC and your authority to extend MFN to those countries will lapse on July 3, and basic elements of our bilateral trade agreements will be placed in jeopardy.

Under the terms of the Jackson-Vanik Amendment, no Congressional action is necessary to make the extensions effective. The one-house veto provision formerly applicable under the statute is constitutionally invalid as a result of the Supreme Court's 1983 decision in *Chadha*.² We have assured the Congress, however, that we will continue to observe the statute's requirements for Presidential determination and reporting.

Our consultations with Congress indicate there is little opposition to renewal of MFN for Hungary and the PRC. Continuation of Romanian MFN is politically controversial, and is encountering strong opposition from some quarters on the Hill. On April 30, the House adopted an amendment to the Omnibus Trade Bill (H.R. 3) to suspend Romania's MFN status for six months due to growing concern over Romania's human rights practices,³ particularly those concerning religious liberties and, more recently, the treatment of the ethnic Hungarian minority. Similar suspension action is possible in the Senate.

The decision on Romanian MFN renewal gets tougher each year. The human rights situation there is abysmal, and economic conditions are steadily deteriorating as the regime drives to pay off its external debts at great human cost. I share the deep frustration with this unsavory regime that has led to the movement in Congress to terminate MFN.

We have just concluded a thorough review of the costs and benefits of granting MFN to Romania, during which we considered whether the time has come to send a clear message to the Ceausescu Government by cutting off MFN. But consideration of the human factor leads me to recommend MFN renewal for another year. The key fact is that the MFN relationship, and the MFN relationship alone, has given the United States sufficient influence to help a substantial number of people in that distressed country.

Romania has responded positively to the Jackson-Vanik emigration criterion that other communist countries, like the USSR, Czechoslovakia, and Bulgaria, have rejected. Since Romania received MFN status in 1975, over 170,000 people have emigrated to the U.S., FRG and Israel. In 1986, more than 15,000 Romanians departed legally for these three countries. The Romanian Government does not recognize the basic human right to emigration. It permits people to leave solely to obtain trade benefits, and emigration approvals fluctuate as it

² Reference is to *Immigration and Nationalization Service v. Chadha*, 462 U.S. 919 (1983).

³ See footnote 8, Document 151.

seeks to manipulate our MFN review process. The number of approvals for emigration to the U.S. was lower last year than the year before, and we are not certain what the final figure will be this year. But the essential fact is that emigration continues to be substantial, and it is our influence that has made it possible.

I fully understand the concerns of Congressional critics who have introduced legislation to suspend or withdraw Romanian MFN on more general human rights grounds. Here again, however, it is the MFN relationship that gives us the ability to press for improvements.

With the influence afforded by MFN, we have been able to raise issues of concern to minorities, secure the release from prison of some religious believers, and obtain assurances regarding the preservation of certain churches and synagogues scheduled for demolition and approval for others to be replaced or renovated. We also have been able to push successfully for the printing of Protestant Bibles, something which had not happened in Romania since the 1920's.

Some have suggested that terminating or suspending MFN would induce the Romanians to increase emigration and to be more responsive to our other human rights concerns. On the contrary: it is clear that without MFN, our influence and capacity to work effectively on these issues would be virtually eliminated. The Romanians have made it clear that emigration to the U.S. would be halted completely if MFN is withdrawn. There are about 3,000 people still in Romania who are eligible for admission to the U.S. because of family ties or other reasons, and our capacity to help them would be gone.

In addition, regardless of whether MFN were terminated or merely suspended, Ceausescu would view our action as a personal insult and retaliate in order to save face. There is reason for concern that such retaliation would be directed against those groups and individuals he saw as "responsible" for criticism of Romania in the U.S.—would-be emigrants, religious groups, political dissidents, and others. Privately, Romanian religious leaders told us recently that they fear the impact on their communities if MFN were lost.

The humanitarian factor is central to our decision, but there are other considerations as well. In line with the Administration's policy of differentiation among the Eastern European countries, MFN serves as a sign of recognition of Romania's independent foreign policy actions. Romania continues to limit its participation in Warsaw Pact activities and resist Soviet efforts to tighten CEMA integration. Post-Reykjavik,⁴ Ceausescu publicly opposed the Soviet position linking SDI with an INF agreement. We have been able to exploit this limited independence

⁴ Reference is to the Reykjavik Summit between Reagan and Gorbachev, October 11–12, 1986.

through our bilateral contacts, including annual port calls by our Sixth Fleet ships, exchanges of high-level visits, and consultations on counter-terrorism, arms control and regional issues. While the Romanians do many of these things for their own reasons, MFN is a means of encouraging them to move in ways useful to us.

We have been running a trade deficit with Romania at about a 3.5 to 1 ratio, but for some years we had a surplus, and over the entire MFN period the result essentially is balanced. Trade with the U.S. and other Western countries helps Romania to maintain a greater degree of economic independence from the Soviet Union than other communist countries. Loss of MFN would cost the U.S. \$250 million per year in lost export opportunities over the next few years; up to 5000 U.S. jobs would be lost as a result. Although some Congressmen have argued that cutting Romanian imports would create U.S. jobs, in fact that demand would simply be filled by imports from other nations. Secretary Baldrige and USTR Yeutter both support renewal of Romanian MFN.

Foreign policy and trade considerations aside, I continue to come back to the humanitarian element. Romanian MFN remains a useful tool enabling us to help substantial numbers of people. The costs of withdrawing it would be high, and would be borne by precisely those individuals and groups in Romania which we seek to assist. We should and will continue to press the Romanians hard for sustained improvements in performance on emigration and other human rights issues, but the capacity to do so successfully depends on MFN renewal.

For the above reasons, I have concluded that U.S. interests, including the emigration objectives of Jackson-Vanik, are best served by continued granting of MFN to Romania, Hungary and the People's Republic of China.

RECOMMENDATION

That you execute the attached Determination, approve the attached Extension of Waiver Authority, and transmit both documents to Congress by June 3.⁵

⁵ A transmittal message, report to Congress concerning the extension of waiver authority, and a Presidential Determination are attached but not printed. President Reagan signed the transmittal message on June 2; see *Public Papers: Reagan, 1987*, Book I, pp. 600–603. The Romanian Ambassador was informed of the extension that day; see Document 154.

45. **Action Memorandum From the Ambassador to Romania (Kirk), the Ambassador to the German Democratic Republic (Meehan), the Ambassador to Czechoslovakia (Niemczyk), the Ambassador to Hungary (Palmer), the Ambassador to Bulgaria (Polansky), and the Chargé d’Affaires of the Embassy in Poland (Davis) to Secretary of State Shultz¹**

Washington, June 5, 1987

SUBJECT

Comprehensive Security Action Program for Eastern and Central European Embassies

As your Ambassadors in the Warsaw Pact nations of Eastern and Central Europe, we are keenly aware of the hostile threat facing each of our posts and of our responsibilities to take every possible step to enhance our security. We welcome the fact that we now have a potentially historic opportunity to make profound and lasting changes in our ability to defeat the attempts to penetrate our embassies and to recruit our personnel. We are already taking a large number of steps to correct existing deficiencies within current budgetary and personnel limitations.

For the kind of dramatic improvements that we would all like to achieve, we have developed three packages of further steps. They are in priority order and depend upon the resources which the Administration and the Congress are willing to devote to security in this region:

a. *All-American and all-Classified Embassies.* The most important security step we can take is to change the way in which our embassies now function. Removing from our embassies all non-Americans will have a profound effect on the security environment. This is not an easy nor cost-free step. In most cases, this will require facilities for the relocation outside our embassies of consular, USIA and export promotion activities so that we will have genuinely controlled places in which to do our classified work. It also would require bringing in about 50 American personnel to replace approximately 75 FSNs in such key functions as building maintenance, phone operators, personnel and mail handling. Precise figures are being developed by EUR and other Bureaus for you. Our own very rough estimate of the costs for additional American personnel and for facilities in which we would relocate

¹ Source: Reagan Library, George Shultz Papers, Executive Secretariat, Super Sensitive (06/05/1987). Secret.

our public functions is a one time cost of \$30,000,000 for new facilities and annual additional personnel costs of \$10,500,000.

2. *All American 100% Secure Embassy.* Three of our embassies in Eastern Europe (Budapest, Prague and Sofia) have such difficult physical configurations; most importantly contiguous walls, that the only way to achieve 100% security is to build a new embassy or facility. This will be very expensive but it is also very essential, and we believe possible in all three cases. Budapest is the furthest advanced in terms of site location, negotiation of construction agreement, and Congressional understanding. The total cost here would be on the order of \$150,000,000 for three new, state-of-the-art secure chanceries. Bucharest would move to an all-American compound at cost of \$200,000 in one-time costs plus annual pay and maintenance of \$450,000.

3. *Beyond the Embassy.* There are further steps we could consider taking to attempt to enhance security outside of our embassy buildings. There are three categories: a) in our proposed separate-from-the-embassy, unclassified library, export promotion office and consular sections, replace foreign service nationals with Americans; b) replacing local household help; c) put some or all Americans into housing compounds with American guards. Clearly, it would be possible to take some or all of these measures. The cost obviously would vary depending upon the mix. For example having American librarians would be welcome if USIA or other sources of funding could be found. Replacement of household help would be possible again if money could be found. But taking all of these measures including building new housing compounds would be very expensive, and of less importance in terms of enhanced security than packages one and two. Our rough estimate is that the annualized personnel increased cost would be about \$50,000,000 and the cost for construction of new housing would be \$150,000,000. We are concerned about the creation of gray areas—places which might seem secure but which in fact are not really secure. And also there are serious disadvantages in terms of our ability to project America's presence in a vigorous way, and our ability to collect intelligence. Secretary Baldrige, Director Wick, Chairman Mica,² the PFIAB staff and others have voiced a variety of concerns about total replacement of FSNs and exposing large numbers of additional Americans in Eastern Europe to the counter intelligence threat.

Our Views. All six of us strongly support immediate action on the first two packages. On the third package, we believe the benefits are somewhat more marginal and the costs are high in terms of our missions and finances. At the same time, we believe there are things we

² Representative Dan Mica (D-Florida), Chairman of the Subcommittee on International Operations of the House Foreign Affairs Committee.

sensibly can do if resources are available. We request that you allow us to give you our more detailed thinking on the third package. Frankly, our central concern is that there will be a lot of talk, elaborate proposals from various agencies and commissions, authorizing legislation but then totally inadequate or no appropriations. This is too important an issue and too rare an opportunity to allow us to end up with nothing. At a minimum, we must get the first package which would give us all-American embassies with not a single FSN in them and a significantly enhanced security posture. We also should get started now on at least one new embassy in the second package as a model of the 100% security we want to achieve. We believe the costs to the American taxpayer are justified in these cases.

As we approach the security challenge confronting us, we are mindful that there are a broad range of problems beyond the question of financial resources which will bear upon the actions we are able to take. These include, inter alia, reciprocity issues, personnel policies, development of training programs and logistical support. We look forward to working with Washington to address ways of dealing with these issues.

At the tabs³ are specific programs we have developed for each of our embassies. We discuss there what we already are doing to enhance security consciousness, to tightly restrict FSNs to certain areas, to improve technical security. We urge you to glance through them so that you will have a sense of the scale of the effort we have underway.

Recommendations

That you:

1. Approve establishment of all American, all-classified embassies including the acquisition/construction of new facilities for our unclassified functions and the replacement of approximately 75 FSNs with 50 Americans.⁴

2. Approve construction of 100% secure new embassies where this is required (Budapest, Prague, Sofia) and initiate immediately construction in Budapest as a model and proceed with an all-American compound in Bucharest.⁵

3. Keep open the question of steps to be taken outside the Embassy with regard to housing, libraries and other unclassified facilities pending receipt of recommendations from each of us.⁶

³ Attached but not printed.

⁴ Shultz initialed the "Approve" option.

⁵ Shultz initialed the "Approve" option.

⁶ Shultz initialed the "Approve" option.

46. Memorandum of Notification to Members of the National Security Planning Group¹

Washington, undated

SUBJECT

Covert Action—Enhancement of Soviet/East European Program

REFERENCE

Consolidated Presidential Findings of 7 June 1978 and 7 March 1979²

1. *PROPOSAL*: That the NSPG approve an increased funding authority level for the program as follows: an increase of \$1 million in FY 87 to \$10,937,000; of \$3 million in FY 88 to \$11,971,000; of \$5 million in FY 89 to \$14,558,000 and of \$8.45 million in FY 90 to \$18,415,000.

2. *U.S. POLICY*: Among the United States' basic foreign policy objectives in both the Soviet Union and Eastern Europe are fostering greater democratization and pluralism and encouraging respect for human rights. For more than a decade, we have promoted the infiltration of materials, the spread of information, and covert support for dissent, as cost-effective, low-key ways to work for our policy objectives in this region.³ These efforts have fueled the political and intellectual ferment that is taking place in communist Europe and spurred openings which have begun to appear in several communist states. The ongoing revolution in electronic information systems provides unique opportunities for accelerating the free flow of information worldwide and the adjustment of this program to the new technological environment will enhance its impact. The enhancement envisaged will also help keep our efforts competitive during a period of greater openness in the Soviet media, and will strengthen any internal liberalization currents that may exist within the country.

3. *BACKGROUND*: In its recent review of covert action, the National Security Council endorsed the current Soviet/East European

¹ Source: Reagan Library, System IV Intelligence Files, 1987, 40505C. Top Secret; [handling restriction not declassified]. Powell sent the memorandum of notification to Webster under cover of an August 3 memorandum in which he noted that Reagan had approved it. (Ibid.)

² Attached but not printed. See footnote 2, Document 23.

³ See footnote 2, Document 23. For previous administrations, see *Foreign Relations*, 1969–1976, vol. XII, Soviet Union, January 1969–October 1970, Documents 103 and 149; *Foreign Relations*, 1969–1976, vol. XV, Soviet Union, June 1972–August 1974, Document 118; and *Foreign Relations*, 1977–1980, vol. VI, Soviet Union, Documents 162, 209, 273, 280, 284, and 287.

program and in doing so also asked that a review be done of the adequacy of the resources available for the program. Following such a review, the Agency requests a substantial funding increase and wishes to make specific proposals for a planned expansion. As was noted in discussions of the program during the NSC review process, we now have an unusual opportunity to infiltrate propaganda materials into the USSR because of the new openness (glasnost) in the USSR, which is reflected particularly in public debate and the cultural sphere. A second factor making the time opportune is the rapidly expanding revolution in electronic communications which greatly facilitates the infiltration of information, while at the same time making it more difficult to censor.

Because of resource constraints, we request that this expanded program be phased in during the FY 87–FY 90 period. The following are the specific areas for program enhancement in the FY 87–90 period:

a. Form a new political entity in the West designed to promote liberal discussion in the USSR; establish an archive of Soviet war crimes/human rights violations; develop a data bank on quality of life in the USSR; conduct seminars in “practical democracy” in the West for Bloc youth. \$975,000.

b. Develop new specialized publications addressed to the interests of Soviet management, youth and women for dissemination in the USSR; initiate a Russian-language newsletter on media manipulation for the Soviet audience. \$1,400,000.

c. Expand the nationalities program and broaden contacts with internal dissident groups, for example, environmentalists, peace advocates and anti-nuclear activists. \$250,000.

d. Develop new video programming in Russian and East European languages and acquire related equipment; expand infiltration mechanisms for this and other material. \$2,150,000.

e. Augment the worldwide effort to counter Soviet active measures to include a multilingual publication and asset expansion. \$1,175,000.

f. Introduce new technology; develop specific software and interface equipment to exploit the announced Soviet computer explosion as a medium of free information exchange; develop new methods of data transmission/printing techniques using radios, PC's and desktop printers; acquire and infiltrate this equipment. \$2,500,000.

4. *RESOURCES*: The \$1,000,000 required in FY 87 will be obtained by reprogramming within the Agency budget; the \$3,000,000 required in 1988 will be obtained from the Agency Reserve for Contingencies. Funding required in FY 89 and subsequent years will be requested in

the regular budget cycle. The funding profile for this program through 1990 will be as follows:

Authority to continue this program beyond FY 90 is subject to revalidation by the NSPG.

	1987	1988	1989	1990
	(dollars in thousands)			
CIA Program	9,937 ⁴	8,971	9,558	9,965
Reprogramming Reserve	1,000	—	—	—
Adjustment to FY 1989–FY 1990 Program	—	3,000	5,000	8,450
TOTAL	10,937	11,971	14,558	18,415

5. *POLICY AUTHORITY*: The expansion of the program and the increased funding are consistent with the authorities contained in the two Consolidated Presidential Findings of 7 June 1978 and 7 March 1979. However, the level of increased funding requested warrants policy-level review.

6. *RISK ASSESSMENT*: We do not anticipate any substantial increase in the risks associated with this program which have been historically low. The Soviets and East Europeans presumably are aware that we support this program and they have frequently attacked the programs in their media as U.S. or Western front operations. This does not weaken the effectiveness of our projects; indeed it can enhance them by giving them increased attention. *[less than 4 lines not declassified]*

[1 paragraph (7 lines) not declassified]

APPROVED:

Ronald Reagan

⁴ *[footnote not declassified]*

47. Information Memorandum From the Assistant Secretary of State for Intelligence and Research (Abramowitz) to Secretary of State Shultz¹

Washington, August 6, 1987

SUBJECT

East Europe—The Gorbachev Impact

Although any Soviet leader is bound to have a strong influence on his East European allies, what Gorbachev's impact will be is still unclear—even while most observers are convinced his policies will bring noticeable change. The attached study² concludes that:

—Basic Soviet objectives in Eastern Europe—notably Moscow's desire to retain control—have not changed under Gorbachev. Emphases *have* changed: much greater stress is now put on economic progress, less on ideological conformity.

—Reduction of East European burdens on the USSR's own economic development will play an enhanced role in Soviet relations with the area for the immediate future.

—Soviet pressure for bloc economic improvement includes a push to reduce Western economic influence, while increasing access to Western funds and technology.

—The East Europeans have responded to stepped-up Soviet pressure for coordination of Pact foreign policy by increasing their own diplomatic activism.

—On the other hand, they have been slow, and selective, in implementing economic reforms, fearing the disruptive impact on domestic stability.

—The East European regimes have been even more reluctant to encourage Gorbachev-style glasnost, both because they face a more volatile level of domestic discontent than does the USSR and because of their own uncertainty about the ultimate fate of Gorbachev's program.

¹ Source: Department of State, Official Correspondence of Deputy Secretary of State John C. Whitehead, July 1982–January 1989, Lot 89 D 139, EE Trip: Belgrade, Yugoslavia, November 13–14. Confidential. Drafted by Charles Smith (INR/SEE) on August 5. Abramowitz wrote "Mort A" above his name in the "From" line. An unknown hand initialed and dated the top of the memorandum on August 6.

² Attached but not printed is an undated paper entitled "East Europe's Reaction to Gorbachev: Leadership Resistance and Public Expectations."

48. Paper Prepared in the Bureau of European and Canadian Affairs¹

Washington, undated

U.S. POLICY TOWARD EASTERN EUROPE: CONCEPTUAL FRAMEWORK

Introduction

—Since you gave Deputy Secretary Whitehead his special East European/Yugoslav mandate last summer, U.S. engagement with the countries of the area has been activated across the board. Highpoints have been the Deputy Secretary's two trips² and the Vice President's visit to Poland last week;³ the Deputy Secretary's November visit to the GDR and three additional countries will affirm our new activism.⁴ Raimond's and Genscher's comments to you suggest it is time to consider the overall policy situation after a year of accomplishment.

The sources of change

—Eastern Europe entering period of significant change, most profound since 1956 upheavals. Raimond told you Eastern Europe was USSR's "main problem." May be right; socialist *ancien regime* there in decline:

- East European regimes never commanded full political legitimacy; now clear they do not function economically. Economic pressures a long-term fact: time lost repaying wastefully spent borrowed money will ensure region misses next generations of industrial innovation.
- Although situation varies by country, ruling elites increasingly demoralized, defensive. Ideological elan and corporate party identity, significant even in 1956, now largely dissipated. Pragmatic "technocratic" communist model of the 1970's discredited. Leaderships are aging and tired, with exception of Jaruzelski.

—Pressures for change are indigenous, driven by policy failures of communist leadership and underlying non-legitimacy. In every

¹ Source: Reagan Library, George Shultz Papers, Executive Secretariat Sensitive (10/05/1987–10/22/1987). Secret. Drafted on October 5 by Daniel Fried (EUR/EEY); cleared by Simons and Perito. Sent to Shultz under an October 6 information memorandum from Ridgway through Whitehead.

² Whitehead traveled to Hungary, Yugoslavia, and Romania, November 9–16, 1986, and to Poland, Czechoslovakia, and Bulgaria, January 27–February 7, 1987.

³ September 26–30.

⁴ Whitehead travelled to Hungary, the Soviet Union, Yugoslavia, and the GDR, November 6–17.

country he visited, John Whitehead found elements of leadership sensitive to this pressure.

—As in 1956, however, Soviet developments can affect timing of events. Gorbachev dynamism an unexpected new source of pressure on East European regimes:

- By denouncing Brezhnev “era of stagnation,” Gorbachev has helped undercut local Brezhnev-era leaderships, Jaruzelski excepted. Barely disguised, public Gorbachev slaps at Ceausescu earlier this year symptomatic.
- Gorbachev’s reformism from the top intended to inspire East European imitators and lay basis for economic momentum. But rapid reformism, ultimately containable in USSR where Party is strong, Russian people essentially patriotic, has potential for accelerating possibly explosive sequence of events in Eastern Europe.
- Some East European reformist elites intrigued by Gorbachev, but West is not in competition with Gorbachev for popular loyalties, affections. Eastern Europeans intensely identify with West, increasingly with U.S.

—In short, situation may become relatively fluid. Communist regimes will not collapse, but extensive economic and, in some cases, political reform, rising to top of local agenda. Question is less whether reform will occur than when and how far it will go, and what consequences will be.

—West must be prepared to react in ways that advance our interests.

Policy Implications

—Must balance forward-looking approach with realism; avoid extremes of excessive expectations or cynical disengagement that have sometimes characterized past U.S. policies.

- Excessive objectives, e.g., “rollback,” proved embarrassingly empty when put to test in Hungary.
- But mistaken to assume U.S. cannot influence events. Not possible in short or medium run to challenge Soviet domination directly, but can help alter realities on the ground—the internal context with which local communist regimes and the USSR must contend. A favorable evolution would have long-term strategic implications.

—Situation calls for Western effort to respond to and channel change: through a deliberately active approach, to press our interests and put our policy agenda directly before East European decision

makers; to respond to express wishes and interests of East Europeans themselves.

- John Whitehead laid groundwork for moving forward through process beginning with deliberate though relatively modest bilateral steps. These would be tailored to fit our interests with individual East European countries.
- We would use our biggest lever—economic and financial relations—explicitly to press for economic reform. We would work mostly through international financial institutions, only sometimes bilaterally, and would support strict economic conditionality throughout.
- We would make clear that human rights and national reconciliation would be a crucial factor in our ability to proceed with relations across the board.
- The willingness and ability of individual EE countries to respond to such a framework would vary; our points of departure with each country could be consistent. Differentiation would develop naturally.

—This framework was not only keynote of Whitehead's and Vice President's message to Poland, but of our overall approach to area: it sets standards for improving relations which press regimes in our direction in a form they can accept.

—An active U.S. role in Eastern Europe would be based on a conceptual balance of benefits, not a give-away. But it would require some resources, particularly diplomatic.

- We should be focused outward on the ground: that means maintaining our Embassies and our contacts with the developing situation, not cutting back.
- Our efforts to enhance security in the field should be constructed with our broad interests in mind, not in isolation.

—Purposeful U.S. engagement with Eastern Europe would also serve alliance interests, unity:

- Genscher expressed concern to you about FRG becoming isolated in the West as it reaches out to GDR. Raimond spoke of Soviets using the GDR as bait for Bonn. This could be mitigated by an active U.S. role in Eastern Europe.
- West Europeans, moreover, are far greater economic actors than we in Eastern Europe. Alliance ability to act in concert, and U.S. interests, will be enhanced if the U.S. is engaged actively in the process.
- Allied consultations would be useful as our policies develop, possibly at a NATO Ministerial next spring.

—In short, framework for meaningful U.S. engagement is already in place; next steps are to activate it with each country—Whitehead’s November trip will be important here—and to make sure its conceptual premises are well understood and, to the extent possible, accepted within the Alliance.

**49. Memorandum From the Deputy Secretary of State
(Whitehead) to Secretary of State Shultz¹**

Washington, October 8, 1987

SUBJECT

Eastern Europe

This memo is on the right track.² Our objective should be to do what we can to loosen the bonds between the Soviet Union and Eastern Europe. If Gorbachev succeeds in making the Soviet Union a more open place, we must make sure that the Eastern Europeans don’t stand still; they should stay ahead of Moscow. It would be good for us if countries like Hungary and Poland could continue their experiments with free markets or the tolerance of dissent using Gorbachev’s Russia as a base line rather than Brezhnev’s.

I have had some success by offering these countries a better relationship with the United States if they want it. Next month I will start a second round of visits³ to check on progress.

Anything you can do⁴ to encourage us to move faster would be a help. We have got some big opportunities out there, and we should do our best to take them.

John C. Whitehead⁵

¹ Source: Reagan Library, George Shultz Papers, Executive Secretariat Sensitive (10/05/1987–10/22/1987). No classification marking. Shultz’s initials are stamped at the top of the memorandum. An unknown hand initialed at the top of the memorandum on October 9.

² See Document 48.

³ November 6–17.

⁴ Shultz underlined “Anything you can do” and drew a line to the margin, where he wrote, “Agree—open to suggestions. A typewritten transcription of Shultz’s comments bears the date of October 15.

⁵ Whitehead initialed above his typed signature.

50. Telegram From the Embassy in the German Democratic Republic to the Department of State¹

Berlin, December 10, 1987, 1520Z

5170. Subject: The State of Eastern Europe.

1. (Confidential—entire text.)

2. Summary. The signs of popular unrest in Eastern Europe are mounting. Serious trouble in the area could, as in the past, adversely affect U.S.-Soviet relations—particularly in a U.S. Presidential election year. The U.S. will not exert decisive influence on Eastern European developments, but we should monitor events closely, through continued high-level contacts particularly. Perhaps we should raise the issue with the Soviets, with a view to damage control should the situation worsen sharply. Gorbachev faces a major dilemma in Eastern Europe. He needs stability there above all. The aging leaders have a good record of keeping things under control, but they are hardly likely to carry out needed reforms. Eastern Europe might well become Gorbachev's Achilles' heel in Soviet domestic power terms, with momentous consequences going far beyond the area itself. End summary.

3. With the COM/COM meeting in Oslo approaching,² all of us at Eastern European posts have, I imagine, been thinking about the intimations of trouble ahead in the area that have been coming in. Romanian difficulties are plain to see. Embassy Budapest reports speculation by Hungarians about coming popular unrest.³ The price rises that lie ahead in Poland are not going to be easy. Yugoslavia's problems show no sign of diminishing, and even though it is not an Eastern European country in a U.S. policy sense, what happens there is important for its Warsaw Pact neighbors. Bulgaria and the GDR seem to be at the lower end of the scale of probable trouble, at least for now. Czechoslovakia is more difficult to categorize, at least for us. And, overshadowing the entire scene, and exercising varying influences on it, are Soviet events, as far-reaching and as incalculable as before. The COM meeting will take place at a time of unprecedented dynamism and uncertainty in the Soviet Union itself and throughout the empire (plus, in its own niche, Yugoslavia).

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Correspondence 1988. Confidential; Immediate. Sent Priority for information to Eastern European posts, Bonn, London, Moscow, Oslo, Paris, the mission to NATO, the mission in West Berlin, and the U.S. delegation to the CSCE.

² December 13–14.

³ Not found.

4. Besides trying to define the situation as precisely as possible, that is, to assess the likelihood of major crisis for the various regimes in the year ahead, we should try to come up with some ideas on U.S. management of various possible scenarios—not necessarily at the COM meeting itself, but as an ongoing exercise. Such an exercise would be somewhat abstract, but no more so than any other contingency planning. The potentially damaging impact on U.S.-Soviet relations of Eastern European events, in a U.S. Presidential year at that, is grounds enough for careful review of our options.

5. We do not exercise decisive influence in Eastern [garble] 1968, 1980–81), when we tend, rightly, to avoid over-commitment to popular, national movements. We are, inevitably, in sympathy with such movements—in election years more vociferously than at other times—but we do not influence them decisively either. Just as inevitably, the movements themselves are anti-Soviet, either explicitly or potentially. We cannot convince the Soviets that we are not actively working to give them trouble in Eastern Europe, that we are interested in peaceful evolution, not violent change.

6. Perhaps the simple answer is that we need do nothing. Since we do not influence events decisively, it could be argued that all we need do basically is observe closely, try to understand the forces at work, and let nature take its course. Even to make that approach clear publicly early on could be useful, if only to lower expectations about possible U.S. courses of action, both at home and abroad. It might seem to some to amount to writing Eastern Europe off, and in this sense it could bring political criticism and pressures in U.S. domestic political terms. It would probably be regarded as useful by Moscow—even if the Soviets did not believe we really meant what we said.

7. As part of the close U.S. monitoring of the Eastern European situation which I believe useful particularly at the present juncture, continued high-level visits and contacts are strongly indicated. These will not be decisive in persuading governments to adopt correct political and economic courses to meet popular pressures, but they should at least help give us some sense of what the various regimes think they are doing. Similarly, high-level contacts with Eastern European reformers, establishment and non-establishment alike, would signal our sympathies with them and at the same time sensitize them to the policy constraints within which we operate.

8. I have not raised talking to the Soviets about Eastern Europe because it does not, as I understand it, usually figure in our bilateral regional conflicts consultations. Perhaps the time has come to broach it with them, not just in human rights terms. They might well refuse to discuss it, but I think a good case could be made to them that there is a strong mutual interest in shielding the bilateral relationship

to the extent possible from the fall-out of popular unrest and what might follow.

9. What of current Soviet management of Eastern Europe, which is after all much more informed, intense and action-oriented than what the U.S. can do? In a message written at the beginning of 1986,⁴ I conjectured that Gorbachev would move to replace the septuagenarian Eastern European leaders "in the next 2–3 years". Now, two years later, there does not seem to be much change in sight. The local leaderships may be in varying stages of fossilization, and/or in varying manners of political and economic trouble, but they are still in place, with no compelling evidence we are aware of that they are about to be bounced. In the message referred to, I qualified the 2–3 year prediction by saying that at a time of great change in Soviet domestic and foreign policy, Gorbachev's overriding need in Eastern Europe was order and stability. That being so, he might need the old pols, who had done a pretty fair job down the years of holding things together, often in rough going, for some time yet.

10. It would seem as if the latter guess is nearer the mark, but my main conclusion is not that, but rather how much more difficult and potentially dangerous for Gorbachev Eastern Europe has become in the intervening period. It is a somewhat concealed issue, because of the general preoccupation with Soviet events themselves, plus the compelling East-West and particularly U.S.-Soviet dynamics. But the facts are not easily gainsaid. Eastern Europe is very bad news for the Soviets right now. Cynics, or realists, could object that Eastern Europe has hardly ever been anything else for Moscow. There is an important difference about the current situation, however. It is one thing to have stagnation in Eastern Europe in a do-nothing late-Brezhnev era. Then, little was moving anywhere, and Soviet intentions and political will were clear. With Gorbachev, much has changed. Soviet political will is doubtless there as before, in the sense that they will do whatever is needed to keep the empire together. But their intentions are by no means clear as to what they would like to see the various regimes do to tackle the mounting problems. A certain impetus for change is certainly coming from Moscow itself, which some Eastern European regimes are uncomfortable with. All the regimes are uncertain about the course of Soviet developments. There is an unusual edginess in the air. The Soviets have taken in public a fairly laissez-faire approach, but they cannot really be prepared to see their clients go off in too different directions. Moscow faces a dilemma. It knows changes are needed in Eastern Europe as they are at home. It also knows that change can hardly be expected from the Honeckers, Zhivkovs, Kadars and Husaks—or Ceausescus.

⁴ Not found.

Yet it cannot be prudent for the Soviets to push for change that could be destabilizing. I do not see the dilemma changing its shape or dimensions very quickly or easily. The leadership transitions are needed, but the prospect must be daunting for Gorbachev to contemplate. Eastern Europe could well become his Achilles' heel, in Soviet domestic power terms. The consequences might be momentous—for U.S.-Soviet relations and international relations generally.

11. A word on the GDR as postscript. I never thought I [omission in the original] (mostly) Slavic trouble, yet the case can be made. The economy is not really as good as all the stifling East German self-congratulation makes it out to be, but it is more rational, better organized than much of what is round about, and there is always the key, slightly hidden factor—FRG willingness to lend a large helping hand to get the East Germans over any rough spots that come up. GDR resistance in COMECON to Soviet ideas on tighter joint planning, direct enterprise-to-enterprise relations and convertibility, reflects East German fears of being pulled down to lower economic levels. There are plenty of tensions in Soviet-GDR relations, some scarcely concealed, and they are likely to become more accentuated in the time ahead, particularly in the economic area. The SED leadership's (and Honecker's personal) reservations about Gorbachev were well brought out in Deputy Secretary Whitehead's visit last month.⁵ When DepSec asked if he thought Gorbachev would succeed in pushing through his domestic reform course, Honecker [said] Gorbachev could count on the support of a strong collective leadership, and because he knew the limits of the possible and impossible. It struck us at the time that the description sounded more prescriptive than descriptive.

12. The GDR is as much caught up in the imponderables of Gorbachevism as are the others, all the SED's whistling-in-the-dark notwithstanding. They can protect themselves from the worst economic effects of the winds of change in Eastern Europe by a kind of reinsurance policy toward Bonn, which is what they are in fact doing. But there is no equivalent protection on the political side. Thus, while it may be correct to put the GDR in the lower range of potential trouble, it is caught up in the mess too.

13. Moscow minimize considered.

Meehan

⁵ See Documents 299 and 300.

51. Telegram From the Department of State to Multiple Diplomatic Posts¹

Washington, December 23, 1987, 0810Z

396379. Subject: COM Meeting.

1. Secret—entire text.

2. During Oslo COM meeting, on December 14, EUR DAS Tom Simons made a presentation along following lines concerning development and prospects in Eastern Europe and their implications for U.S. policy.

3. Simons said his remarks were intended primarily as a contribution to exchange of views among posts and within USG on how to think about Eastern Europe in ways that are productive for U.S. policy purposes.

4. He pointed out that Eastern Europe disappears from the U.S. policy screen for years at a time, and usually surfaces in terms of an outbreak or prospect for crisis in a given country. Thinking about Eastern Europe primarily in crisis terms, he suggested, is a recipe for embarrassing thinking and embarrassing policy.

5. Simons cited two recent examples of crisis oriented thinking:

1) 1956 revisited: At COM conference, Ambassador Palmer had noted that Hungarian contacts are predicting a tense winter, and not excluding violence along 1956 lines;

2) 1972 revisited: In a recent cable,² Ambassador Meehan had sketched out, as one element of his analysis, a prospect which amounts to the Soviet Union's 1972 dilemma with the shoe on the U.S. foot, i.e. instead of the Soviet leadership having to decide whether to welcome President Nixon in Moscow to sign the SALT Treaty at a moment when the U.S. is mining Haiphong Harbor,³ we would have to decide whether the President should go to Moscow at a moment when Soviet troops are marching into Bucharest.

¹ Source: Department of State, Records from Ambassador Thomas W. Simons, Jr., Lot 03 D 256, Chron December 1987. Secret; Exdis. Sent for information to the Embassies in all NATO capitals, Helsinki, Stockholm, Dublin, Bern, Vienna, Valetta, Nicosia, and Belgrade, as well as the U.S. missions/delegations to the EC, OECD, CSCE, MBFR, and the Vatican. Repeated from telegram 9059 from Oslo, sent December 18, for action to the Embassies in Moscow, Warsaw, Budapest, Belgrade, Prague, East Berlin, Bucharest, and Sofia, as well as for information to the U.S. mission to NATO and the Secretary of State. Drafted by Simons; cleared by William Haugh (S/S-O); approved by Simons.

² Not found.

³ See *Foreign Relations*, 1969–1976, vol. XIV, Soviet Union, October 1971–May 1972, Document 195.

6. Simons gave his view that such thinking captures attention, and thus provides a useful start to more serious effort. Moreover, it also reflected the way the peoples of the area think. He recalled the Romanian joke about the number to dial in Moscow for fraternal assistance—56–68–80—all U.S. election years, as 1988 would be.

7. But Simons said that in his personal view serious effort to define useful ways to think about the area would require us to get away from crisis-oriented thinking, and to consider longer-term or structural elements of the situation. His suggestions would be somewhat mechanical, but framed with that in mind.

8. Simon said he had found it useful to distinguish between the roots of crisis and the roots of change in Eastern Europe. (In response to later questions, he admitted that given the rigidities of the system, any change involved the possibility of crisis, but thought it was in our interest to make the distinction in order to define a basis for sensible U.S. policy.)

9. We start from the premise, Simon said, that the division of Europe—the imposition of Soviet rule and of regimes modelled on the Stalinist system then in force in the Soviet Union, in the early postwar years—is a source of instability rather than of stability in Europe. It is at the origin of the military confrontation which has packed the continent with weapons, and is contrary to the aspirations of the peoples on both sides of the dividing line. It is in the U.S. interest to see the consequences of the division alleviated, and the division itself eventually eliminated.

Peaceful change in Eastern Europe away from what divides Eastern Europe from the West, although it brings with it an element of risk, is therefore in the U.S. interest.

10. That said, Simons went on, there have been adjustments in the way Eastern Europe is governed since the original system was put in place.

11. In the early years Soviet rule was practically direct—exercised through Red Army occupation and hordes of advisors—and was economically exploitative, sucking resources from Eastern Europe to help with the postwar rebuilding of the Soviet Union. Moreover, the system was so rigid that it could not adjust to new requirements, and invited explosions.

12. 1956 was therefore a combination of anti-colonial, and specifically anti-Soviet, revolt, and anti-poverty revolt.

13. This produced a partial adjustment. The Stalinist system—featuring rigid central control of political and economic decisions and of all significant institutions—was retained, but the direct and direct elements of Soviet rule were largely eliminated. The armies of Soviet advisors were withdrawn everywhere, the Red Army in some places.

14. In effect, the USSR took a gamble that the natural tendency of Stalinist economies in the area was to sink into the Soviet market, so that Soviet influence could be retained by indirect means. The Stalinist system was geared for heavy industry along traditional 19th and early 20th century West European lines: coal, iron, steel, later petrochemicals. In a resource-poor area like Eastern Europe, it required raw material inputs easily available only in the Soviet Union, and produced shoddy industrial goods that only the Soviet market was willing to absorb in return for these raw materials.

15. This depoliticization, or "economization," of Soviet rule had an important effect on East-West competition for influence in the area, Simons continued. The competition itself is fundamentally political, but for a whole generation, between 1956 and around 1981, it took on a primarily economic form.

16. With large new raw materials supplies coming on line in the 1950's, the Soviet Union's economic approach turned from exploitation to subsidization, through terms of trade, albeit with political strings attached. Khrushchev made an effort to multilateralize the mechanism, by promoting an agreed division of labor within CMEA, but this produced the Romanian defection in 1964. Even without an effective CMEA framework, however, the mechanism works through bilateral ties. In this it resembles the mechanism for military control: the Warsaw Pact is a stronger organization than CMEA, but even if it were abolished, Soviet military interests would be guaranteed through bilateral agreements.

17. After 1956, the West was permitted to compete for influence in Eastern Europe on this economic basis. Speaking only of the U.S., PL 480 grains sales to Poland began soon after 1956; MFN for selected countries followed in the 1960's and 1970's; in the 1970's there were credits. What the West asked in return, beyond business profits, was basically political: access to society, through cultural agreements; access to decision-makers, through political dialogue; improved human rights performance, first in the emigration area, then, as the de facto political coverage of Jackson-Vanik spread, on other issues.

18. Both the West and the Soviet Union could deny that they were actually competing politically. The West could say it was permitting businessmen to make money, rather than trying to roll back Soviet rule; the Soviets could say they were giving fraternal assistance to socialist countries, rather than maintaining Soviet dominion. Neither side forgot their basic aims, but neither called attention to them.

19. This situation, in Simons' view, had immense advantages for the East Europeans. It permitted the ruling parties to "nationalize" themselves, to adopt national themes and aspirations in an attempt to

increase their legitimacy; it also permitted them to extend their margins for maneuver vis-a-vis the Soviets in practical ways.

20. Thus, all the countries of the area tried, in various ways, either to escape or exploit the natural inertial tendency of their Stalinist economies to sink into the Soviet market. The Czechoslovaks in the 1950's, the Romanians in the 1960's and 1970's, perhaps the GDR as well in the 1970's, sought barter arrangements with Third World countries, to trade their industrial products for raw materials. Romania at one point had had a fifth of its foreign trade with the Third World, and had put so many eggs in the Shah's basket that one problem of the 1980's was where to go after the Shah's fall. The Poles in the late 1950's, the Czechoslovaks and the Hungarians in the 1960's, had tried economic reform, as a way of producing exports saleable on hard-currency markets without actually cutting into the fundamentals of the system. In the 1970's, the Poles, the Hungarians and then the Romanians had tried tapping Western credits, to boost productivity through technology imports without reform. Finally, the Czechoslovaks after 1968, and the Bulgarians and the East Germans throughout, had tried to exploit their political weakness to snuggle into the Soviet market, to get preferential economic treatment as a reward for political loyalty.

21. Simons said that in his view, all these efforts to escape the Soviet economic "iron ring" had been more or less successful, in that the ring had not actually tightened—levels of dependence on CMEA trade were more or less constant—while those who had gone west had in fact developed some Western ties and permitted some Western access in return. But the basic Stalinist systems and the "iron ring" itself remained intact.

22. What had changed in the 1980's? Simons suggested a number of changes.

23. First, in his view neither the West nor the Soviet Union any longer had the resources for this kind of economized competition that had been available during the 1956–81 generation.

24. The Soviet Union was running up against its own economic constraints. The cost of making raw materials available was increasing astronomically, and the Soviets were getting more cost-conscious. They wished to relate more to the world economy, and in particular to sell their "hard goods" West. They were more leary of the political effects of East European economic ties to the West. They were thus less willing to subsidize, and more demanding of quality goods from Eastern Europe in return for the raw materials they were still willing to supply at below world market prices.

25. In the West, the economic slowdown since 1973 had reduced willingness and capacity to absorb East European goods and to invest

in Eastern Europe. The bonanza psychology of the 1970's is dead, and East European difficulties in paying off or even servicing financial debt is a disincentive to economic ties.

26. Meanwhile, in Eastern Europe, the regimes were running up against the limits of traditional means of maintaining growth rates. The Soviets were tougher economic partners, Western countries were tougher economic partners, and growth rates at home were slowing or turning negative.

27. In this situation, three developments in the 1980's combined to force the countries of the area toward change:

1) There was renewed pressure everywhere for economic reform: all the alternative means of escaping from the "iron ring", all the traditional escape hatches, were closing down.

2) All the countries except Poland were coming up on leadership transitions, always a source of uncertainty in centralized dictatorship: change was in the air.

3) Under the Gorbachev leadership, the Soviet Union was no longer the anchor of conservatism. It was no longer the model for the status quo, to which domestic conservatives could point. Political elites were therefore cast adrift.

28. Indeed, Simons continued, the reverse was true. To the extent the Soviet Union was a point of reference in domestic debate in Eastern Europe, it was embarked at home on a program of economic reform, and more: it was proclaiming that economic reform was not possible without what it called "democratization," some effort to involve the "masses" in the reform program. In other words, the Soviets themselves were saying that political change was required, that economics and politics could not be separated. To the extent there was still a Soviet model, it was a model for liberalizing economic and political change.

29. At the same time, Simons went on, the Soviet Union's explicit policy approach to Eastern Europe appeared to be one of what he would call "preemptive Khrushchevism." By this he meant that in advance of a crisis, the Soviets—Gorbachev in Prague in March, Ligachev in Budapest in April—had told the East Europeans that what was wanted from them was quality goods, to be furnished in bilateral channels. Khrushchev's mistake of promoting a multilateral framework in CMEA was not to be repeated. But it was up to the East Europeans to figure out how to produce the quality goods required. This was the Soviets' post-1956 gamble on the "iron ring" revisited, but in advance rather than in the wake of a crisis. The effect, and perhaps the intent, would be to "de-Sovietize" any crisis that resulted, to try to make sure that change, when it came, would not be anti-Soviet.

30. Thus, Simons said, in his analysis the roots of crisis lay in the rigidity of the Stalinist system, while the roots of change were a confluence of structural economic developments in the area, of impending leadership transitions and of Gorbachev.

31. Simons then turned to the implications for U.S. policy.

32. Simons said that in the confluence described in Para 30 he saw opportunities to exert Western and especially U.S. influence in the direction of political liberalization that were unparalleled in postwar history. It seemed to him that for the first time conditions on the ground were ripe for us successfully to encourage the kinds of change we had always said we wanted.

33. It seemed to him that the East Europeans were not very interesting as economic partners to either the West or the Soviet Union. The transition to an information age implied increasing economic marginalization for Eastern Europe, since neither the heavy industrial goods nor the raw materials they produced would be as important, and the Stalinist system was inefficient when it came to knowledge-based production. Poland produced a lot of copper, for instance, like Zambia, but copper would never recover as an international commodity as telecommunications went over to fiber optics.

34. At the same time, Simons continued, what the East Europeans want from us is economic ties. The U.S. Itself will not be a very important partner when it comes to trade, given distance and transportation costs, given also our laws and regulations limiting trade with communist countries. But their first need is for financial relief and inputs to support economic reform and the U.S. is and will continue to be an important decision-maker in the IFIs which will determine the extent of financial dealings.

35. This fact, Simons opined, gives us the mechanism to press for political reform in terms that are acceptable to the East European regimes, via economic reform.

36. The experience of the 1970's and 1980's showed that external financial resources are likely to be wasted without thorough-going economic reform that enjoys broad popular support.

37. Paradoxically, given the course of U.S.-Polish relations since 1981, the basic elements of the current relationship provide a model for U.S. policy vis-a-vis the area. We owe this very much to the courage and determination of Solidarity, which has remained a force in being despite the repression of martial law and the post-martial law period, albeit with our support. Jaruzelski knows he cannot get growth rates up without reform. He has a certain mandate for reform—extending to certain liberalizing political changes—from Gorbachev. The U.S. is telling him that it is ready to help, but that the help will be wasted if it is

not help for an economic reform that is supported by Polish society. He is trying to square the circle of capturing such support without actually talking to Solidarity. The referendum experience was basically another failed attempt to do so.

38. The model will apply to other countries in specific ways, Simons suggested, but it should be valid for most of them: what they want from us is economic, but they know that we will require political concessions, involving values rather than goods, in return. We also have a legitimate and increasingly accepted language of discourse in which to talk about this tradeoff, in the Helsinki process, and bilaterally via discussion of expanding economic relations and the need for sustainable economic reform.

39. Simons said his view was that from a policy standpoint this was the best approach whether or not there was to be crisis. Peaceful economic and political change was the best approach to crisis prevention, since it is systemic rigidity which produces crises in Eastern Europe, and it was the approach which would put us in the best position to influence developments in the event of crisis:

1) It would maximize our access to both current and succession elites;

2) It would put us on the side of the angels when sides were drawn in a crisis, for liberalization, human rights and freedom;

3) It would serve as a deterrent to the Soviet Union by clearly demonstrating which side the U.S. was on and would be on. At this point Gorbachev is saying he is on the same side: if the Soviet Union decides to intervene and suppress a crisis, it will be a clear reversal of the Gorbachev line, with a cost in East-West relations. (In response to a later question, Simons said he opposed talking directly to the Soviets about Eastern Europe, since our policy should continue to treat individual countries as if they were in fact independent; the message would be clear even if indirect.)

40. Simons concluded that he had put these ideas forward as a basis for discussion, first within the USG and eventually with our allies in NATO.

41. Minimize considered.

Stuart Unquote

Whitehead

52. Telegram From the Department of State to All European Diplomatic Posts¹

Washington, December 24, 1987, 0705Z

398186. For the Ambassador from Assistant Secretary Ridgway. Subject: Eastern Europe: Invitation to the Dance. Ref: A) Oslo 09059,² B) EmbBerlin 05170.³

1. (S—Entire text).

2. This is to invite you to the discussion of Eastern Europe by cable which Tom Simons suggested at the end of his presentation in Oslo December 14.

3. The focus is the prospects for change in Eastern Europe and the implications for U.S. policy over the near and middle term. The purpose is to clarify our thinking about the issues preparatory to discussion within NATO as early as mid-February. As some of you will recall, when the Vice President reported to the NAC on his late-September visit to Poland,⁴ he suggested a ministerial-level exchange as early as December. The Washington Summit⁵ made this impracticable, but we continue to believe such an exchange would be useful to us and other allies, and we are pursuing options for scheduling it.

4. By now you will have received both Ambassador Meehan's very thoughtful cable (Ref B), and Embassy Oslo's record of Tom Simons' remarks in Oslo. While I regret not having been able to attend the session, I understand that his presentation was well received, and produced solid, stimulating discussion. So you may wish to take these two cables as a starting point for your own thinking.

5. The precedent, as Tom mentioned, is the telegraphic debate in the mid-1970's among our Embassies in East Asia and Moscow concerning the situation in East Asia after the fall of Saigon and implications for U.S. interests and U.S. policy. It was deliberative, but disciplined; area-specific, but policy-oriented; and area-wide in scope. That, I think, should also be our approach here.

¹ Source: Reagan Library, Nelson Ledsky Files, Subject File, Eastern Europe (General) [1987 Cables/1988 Cables/1988 Memos-Letters/Reports-Articles] (2 of 2). Secret; Priority. Sent for information to USNATO.

² Telegram 396379 repeated the text of telegram 9059 from Oslo, December 18. See Document 51.

³ See Document 50.

⁴ See footnote 3, Document 48. On October 3 in Brussels, Bush briefed the Ambassadors to NATO.

⁵ Reagan and Gorbachev met in Washington December 8–10. See *Foreign Relations*, 1981–1988, vol. VI, Soviet Union, October 1986–January 1989, Documents 105–115.

6. Any number can play. Country perspectives are important, but we are not looking for country situation reports, or simple analyses of country X's approach to the area or parts thereof. What I would like to see is broad consideration of difficult issues of importance to the national interest. As the Oslo discussion showed, those of you in Western Europe as well as our COM's in Eastern Europe have a real contribution to make. So you should all circularize each other, USNATO and the Department, as you weigh in.

7. I look forward to very lively and useful discussion. And best wishes for the holiday season.

Whitehead

53. Memorandum From Fritz Ermath of the National Security Council Staff to the President's Assistant for National Security Affairs (Powell)¹

Washington, January 28, 1988

SUBJECT

Deputy Secretary Whitehead's Trip to Eastern Europe

As you are aware, John Whitehead will be visiting Poland, Romania, Bulgaria and Czechoslovakia in the first week of February. (Rudy Perina is going with him.) Whitehead's East European trips—of which this is the fourth—don't capture much publicity in the U.S., but they represent our most deliberate effort to show the flag and exert influence in a region of growing instability and potential crisis. This memo is a brief synopsis of what Whitehead hopes to accomplish.

Poland:

This is one of the freest country's of the region, but also a tinder-box. Poland remains paralyzed through stalemate between the government and the opposition, each waiting for the other to blink while the national debt reaches \$38 billion. Failure of the government to win a

¹ Source: Reagan Library, Rudolf Perina Files, Chronological Folder, Chron February 1988 (2). Secret. Sent for information. Prepared by Perina. Powell wrote in the upper right-hand corner of the first page of the memorandum: "FWE/Rudy, On balance this all seems like very useful & effective low key diplomacy. CP." "Nat'l Sec Advisor has seen" is stamped at the top of the first page.

referendum on reform policies has worsened the situation. Whitehead will continue our efforts to press Jaruzelski into dialogue with the opposition so that some measure of national reconciliation and effective reform can ensue. We will offer support of an IMF stand-by if IMF conditions are met, but no new credits. We may agree to a Washington visit by the Foreign Minister later this year. Terrorism will be high on our agenda because the Poles dallied too long in closing an Abu Nidal office in Warsaw.

Romania:

The objective in Romania is clear but very tough: to convince Ceausescu that he will probably lose MFN unless there is very visible human rights progress before June. The letter from the President should help,² but we are not optimistic. Ceausescu is losing touch with reality and may no longer care about MFN. In that case we will have to prepare for a sharp downturn in relations, while trying to preserve as much contact and influence as we can. The Whitehead visit should give indication if there is any hope of avoiding the worst.

Bulgaria:

Bulgaria surprised us over the past year with a sudden interest to improve relations, but thus far it has offered more talk than action. We have great human rights problems with Bulgaria because of its treatment of a Turkish minority, which infuriates our ally Turkey. Whitehead will pursue limited bilateral issues such as drug control and improved cooperation on counter-terrorism, but a breakthrough in relations is not likely until Bulgaria turns a corner on human rights.

Czechoslovakia:

What makes this country interesting is the recent change of the Party leader: Milos Jakes replaced Gustav Husak, who had been in office since the ouster of Dubcek. It could be the first step in reforming the repressive system put into place after the Prague Spring, but then again it might not be. All that we know about Jakes is that he has considerable blood on his own hands from the post-68 purges. Whitehead hopes to see Jakes and signal that we are willing to improve relations if the Czechoslovaks start long-overdue reforms and perform much better on human rights. Prague's main objective—MFN—is not likely anytime soon, however.

Whitehead will cap the East European tour with a stop at NATO to brief the NAC. Our Allies are increasingly interested in Eastern Europe, in part because they also see a potential for crisis which could derail U.S.-Soviet and East-West relations. The Germans are the most

²See Document 171.

concerned and try to preserve stability through considerable outlay of money. Whitehead will stress the importance of Allied consultation on Eastern Europe and seek to explain our efforts to push for reform and human rights improvements through a differentiated, step-by-step approach.

54. Memorandum From Fritz Ermarth of the National Security Council Staff to the President's Assistant for National Security Affairs (Powell)¹

Washington, February 12, 1988

SUBJECT

Results of Deputy Secretary Whitehead's trip to Eastern Europe

We sent you last month a memo on what John Whitehead hoped to accomplish in his visits to Poland, Bulgaria, Romania and Czechoslovakia (Tab A).² Following is a report from Rudy Perina on the results of the trip.

[Omitted here is information on Poland.]

Bulgaria:

There is change underway in Bulgaria, though thus far limited to the economy. The Bulgarians have initiated an ambitious reform program which few would have anticipated a year ago. They are also desperate for Western credits and MFN. Their problem is a reluctance to move in the political sphere, though for the first time they seemed open to discussion of the Turkish minority issue which has cost them a lot of human rights points. Whitehead left the message that if they could improve their human rights performance, much could be improved in our bilateral relations.

Romania:

A lot is said about Romania and unfortunately most of it seems true: a grim, impoverished country teeming with police and a pervasive sense of fear—even among government officials who seemed very

¹ Source: Reagan Library, Rudolf Perina Files, Chronological Folder, Chron February 1988 (2). Secret. Sent for information. Drafted by Perina.

² See Document 53.

concerned about what we would tell Ceausescu. The Romanian leader reacted badly to the President's letter³—denouncing it as interference and saying that Romania did not want MFN at that cost. He claimed that Romanians were never happier and their standard of living has been rising steadily. The Foreign Minister indicated that Ceausescu would answer the President's letter and that Romania no longer wanted MFN unless it was indefinite and unconditional. The unproductive exchanges, together with harassment of unofficial Romanians invited to a reception, prompted Whitehead to issue a very tough press statement criticizing Ceausescu personally. Overall U.S.-Romanian relations deteriorated, but we have distanced ourselves from Ceausescu and may be somewhat off the hook on MFN renewal. We have to await Ceausescu's letter and then study the legal implications of whether and how a country can renounce MFN. We are having a first meeting at State on this next week. The Romanian position on MFN is not yet public knowledge.

Czechoslovakia:

The legacy of 1968 still holds Czechoslovakia in paralysis. The Czechs want MFN, but have not made the political decision to begin either political or economic reform seriously, or meet us even halfway on human rights. Our relations remain on ice until Prague decides which way it wants to go. We made clear it was their choice.

Whitehead stopped off at NATO to encourage more Allied consultation on Eastern Europe. He stressed that this is a time of opportunity to press for East European reform and the Allies should work toward this in tandem. During a call on Belgian Foreign Minister Tindemans, CSCE was raised and Whitehead said that the West would be "foolish" to give the Soviets a Moscow human rights conference, particularly when they were backtracking on human rights.

In sum, the trip demonstrated that differentiation in our policy toward Eastern Europe does exist: we made progress with two countries, downgraded relations with one, and kept relations with another on hold. Whitehead was tough when called for, as in Romania, and overall did a good job in conveying the message that it is up to the individual countries to decide how they want our relations to develop.

³ See Document 171.

55. Minutes of a Working Group Meeting¹

Washington, April 15, 1988, 2–3:30 p.m.

WORKING GROUP MEETING ON SOVIET/EE/ POLAND PROGRAM ANNUAL REVIEW

PARTICIPANTS

State

Charles Lahiguera

Thomas Simons

[less than 1 line not declassified]

[name not declassified]

[less than 1 line not declassified]

[name not declassified]

OMB

Arnie Donahue

CIA

[names not declassified]

NSC

Peter Rodman

Nicholas Rostow

Jim Collins

Mary Henhoeffter

Minutes

Jim Collins chaired the meeting.

[Omitted here is material on the Soviet Union.]

EAST EUROPE

[1 paragraph (21 lines) not declassified]

[name not declassified]:

—[1 line not declassified]

All:

—Agreed with State assessment.

Jim Collins:

—Suggest issue of “Borders” be raised at policy level. ([name not declassified] had raised this at the meeting.)

¹Source: Reagan Library, System IV Intelligence Files, 1988, Unnumbered Notebook 1 of 2, 1988. Top Secret; [handling restriction not declassified]. The meeting took place in Room 208 of the Old Executive Office Building.

POLAND

Tom Simons:

—Policy Statement² is fine.

[1 paragraph (5 lines) not declassified]

All:

—Agreed with State assessment.

² The policy statement is in the Reagan Library, System IV Intelligence Files, 1988, Unnumbered Notebook 1 of 2, 1988.

56. Paper Prepared in the Central Intelligence Agency¹

Washington, undated

SOVIET/EAST EUROPEAN PROGRAM

I. Policy and Objectives:

US foreign policy fosters democratization/pluralism/respect for human rights/moderation of foreign policies in the USSR/Eastern Europe. Our program promotes infiltration of materials, the spread of information, and covert support for dissidents, as ways to work for this objective. It seeks to fuel political/intellectual ferment and exploit opportunities presented by *glasnost*.

II. Program Authority:

— Findings (7 June 1978 and 7 March 1979) authorized publication/infiltration of literature into the USSR/Eastern Europe and generation of publicity to support citizens favoring liberalization.²

— Finding (25 September 1980) authorized establishment and funding to encourage Soviet liberalization and to influence West Europeans favoring liberalization of the Soviet system.³

¹ Source: Reagan Library, System IV Intelligence Files, 1988, Unnumbered Notebook 1 of 2, 1988. Top Secret; [*handling restriction not declassified*].

² See footnote 2, Document 23.

³ A 1980 list of Presidential Findings references the September 25, 1980, finding for "USSR—Soviet Studies Institute." The finding has not been found. (Central Intelligence Agency, Office of the Director of Central Intelligence, Job 85M00363R: Subject Files (1983), Box 5, Folder 98: Miscellaneous Meeting: Oversight Board Briefing Re: Covert Activities)

— MON (3 August 1987) increased funding.⁴ Increased funding authority resulted from NSPG's program review in April 1987.

— [less than 2 lines not declassified]⁵

III. Background:

Production/infiltration of literature into the USSR/Eastern Europe addressing contemporary/historical issues has been a principal element of the US covert action policy for over 30 years. Some operations in the program have their origins in the 1950s; over half were started in the past five years.

IV. Accomplishments:

Media Distribution and Infiltration: In 1987, we distributed some 350,000 books, periodicals, and audio/video cassettes inside the USSR/Eastern Europe. Because of funding constraints caused by dollar devaluation, our largest distribution activity was forced to cut back operation by about 20 percent. *Glasnost* had a positive impact on the program.

Political/Influence Activities: We distributed nearly 50,000 publications to Soviets living abroad, began preparations for a Soviet war crimes archive, and supported international efforts to expose Soviet human rights and other abuses.

Offensive/Defensive Active Measures: Efforts, together with State Department, led to neutralization of a worldwide Soviet active measures campaign on AIDS. [less than 1 line not declassified] succeeded in reducing disproportionate Soviet diplomatic presences in several countries.

Soviet Nationalities Program: Activities produced journals, reprints of proscribed historical documents, newsletters, pamphlets, manifestos, and audio cassettes in the languages of ethnic minorities. We began recording ethnic language audio cassettes for direct broadcast into the USSR.

East European Countries Program: We continued to infiltrate tens of thousands of journals and books into Eastern Europe and experienced rising demand for our video magazine. We continued to produce a journal regarded as the preeminent alternative to an East European country's official press. A modest [less than 1 line not declassified] program was initiated in mid-1987; initial results have been encouraging.

V. [1 line not declassified]

[1 paragraph (less than 3 lines) not declassified]

⁴ See Document 46.

⁵ [footnote not declassified]

VI. *Risk/Problems:*

—Soviets/East Europeans presumably are aware we support media activities against them. We strive to deny them evidence that would permit them to link [*less than 1 line not declassified*] to the US Government.

—There is some risk a small number of documents, books, and newspapers will find their way into the US. We advise Congress if significant spillover occurs.

VII. *Plans:*

Increased funding authority affords us opportunity to expand and upgrade the program. In 1988 and beyond we plan to:

— [*1 line not declassified*] develop new video programming in Russian and East European languages; expand infiltration mechanisms.

—Form a new entity to promote pluralism in the USSR; broaden contacts with [*less than 1 line not declassified*] peace advocates inside the USSR; acquire/infiltrate new technology to facilitate communication with Soviet/East Bloc peoples.

—Augment worldwide efforts to counter Soviet active measures via a multilingual publication.

—Expand the nationalities program to include additional Baltic, Central Asian and Caucasus elements.

—Conduct seminars in practical democracy in the West for East European youth. [*less than 1 line not declassified*]

VIII. *Congressional Reaction:*

—The program has had bipartisan support in Congress since its inception.

—The requirements on the information to be briefed to Congress as outlined in NSDD 286, Section II.A.3.⁶ have been met.

IX. *Funding:*

[*1 paragraph (10 lines) not declassified*]

⁶NSDD 286, signed October 15, 1987, is entitled "Approval and Review of Special Activities." Section II.A.3 addresses the "Contents and Accompanying Documents."

57. Memorandum Prepared in the Central Intelligence Agency¹

EUR-M-88-20081

Washington, May 12, 1988

Impact of Polish Strikes on Eastern Europe:
A Warning Bell [*portion marking not declassified*]

Although Poland's recent labor strife will have little immediate impact on other East Europeans, the crisis confirmed for all the perspective that the region is becoming more unstable and that periodic unrest has become more likely. The other regimes are glad that Warsaw showed it would use force and not just make concessions and that Jaruzelski moved more quickly and effectively than previous Polish leaders to bring unrest under control.² Nevertheless, all East European leaders are aware that their domestic economies have weakened, that their societies have become less willing to accept austerity placidly, and that they too could be faced with greater open resistance in the not too distant future. [*portion marking not declassified*]

The regimes were further reminded that while a crisis was still in its early stages, the Soviets would be supportive but would expect them to handle it on their own. They also have been reinforced in their belief that while the US supports economic reforms, it puts high value on political liberalization and will not help bail them out in the absence of progress on that score. They may believe otherwise about some US allies. [*portion marking not declassified*]

Summary

The recent strikes in Poland had little immediate impact on the rest of the region, partly because of their short duration, partly because the Jaruzelski regime showed it had learned important lessons about the use of force from 1980/1981, and partly because of factors unique to Poland. Polish worker organization and activism, supported morally and organizationally by a powerful church, remains relatively unique in the Bloc. [*portion marking not declassified*]

Warning Bell for the Other Regimes

Even though the strikes probably did not come as a surprise to East European leaders and to some merely confirmed their negative

¹ Source: Reagan Library, Rudolf Perina Files, Subject Files, Poland-Substance 1988 (1). [*classification making and handling restriction not declassified*]. The memorandum was prepared in the Office of European Analysis with a contribution from the Office of Soviet Analysis.

² Documentation regarding Poland's labor strife is scheduled for publication in *Foreign Relations, 1981-1988*, vol. IX, Poland, 1982-1988.

assessments of the Polish communists' ability to rule effectively, the strikes probably did set off warning bells. All realize that their domestic economic situations have become more fragile, that some structural changes will be needed in coming years to prevent a further slide, and that these changes will impose greater hardships on their workers, and consequent risks for their regimes. They also realize that Moscow will not be there to bail them out, largescale help from the West will likely not be forthcoming, and Gorbachev's calls for change and glasnost make it unlikely people will accept adversity as stoically as they did in the past. For the immediate future:

- Conditions in *Hungary* are edging closer to those in Poland. Austerity measures have increased grumbling, party and trade union organizations are in disarray, and discussion of the need for political reform is more farreaching than anywhere else in the Bloc. The developments in Poland almost certainly have made Budapest's leaders especially anxious because they have determined upon a somewhat similar policy course.

- The *East Germans*, in contrast, will likely remain smug about their successes, and continue to deny the need for reform. Even before the strikes, East Berlin had begun to clamp down on the dissent that had burgeoned since last fall. At the same time, however, the GDR economy has begun to seriously stagnate.

- The *Czechoslovaks* and *Bulgarians*, under less immediate economic pressure, will continue tinkering around the edges of their economic bureaucracies with little demonstrable effect. Prague, however, may increase controls on intellectual and religious dissidents. Zhivkov in Bulgaria probably will continue his efforts to limit the impact of glasnost and inhibit the spread of independent activity.

- The Brasov riots in *Romania* last November³ were a clear signal to Ceausescu of the potentially explosive situation he faces and of the need to reinforce his effort to maintain control. [*portion marking not declassified*]

Popular Reaction in Eastern Europe

We will be unable to systematically gauge popular reaction in the region, but that reaction will matter more than in the past because over time the regimes, with the exception of Romania, have lost at least some elements of the control they once exercised.

- More information from the West about this latest Polish crisis has been available than in the past to large parts of the area through radio and television.

³ See footnote 2, Document 167.

- East Europeans may conclude that the Polish strikers were unsuccessful in achieving their political demands, but they may be encouraged about the possibilities of using strikes to achieve economic gains. They may also sense that their regimes are carefully watched by the West in these affairs and that the regimes may not use force gratuitously. [*portion marking not declassified*]

What the Regimes May Have Learned

Tactics for Dealing with Strikers and Demonstrations

The East European leaderships were probably relieved that Warsaw seems to have learned what the others already believed, i.e. that the authorities, when faced with strikes, must show toughness, including the willingness to use force, tempered by offering limited economic concessions. The others have always believed that concessions alone merely give the impression of weakness and generate increased demands. [*portion marking not declassified*]

The East Europeans were probably reminded, however, of the importance of keeping strikes isolated and of preventing, early on, any coordination. Hence there is a good chance that they are reaffirming their intelligence capabilities on factory floors and the support of security units. [*portion marking not declassified*]

What Can Be Expected from Moscow

The East Europeans almost certainly got the message that, at least in the early stages, they will be expected to restore control without visible help from Moscow. We do not yet know what Moscow said to the Poles or East Europeans behind the scenes, but public Soviet media commentary illustrated that the Soviets preferred not to get involved nor to appear prepared to rush to the aid of Poland. Moscow evidently did not view the situation as so serious that it needed to make threatening noises to scare the Poles and thereby risk Western accusations of meddling. Nevertheless, in a prolonged crisis or one that came to a head very quickly, a beleaguered East European leadership would almost certainly seek, plaintively if necessary, a more active Soviet role to help restore order. However, Moscow would still want the East Europeans to handle the situation with as little obvious Soviet involvement as possible. [*portion marking not declassified*]

Western Policy

The other East Europeans were probably reinforced in their belief that neither the US nor Western Europe will seek to actively encourage a crisis, although the broadcasts of RFE, VOA and other western radios will provide considerable information about disturbances and the West will call for major regime concessions during any crisis.

- The regimes will conclude that the US will continue to press what to them are irreconcilable demands. More than ever, they know they will be encouraged to pursue reforms including austerity measures *in conjunction with* conciliatory political policies to make those measures palatable. The East Europeans will remain unwilling to make concessions that would openly permit powersharing, but a considerable amount of economic decentralization could lead to some dilution of central authority.

- The East Europeans, however, probably perceive even more than previously differing approaches in the West—for example, West Germany’s special concern to maintain and expand relations, as compared with pursuing a specific political agenda based on political reform. [*portion marking not declassified*]

58. Memorandum From Nelson Ledsky of the National Security Council Staff to the President’s Assistant for National Security Affairs (Powell)¹

Washington, June 16, 1988

SUBJECT

Deputy Secretary Whitehead’s East European Trip

John Whitehead visited Yugoslavia, Hungary and the GDR last week in his latest swing through Eastern Europe.² The timing was good in providing the East Europeans with a read-out of the Summit,³ about which they were all delighted. But overall, the region is becoming more volatile. Following is a capsule report from Rudy Perina, who accompanied Whitehead.

If the limits of Glasnost are tested first in Eastern Europe, the most likely candidate now is Hungary. The leadership changes last month brought a new generation to power and created great expectations of

¹ Source: Reagan Library, Rudolf Perina Files, Chronological Files, Chron June 1988 (2). Secret. Sent for information. Drafted by Perina. A copy was sent to Danzansky. The top of the memorandum is stamped “Natl Sec Advisor has seen.” Powell placed a checkmark next to it and hand wrote, “Thanks. CP.”

² June 5–16.

³ Reagan and Gorbachev met in Moscow May 29–June 2. See *Foreign Relations*, 1981–1988, vol. VI, Soviet Union, October 1986–January 1989, Documents 155–165.

radical political and economic reform.⁴ Although the new Party leader, Karoly Grosz, told Whitehead that he plans to move with circumspection, the pent-up pressures for change may push him forward faster than he expects. He plays to the rhetoric of reform and told Whitehead that the Hungarian economy was like a suit which the tailor had spoiled and which was easier to re-make from scratch rather than repair.

Grosz is a man very much in the Gorbachev mold: young, outgoing, and by appearances supremely self-confident. But, as with Gorbachev, one gets the impression that to some degree he is “winging it” and may not realize all the difficulties ahead. His Washington visit at the end of July will be the first by a Hungarian General Secretary.⁵ We have recommended that the scheduled meeting with the President be expanded to an official working visit. The State Department agrees that this would be a good way to acknowledge the vanguard role that the Hungarians now hold in Eastern Europe.

Yugoslavia is worrisome. Much of the Whitehead visit was spent discussing how the Yugoslavs will gather an additional \$125 million in bridge loans by the end of the month to qualify for an IMF stand-by which they negotiated. They will probably squeeze through but it will be close. The Yugoslavs hinted that they were not convinced the U.S. was backing them all the way in the IMF or in securing bridge loans. They particularly complained about access of their Ambassador to the Treasury Department in order to present Yugoslavia's case. We are checking to see if they are being frozen out of Treasury.

Like the Hungarians, the Yugoslavs all sound like converts to Reaganomics when discussing the market-oriented reforms they plan to implement. But the country is bankrupt, the central government very weak, and the people cynical about real change. There have been recent [*less than 1 line not declassified*] reports about a possible military takeover to keep some of the more independent republics like Slovenia under control. We hope that together with the West Europeans we will be able to help the Yugoslavs get through a very difficult period.

The GDR, with Honecker at the helm, remains a part of the old Eastern Europe, reluctant to follow the changes in Moscow. Whitehead's 90-minute meeting with Honecker revealed very little new thinking or progress on bilateral issues. The GDR economy is in relatively better shape than others in Eastern Europe because of the massive infusion of West German money, and Honecker clearly does not feel pressured to implement major reforms. The appeal of Glasnost is spreading within the population, however, and the question is how long Honecker can resist the type of generational leadership change that occurred in Hungary.

⁴ On May 22 Karoly Grosz replaced Kadar as the General Secretary of the Hungarian Socialist Workers Party. See Documents 346 and 347.

⁵ See Documents 359–361.

**59. Memorandum From Nelson Ledsky and Peter Rodman
of the National Security Council Staff to the President's
Assistant for National Security Affairs (Powell)¹**

Washington, June 23, 1988

SUBJECT

Discussing Eastern Europe with the Soviets

At the Summit, the State Department questioned the propriety of the President broaching Eastern Europe with Gorbachev.² The State position was that to do so could be seen as acknowledging Soviet hegemony in Eastern Europe and that therefore, as a matter of policy, the U.S. did not discuss this region with the Soviets.

We think this position is wrong, both factually and in terms of our policy interests, for a number of reasons:

Historical Precedents

Our exchanges on Eastern Europe with the Soviets stretch through the entire postwar period. For example, the division of Germany (as opposed to Berlin) has been the subject of U.S.-Soviet dialogue since the war. No peace treaty was ever concluded after World War II, making the status of Central Europe legitimate unfinished business in which the U.S. and USSR have had a special role since Yalta. President Eisenhower wrote Bulganin in 1956 demanding an end to Moscow's intervention in Hungary. President Johnson informed Brezhnev that the 1968 invasion of Czechoslovakia required him to cancel a planned summit. Both Presidents Carter and Reagan made clear to Brezhnev that a Soviet intervention in Poland in 1980–81 would seriously damage U.S.-Soviet relations. This Administration also discussed with Moscow and Warsaw our dissatisfaction with the Polish government's declaration of martial law and curtailment of civil liberties. In response to these Polish measures, we applied sanctions against both Poland *and* the USSR. In none of these circumstances did our representations to Moscow imply acceptance of Soviet control over East Europe. Just the opposite.

Although these are examples of crisis situations, the fact is that Eastern Europe enters the U.S.-Soviet dialogue frequently in routine

¹ Source: Department of State, Executive Secretariat, Sensitive and Super Sensitive Documents, 1984–1989, Lot 92 D 52, Super Sensitive, June 22–30 [1988]. Secret. Sent for information. Prepared by John Herbst and Perina. A handwritten covering note from Powell to Shultz, June 23, reads: "I hope you will find the attached memo from my staff interesting and provocative." (Ibid.)

² Reference is to the summit between Reagan and Gorbachev, May 29–June 2.

discussions. Attached at Tab A is a recent example of this, a report on a June 17 discussion between Warren Zimmermann, our Ambassador to the Vienna CSCE meeting, and his Soviet counterpart Kashlev (Vienna 7229).³ In the discussion, Warren complains to Kashlev that the Soviets have not gotten their East European allies into line in Vienna and that each East European country is speaking “only for itself.” We do not mean to criticize Warren because we understand the tactical considerations behind his approach. But we cite the discussion as an example of how Eastern Europe is raised by us with the Soviets, even in non-crisis situations.

Eastern Europe as a Regional Issue

When looked at closely, the argument that raising Eastern Europe implies recognition of Soviet hegemony in fact does not hold water. We discuss regional issues such as Central America, Southern Africa, the Middle East and Cambodia with the Soviets, and in no case would we accept the thesis that this implies a Soviet sphere of influence in the area. Indeed, one could make a good case that treating Eastern Europe so completely differently from other regional issues is what legitimizes Soviet hegemony. Silence, after all, is most often interpreted as acquiescence.

In addition, circumstances clearly are changing. We are in a new era of ferment in both the USSR and Eastern Europe, and of great potential volatility. Some group or party in East Europe is sure to test the limits of the new tolerance declared in Moscow—and limits there surely will be. While direct dealings with the bloc countries are the principal vehicles now for our encouragement of diversity and independence, a dialogue with Moscow may soon be warranted.

The Political Factor

The reluctance to raise Eastern Europe with Moscow also aggravates a very large political constituency—East European ethnic groups—who invariably want us to raise this subject with the Soviets and have long complained about the State position. At Tab B is a letter to the President from Polish-American Congress, which alone represents about 10 million Americans of Polish descent, expressing regret that Eastern Europe was not raised at the Summit.⁴ The Office of Public Liaison advises us that other ethnic groups are similarly unhappy. And this unhappiness is frequently expressed in the Congress. It could easily have been avoided through a reference to Eastern Europe in the President’s remarks to Gorbachev.

³ Attached but not printed is telegram 7229 from Vienna, June 20.

⁴ Attached but not printed is a June 8 letter from the Polish-American Congress to Reagan.

The Key: How to Raise Eastern Europe

We would not advocate raising Eastern Europe if this in any way did impugn the sovereignty of these countries or legitimize Soviet hegemony. The key is in how the subject is raised. Except in unusual circumstances, we should not discuss specific internal developments or matters which we discuss bilaterally with East European governments. But there is a broad theme which can very legitimately be raised with Moscow and to which Eastern Europe is central—the postwar division of Europe and the need to work toward healing this division. This is the essence of the entire CSCE process, a fully legitimate part of the East-West and U.S.-Soviet dialogue, in which the issues of human rights and European security converge. Our objective in the Summit talking points was to raise Eastern Europe in this context and thus to signal our continued dissatisfaction with the division of Europe and of Germany, which is long-standing U.S. policy. This would not have legitimized Soviet hegemony but rather put us on record as continuing to oppose it.

The President's Berlin Initiative is in large measure a challenge to Soviet hegemony in Eastern Europe—a challenge to them to lower all the barriers they have put up. The Gorbachev line about a “common European home”—echoed by GDR Foreign Minister Fischer in an outrageous statement at the recent Potsdam conference—is that an easing of tensions in Europe requires *acceptance* of the division of Europe. This line cannot be accepted.

At the Madrid NAC restricted session, Secretary Shultz commented very correctly that “we should continue to blame the Soviets as well as their agents in Eastern European parties and governments for the continued unnatural division of Europe” (Secto 11130, 100940Z Jun 88).⁵ If we can do this publicly, there is no logical reason for not making the same point to the Soviets directly.

Next Steps

None of this is an argument for a major new initiative toward the Soviets on Eastern Europe. But it is a brief for including Eastern Europe, in the right context, in our dialogue with the Soviets at both the policy and expert levels. Over the past 40 years, no one area or set of issues has so consistently soured U.S.-Soviet relations as Eastern Europe. There is no excuse for excluding only Eastern Europe from our global exchanges with the Soviets, either for fear of “acknowledging hegemony” or out of sensitivity about raising a subject they won't like.

⁵ Telegram Secto 11130 from Shultz in Madrid, June 10, provided a summary of the discussion on Eastern Europe at the Madrid NAC meeting. (Department of State, Central Foreign Policy Files, D880821–0275)

60. Note From the Executive Secretary of the Department of State (Levitsky) to the Deputy Secretary of State (Whitehead)¹

Washington, June 29, 1988

John:

The NSC staff memo² was given to the Secretary by Colin. Apparently Rodman and Ledsky are trying to make a big thing of this. I think they're wrong as you will see from my comments on their paper.

Mel

Attachment

Memorandum From the Executive Secretary of the Department of State (Levitsky) to the Executive Assistant to the Secretary of State (Hill)³

Washington, June 28, 1988

SUBJECT

NSC Staff Memo on Discussion Eastern Europe with the Soviets

REF

Attached memo⁴

1. Of course we should talk to the Soviets about Eastern Europe. The question is not whether, but what about.

2. We should make sure that the Soviets understand we intend to conduct relations with Eastern Europe on the basis of our national interests and depending on the kind of relationships the countries of the region wish to have with us. We need to make clear we do not accept a Soviet role in our choices, or in the choices made by the Eastern Europeans.

3. It would be damaging, however, to talk to the Soviets in the way the NSC staff proposes, that is, arguing over the broad theme of the

¹ Source: Department of State, Executive Secretariat, Sensitive and Super Sensitive Documents, 1984–1989, Lot 92 D 52, Super Sensitive, June 22–30 [1988]. No classification marking. The note is handwritten.

² See Document 59.

³ Secret.

⁴ Printed as Document 59.

postwar division of Europe. This is a theoretical, impractical approach which carries the dangerous implication that the Soviets are the key to solving the problem. Such an approach reinforces the idea that the Soviets have an “organic” relationship with Eastern Europe.

4. Rather, our focus—and that of our allies—should be on pragmatic steps to break up the barriers by attracting the Eastern European countries to our ideas, political and economic systems, and to the benefits that they can reap by coming our way. Given Gorbachev’s approach, there should be increasing opportunities to do this in the coming years.

5. My conclusion is that it is our policies toward Eastern Europe and the actions we take in support of them that carry impact, not a dialogue with the Soviets on a theoretical or ideological level.

61. Memorandum to the File¹

Washington, November 4, 1988

SUBJECT

Eastern Europe: NSPG Meeting October 25

The National Security Planning Group discussed Eastern Europe October 25. Its agenda is attached.² The following report is based on notes by Deputy Assistant Secretary of State Tom Simons.

The President observed that Eastern Europe was more and more in the news. An important cause of this was the large number of Americans who hailed from the area. Moreover, Soviet actions that had continually disrupted international affairs. This meeting was intended to permit better understanding of what is going on, rather than to decide on dramatic policy changes. It should be possible to identify issues concerning the area for the successor Administration.

CIA Director Webster reviewed the situation in the area. It was a mistake to consider it a monolithic area, he said. There was in fact increasing diversity in the area because of the changes underway in attitudes toward both the Soviet Union and toward the West, including the U.S. But the strikes, demonstrations and changes in leadership we have seen have created a greater climate of instability than at any

¹ Source: Department of State, Records from Ambassador Thomas W. Simons, Jr., Lot 03 D 256, Chron November 1988. Secret. Drafted by Simons.

² Not found attached.

time in the last 30 years. Moreover, whereas change in the Soviet Union came from above under Gorbachev, the push for change in Eastern Europe came from below.

All six of the area countries shared Communist political systems and command economies, Judge Webster continued; Yugoslavia was outside the bloc. Poland and Hungary had gone further in terms of power-sharing and introducing elements of a market economy. In Poland the changes had so far been mainly rhetoric; only time would tell. Hungary had seen more political reform; the regime was allowing more political expression and market forces to play, but it was wary, and it had broken up demonstrations. In Poland, Jaruzelski had just warned that force would be used to protect the system.

Judge Webster continued that Bulgaria and Czechoslovakia had adopted the lexicon of reform, but were really hardline regimes that preferred talk to real changes. Their proposals for change were sowing confusion and disruption in the economy. Jakes had so far limited himself to bureaucratic streamlining, and was actually running a tight policy. Both the GDR and Romania thought they were on the right track already, he continued, and rejected glasnost.

Yugoslavia, finally, was seeing ethnic tensions, Judge Webster said, but these were pressures that had been released by years of political reform.

The outlook, he continued, was for growing internal diversity in the area, vis-a-vis both the Soviet Union and the West/U.S. The prospect was for slow growth and austerity. So far there had been few economic changes, and we could look forward to more political turbulence, and larger outbursts. Poland and Yugoslavia were the countries where instability was most likely, but it was possible also in Hungary and Romania. The other countries were keeping a tight lid on, and it would take leadership changes and a strong push from Moscow to bring significant change. The best chances for change were in Poland, Hungary and Yugoslavia, but even there it would be mainly nibbling around the edges; even there they were slow to bring market forces to bear on prices and wages.

Our interests continued to be to see these countries grow more separate from the USSR, to see a decrease in the power of the party and to see greater integration into the international economy. We will continue to hear charges that we are both causing and blocking change.

With regard to the possibility of upheavals leading to Soviet intervention, Judge Webster continued, it remains, despite Gorbachev's reluctance. The Soviets need a balance between reform and stability. They believed that economic crisis was at the root of instability, and were leaving the burden of managing change to the local leaders, while demanding greater economic support from the East European

countries. They see promise in dialogue in Poland, and were probably not against some powersharing. They were unlikely to intervene in Poland and Romania, and although they were uneasy about developments in Yugoslavia, they were unlikely to put themselves in the middle there for fear of anti-Soviet backlash. They were little concerned about the other countries, and had given them a certain green light to experiment. But they would be leery of signs that party control was eroding, and would not allow any WP country to leave the Pact.

Deputy Secretary Whitehead said he was a little more optimistic than Judge Webster; the extent and prospect of change looked to him to be a little more rapid and positive. He described the mandate Secretary Shultz had given him more than two years before, and his activities under that mandate. The 1982 NSDD set forth our policy objectives toward Eastern Europe: to loosen the Soviet hold on the area and eventually to see it reintegrated into Europe. He had undertaken to make progress toward those objectives where possible. His premise was that these were diverse European countries. On his first visit he had discovered that they indeed felt they were living under an alien system, and were eager to move away from it. He had tried to spur that process forward, as fast as they were willing to go.

Describing his most recent visit, the Deputy Secretary said that Romania had been the low point. It had been impossible really to converse with Ceausescu, and the sight of rural destruction in action had been tragic, and had brought home to him the meaning of the proverb 'A man's home is his castle.' It had been uphill from there.

He had seen Honecker and Axen in East Berlin, the Deputy Secretary continued. He had discussed both official and Jewish claims with them, and challenged them to pay them off. Here there had been some progress, and further developments were likely. He hoped they would pay off \$100 million in Jewish claims over the next months. On human rights there had been some movement, particularly with regard to family reunification. There had been progress in exchanging information on narcotics. He had visited the Berlin Wall, and said it should be torn down both in public and to Honecker. We should keep after that issue.

He had gone to Poland at an exciting time, the Deputy Secretary continued. Here there was rapid change. He had met the new prime minister, Rakowski, who told him how many non-Communists were in his cabinet, and how he had left four places open for members of Solidarity. Solidarity had refused these posts until a new structure could be found. The round table talks under discussion were a kind of constitutional convention. He had met with Walesa. Pluralism was beginning to take place, a phasing down of the Communist government. We had told the Poles there would be no cooperation from us until things began to change, and he thought we were seeing that happen.

In Czechoslovakia, the Deputy Secretary continued, he had met with Jakes, and found him more modern than his predecessor, although still conservative. He had reform plans, but would go about reform slowly in order not to let things get out of hand as they had in Poland and Hungary.

In Hungary, he had found Grosz starry-eyed about his trip to the United States, and especially about Chicago. He had visited the West Coast, Washington, New York and Texas as well, had been entranced by Chicago. The Deputy Secretary said he had bashed Grosz on the Conrad spy case,³ and told him that if that sort of thing continued we could not have any kind of relationship at all. Grosz was investigating the case, and said he didn't want that kind of thing to happen again. He owed us an answer. The Deputy Secretary said he had stressed the Soviet angle to Grosz, who took it positively. He was putting his own system in order, since it appeared that intelligence had had a kind of separate position within the government.

The Deputy Secretary told the President the joke about the man who went into a bar for a beer, and was asked for a ruble instead of the usual 50 kopecks. When he asked about the extra 50 kopecks, the bartender said it was for perestroika. So he paid the ruble, and the bartender then gave him 50 kopecks back. When he asked why, he was told he had paid for perestroika, but there was no beer.

The President said he understood from Grosz' visit that he was close to Gorbachev, and in some ways he seemed further ahead than Gorbachev. The Deputy Secretary said he thought they prodded each other. He noted that the Hungarians had wanted to talk about Soviet troops, and asked us to put them high on our conventional disarmament list, along with theirs.

Turning to Bulgaria, the Deputy Secretary said Ledsky and Simons had tried to restrain his enthusiasm for Zhivkov during the trip. He had had five hours with him. He had once called Bulgaria a "sleeper," and believed it was moving ahead rather soundly with changes, step-by-step. For instance, as of January 1 government economic units would become Western-style stockholder corporations, with up to 25% employee ownership; some could go public, and the public and foreigners could buy into them. He had seen modern factories. The trouble with Zhivkov was that he would permit no political changes; he ran a dictatorship which had no regard for human rights. It had been very disturbing that people he was scheduled to meet with had been arrested and prevented from seeing him. We were exploring the facts and hoped to challenge the Bulgarians.

³ See Robert J. McCartney, "Former U.S. Sergeant Held as Spy by Bonn," *Washington Post*, August 26, 1988, p. A1.

Turning to general comments, the Deputy Secretary said he had found these to be European countries that were not comfortable being parts of the Soviet empire. All the leaders wanted to move away from complete dependence on the Soviets. They all acknowledge that the Soviet system had been a failure. Some reforms were actually taking place everywhere, the fewest in Romania, the most in Poland and Hungary.

As regards U.S. policy, the Deputy Secretary said he thought the NSDD remained valid. We had a step-by-step program in place with each country, challenging them on human rights, on narcotics, on terrorism. There had been some increase of trade, and they were eager to continue that. With each we had in mind a kind of tradeoff: we want better human rights and political reform, they want various kinds of economic support, not aid, but recognition of their participation in the world economy. As they moved on human rights and political reform, we would move in the economic area. Developments in Eastern Europe were as exciting as in the Soviet Union. We see them moving away from the Soviet Union, and the changes going on could add up to an important change in the world scene two or three years down the road.

JCS Chairman Admiral Crowe noted that he had an outstanding invitation from the Romanian Chief of Staff for a return visit, and asked Whitehead how he should answer. The Deputy Secretary said with any other country he would recommend a positive answer, but not with Romania now; Simons suggested that Crowe defer an answer.

General Powell said, summing up, that the challenge for us is thus to synchronize the economic and political elements of our policy approach.

Treasury Secretary Brady said he wished to describe the problem from the Treasury point of view. Resources for foreign aid were drying up, and pressure was building to have us encourage the IMF and the IBRD to lend to East Bloc countries. The decision on how to do this was one for the future Administration to take. The problem was how to do what John Whitehead recommended and still preserve the resources of these institutions. They were after all revolving funds, and for them to survive their funds had to revolve. With regard to trade, they were based on the idea that adoption of open-market policies would allow countries to pay off their debts. The trouble was that countries did not live up to the conditions, and that this engendered bad loans. Unlike ten years ago, they now carried \$3–4 billion in bad loans, and 60–70% of these were to U.S. clients, where the U.S. had pushed the bank into making the loans. Our resources were finite, and Congress was bearing down on them. We should shortly arrive at the point where we needed to get very tough. Otherwise, six or eight years out, we would arrive at the point we had already reached with our aid programs, out of money.

General Powell told the President that in the months ahead we could expect conflicts between our political/economic needs and the sound principles the Treasury had described.

Commerce Secretary Verity said that in fact we had little trade with the countries of Eastern Europe. To deal with this we had formed business councils, to encourage the private sector to get engaged. The International Executive Service Corps was one example; Ambassador Palmer's management school in Budapest was another. We were encouraging these kinds of things until the countries could get their economies in order. For them really to trade they would need convertible currencies. They needed to restructure to provide incentives for the kinds of things that would make a market economy work.

USIA Director Wick opined that Gorbachev was ahead of all the East European leaders with regard to pace. He described his recent information talks in Moscow. Many deals had been made, including increases in sales of Western newspapers, the new VOA Moscow Bureau. Falin had probably been anti-American at one time, but now he was willing to work problems on a non-ideological basis. The new American bookstore was an example.

The President recalled that the President of Guinea, with whom he had just met, had spent most of his time praising the Peace Corps, the volunteers who served without thought of reward. Other African chiefs of state said the same thing. With regard to Eastern Europe, he agreed that these were nations which had never been close to Russia. They were part of the Western world, and now wanted to come back into the Western economy. He told a Hungarian joke about Janos and Ivan who discovered a treasure chest together; Ivan suggested they divide it according to socialist principles; Janos replied that they should instead divide it 50-50.

Summing up, General Powell said that we had a sound policy in place. It was expressed in the NSDD, although, he commented parenthetically, its authors did not anticipate how much would happen in the area when they were writing it. He also opined that we were better off considering these problems here than those who were considering them in Moscow. The President said the Soviet government had to wonder, if ever it came to a shooting war, whether the East Europeans would shoot in the same direction. Admiral Crowe said when the Romanian Chief of Staff had visited it was clear we knew a great deal more about Soviet forces than he did; he did not have a close relationship to the Soviet military. Defense Secretary Carlucci said the trouble was that the Soviets in case of war could take over command of the East European forces without their say-so. General Powell said that except for the GDR the Soviets generally did not count on East European forces.

62. Telegram From the Department of State to the Embassies in Hungary, Romania, the German Democratic Republic, Czechoslovakia, Yugoslavia, Bulgaria, and Poland¹

Washington, October 31, 1988, 2051Z

355003. Subject: Eastern European Overview: DAS Simons Presentation to Berlin COM Conference.

1. Secret—Entire text.

2. Summary: On October 19, at the conclusion of the EEY Chiefs of Mission conference in Berlin, EUR DAS Simons gave an overview of Eastern Europe and the U.S. policy approach toward the region. It built on his presentation to the 1987 COM conference in Oslo² and took into account post contributions to the invitation to the dance exercise.³ The text follows in slightly modified form. Post comments would be very welcome. The dance should go on. End summary.

3. Begin text:

The Deputy Secretary has given you the real overview of where we and the East Europeans have come since he took up his mandate over two years ago, and of the prospects for the period ahead.

I will confine myself to the more limited task of defining the main trends emerging in the area and affecting our policy since we met in Oslo, and the invitation to the dance was issued.

I wish to pose the question of whether those trends confirm or not that our policy approach is a sensible one, that it is promising as an approach that permits us to deal with change in a way that advances U.S. interests, that it is worth continuing.

The devil is of course in the details—the actual stuff of developments in and relations with each of these diverse countries—but it is still worth looking at how it fits together over a significant period, and the ten months since Oslo is not insignificant.

The External Environment

I believe the impulse to change in EE is in the first instance and most importantly internal, and should be treated as such for policy

¹ Source: Department of State, Records from Ambassador Thomas W. Simons, Jr., Lot 03 D 256, Chron October 1988. Secret; Exdis. Sent for information to all NATO capitals, Helsinki, Stockholm, Dublin, Bern, Vienna, Valletta, and Nicosia as well as the U.S. missions/delegations to the EC, OECD, CSCE, MBFR, and the Vatican. Drafted by George Krol (EUR/EEY); cleared by Timothy Deal (EUR/EEY) and Eunice Reddick (S/S-O); approved by Simons.

² See Document 51.

³ See Document 52.

reasons, but clearly the external environment is an essential bounding and shaping variable.

Let me touch on four elements.

The main macro-element—the information revolution—has not stopped. It will not stop. Every EE regime is faced with the threat of economic and then political marginalization unless the economy is reshaped to perform in a world where things are less and less important and knowledge more and more, in sheer economic terms.

The challenge has not become radically more urgent in economic terms these last ten months—the West has not drawn away from Eastern Europe much faster than it was already—but it has been underlined in political terms by the EC's commitment to the single market by 1992. The challenge to us pales in comparison to the challenge to Eastern Europe: the writing on the wall is clearer than ever.

The second element is the Soviet Union. To some extent the pace of change in Eastern Europe is determined not only by the pace but also by the prospect of change in Gorbachev's USSR. Especially in the more conservative countries—Romania is now almost *sui generis*, but in Bulgaria, Czechoslovakia, the GDR—there has been a lot of watchful waiting, and probably some fond hoping that the Soviet reform impulse would lose momentum.

Gorbachev has in fact had a mixed year, but on balance the reform impulse has been sustained, and ratified once again by the changes of two weeks ago. Reformers in Eastern Europe have at least a new lease on life, perhaps—we shall see—even a second wind.

The third element is the international environment—the shape of East-West relations overall. Here there has been major and also sustained progress. This makes it harder than ever for EE conservatives to argue the capitalist or imperialist threat, the need for discipline and vigilance, etc. The fact that this progress is associated in Europe with Gorbachev may mean problems in West-West relations, but specifically with regard to Eastern Europe, so long as Gorbachev remains in charge improvements in East-West relations for which he is held responsible bring only benefits: they are a second whammy for Eastern European conservatives.

The fourth element is U.S. politics, which relates both to the overall East-West environment and to each country's relations with us. Even if reform continues in the Soviet Union, East European conservatives could argue for caution and delay because of the U.S. election if the U.S. approach to either the Soviet Union or to Eastern Europe proved controversial in the campaign. This has not happened: we have given them no excuse for a wait-and-see attitude any more than the Soviets have.

Thus, the trends in every significant aspect of Eastern Europe's external environment have provided at least no argument against continued reform, and some additional arguments for it.

The Return of Politics

In this benign environment, the most striking feature of the past ten months—to me at least—has been what I would call the rise of politics to the surface of political life in country after country.

In country after country, the political landscape has been reconfigured almost out of recognition.

Perhaps I am overimpressed by personal experience, since I have spent the last three weeks in succession in Soviet Georgia, in Moscow and in Yugoslavia, at the extremes of the system, so to speak, and watched local versions of the self-same phenomenon taking place.

In Georgia, I watched what could have been a people-to-people Mazola party—the 4th U.S.-Soviet Chautauqua conference⁴—suddenly go beyond that, and serve as the vehicle for the public expression of political demands—in this case Georgian national demands in environmental and human rights form. And the central authorities took notice, partly because we were there, and took action.

In Moscow, I was there for the special party plenum at which the personnel track of reform was suddenly activated to help move the political track forward and get the economic track moving again eventually.

And in Yugoslavia—which I know is different—after years of stalemate in the political system when it focused on economic reform, I witnessed a sudden upheaval of politics—towns, including Belgrade, full of demonstrators, two local governments ejected, and a heady mixture of elation, dire foreboding and real uncertainty about how far politics will go.

It can be argued that the Soviet Union and Yugoslavia are not Eastern Europe, that everything is special there, that order reigns in Prague and Sofia and East Berlin, not to speak of Bucharest—so that Poland and Hungary are *sui generis*.

That was in fact the rebuttal to my Oslo presentation from many quarters, including most eloquently from London, and of course it is a point well taken. Of course every country is special: we treat them that way because it is true, as well as to give them the benefit of the doubt.

I am struck nevertheless by what I see as mounting evidence—over these past ten months—not only that these regimes are struggling

⁴ See Felicity Barringer, "No-Show Steals Shoe at a U.S.-Soviet Parley," *New York Times*, September 20, 1988, p. A6.

with the same structural problem—the exhaustion of the Stalinist system in terms of the goals they themselves have set—but that one after another they are being forced toward one or another admittedly highly individual version of the same solution: political change in order to make economic reform work.

All give lip service to the proposition that there must be—or in the Romanian and also Bulgarian cases has already been—both political and economic reform—because that is the Soviet line.

All would prefer to some degree—usually vast, but it runs the spectrum—to restrict reform to the economic sphere.

But all are recognizing, to various degrees, that this is simply not possible, in practical terms.

Poland and Hungary are trying to work the problem. Whatever else the roundtable discussions in Warsaw scheduled to begin next week mean, they signify the exhaustion of small-step political reform—the consultative council, the ombudsman—as a practical approach to capturing the broad support that economic reform requires, and acceptance of the risk of direct talks with Solidarity. And in Hungary we see continued wrestling with how to permit broad diversity of opinion under a one-party system—with strong family resemblances to the wrestling underway in Slovenia next door—and initial wrestling—not very successful, and at some cost—with the Transylvanian issue, a political issue par excellence.

Others are of course trying to evade the problem. It seems to me that the East Germans, the Bulgarians and the Czechoslovaks have—very tentatively—embarked on traditional piecemeal liberalization steps, mainly in the cultural sphere, but extending into politics, like allowing the 20th anniversary demonstration in Prague. The purpose of these steps is to defuse political demands in order to deny that they are taking place, to maintain the facade of business-as-usual and keep the focus of politics on the economy.

And Zhivkov, of course, with his peculiar problem of how to jump over his own shadow, has carefully decapitated the potential spokesmen for politics in the most traditional political way, by purging.

Similarly, but more drastically, Ceausescu has resorted to proven methods—reshuffling at the top, elimination of the Brasov strike leaders down below—to preempt any move in any direction.

It is of course impossible to predict what will happen in any country. Working with the problem may fail in Poland and Hungary; piecemeal steps to permit denial of the problem, or reinforcement of old structures to prevent it from arising, may succeed.

But the most significant trend, for me, remains the general resurgence of politics, after decades, rather than the variety of the responses to it.

Implications for U.S. Policy

I had no hand in the paper we submitted in NATO for the Political Committee's discussion on Eastern Europe (State 315253),⁵ but it seems to me a very clear and concise statement of our policy approach, and I was happy to note that it picked up some of the elements of my Oslo presentation.

One of these was the concept that what we want from East Europeans is mainly political reform and improved human rights performance, as steps to alleviate the consequences of the division of Europe and steps that lead in the direction of its eventual elimination, whereas what the East European regimes want from us is mainly more economic relations and political recognition.

The corollary of this concept is that there exists in relations with each country the potential for a basic tradeoff of these elements, and the practical corollary of that is that our task should be to define that tradeoff for relations with each country in the most effective possible way taking into account local circumstances, sensitivities, capabilities, all the diversities of a diverse area.

A number of criticisms ran as themes through the responses to the invitation to the dance, and they were interrelated.

The first was that the tradeoff concept might have some practical promise in our relations with Poland and Hungary, but not elsewhere: the other countries were different, but had the common characteristic that the prospects for political reform were too bleak to make the tradeoff concept realistic.

The second was that I had exaggerated U.S. leverage, so that the approach ran the risk of fostering illusions, and thereby—or even directly—provoking turbulence, backlash and therefore suffering and retrogression, rather than progress in terms of U.S. national interests.

The corollary of these criticisms was that we should do what little we could, but expect little, and basically beaver away at our traditional programs—cultural, scientific, technological, people-to-people contacts and cooperation, political dialogue, trade facilitation—and see how far we get.

I recognize the force of the criticisms, and the popularity of the corollary, the more so since they are of course very widespread among our West European allies, and to a very large extent among East European governments, too.

I think it is natural for West Europeans to paint the U.S. as a bull in a China shop bent on provoking turbulence in Eastern Europe, in

⁵ Telegram 315253 to USNATO, September 27, transmitted a paper on Western aims and approaches toward Eastern Europe. (Department of State, Central Foreign Policy File, D880861–0858).

contrast to sager and more experienced statesmen like themselves, and I expect them to cite RFE's 1956 broadcasts to Hungary again and again and again.

And I think it is natural for East European governments to tell us they do not respond to pressure and that our goal should be normal relations, particularly in the economic field. It is natural for them to extend their natural desire to define politics purely as economics to relations with us.

But it seems to me one thing to understand these arguments, and another to accept them as a basis for U.S. policy.

I think that to sustain a coherent and flexible U.S. policy, it must be based on a broader concept and a higher goal than getting people together and helping people. In other words, we cannot sustain political support for the kinds of things we have traditionally tried to do in Eastern Europe unless we see and describe such steps as part of a larger effort to encourage change in these countries which points toward alleviation and elimination of the division of Europe. Otherwise they will be seen as unreciprocated concessions to illegitimate and tyrannical regimes which drain away vital American body fluids.

But that is a Washington-type point, so let me turn to my main problems with these criticisms, which is that they misread some of the points I was trying to make.

The first has to do with the definition of activism.

Our policy approach is active not mainly because it is designed to provoke change in Eastern Europe, but mainly because it seeks actively to define concrete programs offering the East Europeans the basic tradeoff in a format most likely to be feasible for them.

The essential approach remains that we are willing to develop better and more constructive relations with each country at whatever pace that country feels it can stand, based on clearly defined American interests on our side. We owe it to them to tell them where we stand, and to equip ourselves to deliver if they are willing to engage. But the choice is theirs: we are neither running after them, nor pressuring them. It is up to them.

My second quibble has to do with the extent of our leverage.

To be sure it is leverage at the margin; we have little, and must husband and exert it prudently. But it seems to me even more imprudent for American interests—and the coherence and sustainability of American policy—to underestimate rather than to overestimate it.

A year ago and again this year, when the Vice President and then the Deputy Secretary told Jaruzelski that we did not believe economic reform would work without political consensus, and that while it was up to them to figure out how to achieve it, if they asked us we would

suggest talking officially to Solidarity, it probably looked to some as if the Reagan administration was just talking for the record.

At the low end of the scale, it may have looked the same way—a mini-version of the zero option—when the Deputy Secretary held off a decision to introduce closed zones for Bulgarian diplomats in the U.S. while the Bulgarians considered reducing theirs.

Next week the Polish regime is scheduled to sit down with Walesa to discuss relegalization of Solidarity, and the Bulgarians have reduced their closed zones by about 3/4.

It may seem chimerical to tell Ceausescu that he has hatcheted economic relations without reducing our human rights concerns, and that MFN will not be restored without major movements on human rights, which he considers political.

But strange things are happening. The record of the past ten months—the return to politics, in positive or negative terms, throughout the area—increases rather than decreases my confidence that we are on the right track.

The basic tradeoff we are offering seems to me, on the evidence, more realistic than ever, rather than merely comfortable as an expression of American idealism and American politics.

To be sure, we must continue to be prudent, cautious, patient; we must continue to tailor our challenge programs to the specifics of diversity.

Most of all, we must be careful not to promise more than we can deliver, and this will be a challenge to any successor administration. By the trend, we should be approaching a time when we can realistically ask for more—as politics in the area becomes politicized or de-economized, it moves onto our turf, into the realm of values, political reform and human rights where we are strongest and most interested. But in return we will also be asked for more in the economic realm, in a time of prolonged budgetary stringency. We will be challenged to put our money where our policy is. And to the extent we do not measure up, we will erode the credibility of a policy approach which promotes substantial U.S. interests recognized and supported for over four decades on a bipartisan basis.

I think we should welcome that challenge rather than shy away from it. I have modest confidence in the Americans as well as the East Europeans. I think it is realistic to believe the U.S. can muster the resources required to encourage movement toward goals we have pursued over four decades, when those would become, after four decades, realistic to an unprecedented degree. At the very least it is well worth working for.

Shultz

Romania

63. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, February 5, 1981, 1413Z

920. Subject: Romanian Invitation to Secretary Haig. Ref: A) State 29279, B) Bucharest 733 (Nodis).²

1. C—Entire text.

2. I delivered the Secretary's message contained in reftel to Foreign Minister Andrei at 11:00 am today, February 5, just before he left he left for the airport for the arrival of Syrian President Assad. I informed Andrei the Secretary had asked me to tell him he looked forward to meeting him.

3. Andrei said he looked forward to meeting Secretary Haig. He then read the Secretary's message and thanked me for bringing it personally. He asked that I transmit his best regards to the Secretary and stress the importance of the invitation he had conveyed on February 4 when he received me along with Belgrade Charge John Scanlan (reported septel).³ The invitation for the Secretary to visit Romania was made at President Ceausescu's behest, Andrei said. Concerned by many difficult and threatening international situations, including some recent developments in Europe, Ceausescu would especially welcome an opportunity to discuss them with Secretary Haig. Therefore he hoped that during a forthcoming trip to Europe the Secretary would be able to include a stop in Bucharest.

4. For his part, Andrei said, he planned a trip to Argentina and Brazil in April or May (the Brazilian Ambassador noted that possibility last night), and a stop in Washington might be possible at that time.

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Romania (01/31/1981-05/14/1984). Confidential; Immediate; Exdis. Printed from a copy that was received in the White House Situation Room.

² Telegram 29279 to Bucharest, February 4, contained the Secretary of State's reply to a congratulatory message from Romanian Foreign Minister Andrei. (Department of State, Central Foreign Policy File, D810053-1043) Telegram 733 from Bucharest, January 30, conveyed Libya's offer, made through Romania, to resume full diplomatic relations with the United States. (Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Romania (01/31/1981-05/14/1984))

³ Telegram 922 from Bucharest, February 5, described Aggrey and Scanlan's meeting with Andrei. (Department of State, Central Foreign Policy File, D810055-0749)

5. I told Andrei I would convey the invitation just as he presented it to me, carefully noting President Ceausescu's personal interest. While I did not yet have an answer to his message of January 30, reftel B, on Libya, I assured him that I would contact him as soon as it was received. As I left, Andrei mentioned once more Romania's desire to collaborate with the new U.S. administration.

Aggrey

64. Letter From Romanian President Ceausescu to President Reagan¹

Bucharest, undated

His Excellency

Mr. Ronald Reagan

President of the United States of America

In the spirit of the relations of cooperation established between our countries and starting from the responsibility of the States signatories of the Helsinki Final Act,² for the peace and security of the European peoples, I address myself to You in matters related to the development of the present Madrid meeting³ wishing for its conclusion with positive results.

In the present international situation it is necessary to do everything possible for the resumption and continuation of the policy of peace, detente, respect for national independence and cooperation, to ensure a world of peace and equality to the present and the future generations, so that each people could develop freely, without any

¹ Source: Reagan Library, Executive Secretariat, NSC Head of State File, Romania: President Ceausescu (8101689) (1). No classification marking. Printed from an unofficial translation. An unsigned version in the original Romanian is *ibid*.

² The Helsinki Final Act dealt with a variety of issues that were divided into four "baskets" and was signed, by thirty five countries, at the conclusion of the OSCE. The first basket addressed political and military issues. The second basket included economic issues. The third basket focused on human rights. The fourth basket addressed implementation and follow-up meetings. For the text of the Helsinki Final Act, see the Department of State *Bulletin*, September 1, 1975, pp. 323–350.

³ Documentation regarding the U.S. policy toward the November 11, 1980–September 9, 1983 Madrid Conference on CSCE is scheduled for publication in *Foreign Relations of the United States, 1977–1980*, vol. V, European Security, 1977–1983.

aggression or interference from outside, according to its own interests and aspirations.

I consider that the central issue of the Madrid meeting should be the adoption of agreements meant to open the way for the strengthening of confidence, stopping the arms race and the adoption of concrete measures towards military disengagement and disarmament. That is why the Madrid meeting should establish the convening of a Conference for confidence building measures and disarmament in Europe, as part of the process initiated by the Helsinki Conference, at a date allowing its thorough preparation. To this end, I believe that a reunion of experts should be decided upon in Madrid, with the participation of all the States signatories of the Final Act, ensuring the proper preparation of the Conference.

I consider that a basis of negotiations likely to lead to the achievement of a consensus within the framework of the Madrid meeting regarding the convening of the Conference on confidence building and disarmament is offered by the recent proposals submitted by Leonid Ilyitch Brezhnev, President of the Supreme Soviet of the Soviet Union, regarding the expansion of the zone of implementation of the confidence building measures on the whole European territory of the U.S.S.R. and the quantitative and qualitative freezing of the nuclear medium range missiles in Europe, simultaneously with starting immediate negotiations for their reduction.⁴

I would also consider that the Madrid meeting should adopt decisions leading to the development of the political, economic, technical, scientific, cultural and other relations among the participating States, it should agree upon measures for the assuring the democratic rights and liberties, the elimination of any manifestations of neo-nazism, chauvinism and irredentism, of terrorist actions, for the extension of human contacts aiming at better mutual knowledge and rapprochement among peoples.

In accordance with the provisions of the Final Act, the meeting must ensure the continuation of the process initiated by the Helsinki Conference and therefore it should establish the place and date of the next meeting. As You know, Romania offered to host this meeting in Bucharest, ensuring the proper conditions for good progress of its works. We express our confidence that this proposal will receive the support of your country's Government and will reach the consensus of the participating States at the meeting.

⁴ See *Foreign Relations*, 1981–1988, vol. III, Soviet Union, January 1981–January 1983, Document 35.

As far as Romania is concerned, she is determined to make steady efforts to ensure the success of the Madrid meeting and will further cooperate with Your country, with the other participating States, to agree upon measures able to give a new impulse to the implementation of the Helsinki Final Act.

In conclusion, I convey my greetings to You and I express my desire to further develop the relations between our countries, their cooperation on the international arena, for a policy of peace, detente, national independence and security in Europe and throughout the world.

With the highest regards,

Nicolae Ceausescu

President of The Socialist Republic of Romania

65. Telegram From the Department of State to the Embassy in Romania¹

Washington, April 7, 1981, 0240Z

87201. Subject: Romanian and Polish Situation.

1. (S—Entire text).

2. We would like you to call on the highest official available on Tuesday² and make the following points to him or her:

—It is clear to us that military activities around Poland have taken on a new dimension,³ and that the Soviet Union is making contingency preparations for possible military action in Poland. We have also noticed an increasing tendency in the Soviet press to depict the situation

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Romania (01/31/1981–05/14/1984). Secret; Immediate; Nodis. Sent Immediate for information to Moscow, Warsaw, and the White House. Printed from a copy that was received in the White House Situation Room.

² April 7.

³ In the spring of 1981, several members of Solidarity were brutally beaten by the Polish security services. In protest, Solidarity planned a national strike to bring attention to the violence. At the end of March, a four-hour national warning strike took place, which many Poles participated in, essentially bringing the country to a halt for those four hours. In August 1980 in Gdansk, 16,000 Polish laborers in the Lenin Shipyards went on strike. The strike quickly spread throughout the country and led to the collapse of the Polish economy. In response, the communist government permitted the establishment of trade unions independent of the Polish Communist Party. These trade unions joined together to create the Solidarity movement. For documentation, see *Foreign Relations*, 1977–1980, vol. VII, Poland, 1977–1981.

in Poland as deteriorating and as reflecting attempts by “opponents of socialism” to create “chaos and anarchy”. We view this as a possible Soviet attempt to provide justification for Soviet violation of Polish sovereignty. (Note: You might draw on other passages from the Soviet press, summarized in Moscow 4643 and 4696.)⁴

—We note with additional concern the statement by Husak at the Czechoslovak Party Congress (Prague 1400)⁵ that “the protection of the socialist system is the concern of each socialist state but also the joint concern of the states of the socialist community.” This, too, has an ominous ring in the context of the Polish situation.

—It is also clear that the Poles are having extremely serious economic and financial difficulties. These difficulties will take a considerable time to resolve. We approach Poland’s problems from a sympathetic point of view, and as the visit to Washington last week of Deputy Prime Minister Jagielski demonstrated, we want to develop our relations with Poland further on the basis of mutual respect, reciprocity and nonintervention in internal affairs. We are of course concerned that others too should follow a policy of strict nonintervention.

—If we understand the Romanian position correctly, it is that Poland should be able, and should be permitted, to resolve its own problems. Such a position of principle on the part of Romania will be much appreciated in the United States and in the West generally. It will make it easier to bolster our own bilateral relations.

—Since we put a high value on our relations with Romania, we would like to continue our confidential exchanges. In particular, should the Soviet Union begin to threaten Poland more directly, we would wish to consult Romania urgently on a most confidential basis. As DAS Barry told Ambassador Ionescu last December (State 325178)⁶ in the event of Soviet action against Poland the United States would want to be as supportive of Romania independence as possible, assuming of course that Romania did not involve itself even formally in any intervention. If there was Romanian participation, US-Romanian relations would be adversely affected.

⁴ Telegram 4643 from Moscow, April 5, described Brezhnev’s departure for Prague to attend the Czechoslovak Party Congress and summarized *Pravda*’s coverage of the events in Poland. (Department of State, Central Foreign Policy File, D810161–0378) Telegram 4696 from Moscow, April 6, contained more of *Pravda*’s coverage of the events in Poland. (Department of State, Central Foreign Policy File, D810162–0125)

⁵ Telegram 1400 from Prague, April 6, contained Husak’s statements on Poland. (Department of State, Central Foreign Policy File, D810162–0181)

⁶ Telegram 325178 to Bucharest, December 9, 1980, reported on the meeting, including Ionescu’s views on the current situation in Poland. (Department of State, Central Foreign Policy File, P870104–0547)

3. You should use the occasion of this call to get Romanian views on the situation in Poland and the current Soviet attitude toward events there.⁷ Of particular interest would be Romanian insights on Brezhnev's attendance at the Czechoslovak Party Congress and the possibility of a Warsaw Pact summit in Czechoslovakia or in connection with the GDR Party Congress beginning April 11.

Clark

⁷ Aggrey's report of delivering the U.S. démarche to Andrei is in telegram 2630 from Bucharest, April 7. (Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Romania (01/31/1981–05/14/1984)) A Romanian response to the démarche delivered by Andrei is in telegram 2770 from Bucharest, April 11. (Ibid.)

66. Paper Prepared in the Central Intelligence Agency¹

Washington, April 11, 1981

[number not declassified]

ROMANIA: Repercussions of the Polish Crisis

[name not declassified]

The workers' challenge in Poland presents Romania's leaders with the most serious problems they have faced in recent years. President Ceausescu regards it as a threat to his control because it could stimulate more unrest among Romania's disgruntled workers. If the Polish crisis is not resolved soon, he may be forced to revamp his economic policies drastically. On the other hand, if Bucharest supports a Warsaw Pact move into Poland, it would damage Romania's independent foreign policy posture and weaken Ceausescu's domestic position. [portion marking not declassified]

The situation in Poland coincides with growing restiveness in Romania over a deterioration in the country's already low living standard. Discontent has mounted steadily since last summer over food shortages, pay cuts, and bad working conditions, intermittently causing local disturbances. [portion marking not declassified]

Ceausescu has worked hard to reduce tensions by granting selective but largely cosmetic economic concessions, by improving the standing of the official trade union, and by stimulating agricultural

¹ Source: Reagan Library, Donald Fortier Files, Subject File, DF: Eastern Europe 1981. Top Secret; [codeword not declassified]. The paper was one of the CIA's Special Analysis series.

production. He also has warned against the establishment of “competing organizations” and has tightened internal controls—already among the most repressive in Eastern Europe. [*portion marking not declassified*]

The President hopes that these moves will enable the regime to minimize the repercussions from Poland without diverting Romania’s limited assets away from the drive for rapid industrialization. They may have in fact had an impact, as labor disturbances have remained small, uncoordinated, and focused on local grievances. At the same time, however, none of these measures seem likely to result in a significant improvement in living and working conditions. [*portion marking not declassified*]

Although officials privately voice confidence that Romanians will accept deprivation with little protest, there has been an erosion in the standing of the regime and of Ceausescu personally. [*less than 4 lines not declassified*]

If the turmoil in Poland persists, more significant unrest might develop and force Ceausescu to abandon rapid industrialization in favor of increased emphasis on consumer welfare. This could be seen, however, as an indictment of the economic policies he has pursued since assuming power. [*portion marking not declassified*]

The Intervention Issue

Ceausescu wants the Polish Government to move decisively against Solidarity and other dissident forces. Bucharest’s views regarding Poland have fluctuated, as much because of changes in Ceausescu’s confidence in the security of his own position as because of developments in Poland. [*portion marking not declassified*]

Last fall, following a summer of unrest in Romania, Ceausescu evidently became unnerved by Warsaw’s capitulation to the Polish strikers and pressed for strong action, possibly including intervention. As civil unrest eased at home, however, he even more forcefully reiterated that the Poles should be allowed to resolve their problems themselves. Ceausescu still maintains this position. [*portion marking not declassified*]

Ceausescu is aware that a Soviet-imposed solution would have far-reaching negative implications for his government, especially if he supported it. The impact on East-West relations probably would induce a siege mentality in Moscow, making it more difficult for Ceausescu to pursue his independent policies. Romanian support for a Warsaw Pact intervention would weaken Bucharest’s defenses against Soviet meddling in Romanian internal affairs, endanger the ties Bucharest has developed with countries outside the Warsaw Pact as a buffer against such Soviet interference, and undermine Ceausescu’s credibility and political standing. [*portion marking not declassified*]

On the other hand, a successful intervention—that did not involve Romania—could help Ceausescu domestically by demonstrating to his own people the futility of challenging party authority. It would also revive the fear of the Soviet threat. By publicly opposing a move against Poland, the President could win support at home for standing up to the Soviets. [*portion marking not declassified*]

Outlook

Ceausescu will try to minimize the repercussions of the Polish crisis by temporarily placating workers and consumers and by intimidating dissenters. At the same time, he will privately urge Warsaw to crack down, while maintaining his public stance in support of allowing the Poles to solve their own problems. [*portion marking not declassified*]

If limited measures are inadequate, Ceausescu may make the fundamental changes in economic policy that he has resisted. He already has admitted that overemphasis on industrial development to the detriment of agriculture has been a mistake. The failure to publish the 1981–85 Plan also suggests that a reassessment of economic policy may be under way. [*portion marking not declassified*]

If party control appeared in danger of collapse in Poland, Ceausescu probably would privately favor intervention, if requested by Polish leaders. He would not want to go on record supporting such a move, however, and would resist any Romanian participation. [*portion marking not declassified*]

67. Letter From Romanian President Ceausescu to President Reagan¹

Bucharest, May 5, 1981

Dear Mr. President,

First of all, I should like to convey to You a warm greeting and to renew my best wishes for Your good health and happiness, for the success of Your high mission as well as my wishes of progress and prosperity for the friendly American people.

¹ Source: Reagan Library, Executive Secretariat, NSC Head of State File, Romania: President Ceausescu (8101689) (2). No classification marking. Printed from an unofficial translation. A signed copy of the letter in the original Romanian is *ibid*.

Using this opportunity I desire to reaffirm once again Romania's decision as well as mine that the relations between our countries know a continuous development on the basis of principles of international justice and of joint American-Romanian documents.

It is our profound conviction, continually strengthened by the experience of the last years, that the permanent deepening of relations and dialogue on multiple plans between the Socialist Republic of Romania and the United States of America is serving the national interests of our peoples and is affirming itself as a constructive factor in international relations, supporting the cause of peace, international cooperation and national independence of peoples.

I have no doubt, Mr. President, that You are sharing the same thoughts, that Your Administration and You, personally, will continue and develop the tradition of fruitful American-Romanian cooperation established in the last years granting all attention to the solution of problems arising in our mutual relations.

In this respect, I am confident that the visit of the Romanian Minister of Foreign Affairs to Washington² as well as the visit of the U.S. Secretary of Trade to Bucharest³ will be concluded with fruitful results both on the plan of bilateral exchanges and of American-Romanian collaboration in the sphere of international life.

As You are aware of, in the positive evolution of the American-Romanian relationship a decisive role was played by the high level dialogue and I want to express my desire to continue and deepen this dialogue with You.

In this spirit, it is a great pleasure for me that on my own behalf and on behalf of my wife, to address to You and Mrs. Reagan the invitation to pay an official visit to Romania, at a mutually convenient date.

You may be sure, Mr. President, that You will be received in Romania with best feelings of esteem and friendship the Romanian people have for your people and country. I am convinced that the meetings and talks we shall have will range as a memorable moment in the upward evolution of American-Romanian relations.

With friendly feelings,

N. Ceaușescu⁴

² May 14–15. See Documents 72 and 73.

³ May 14–15. See footnote 3, Document 76.

⁴ The translation bears this typed signature.

68. Letter From President Reagan to Romanian President Ceausescu¹

Washington, May 11, 1981

Dear Mr. President:

I welcome the opportunity of maintaining high-level discussions by having Secretary of Commerce Baldrige visit Romania for the meeting of the Joint Economic Commission, May 14–15.

During the past five years, trade between our two countries has more than doubled from \$450 million to \$1.1 billion. Yet, there is room for further development. Secretary Baldrige is prepared to discuss with you and your representatives ways in which we can improve upon an already well-established trade relationship.²

Let me also take this occasion to thank you for your letter of April 2 on the Madrid meeting of the signatories of the Helsinki Final Act. Your views are particularly helpful. I can assure you that the United States remains fully committed to the CSCE process, as Ambassador Kampelman's recent visit demonstrated.³

We are looking forward to the visit of Foreign Minister Andrei.⁴ This will be the first opportunity for my Administration to review with your government the full range of bilateral issues and international questions of mutual concern to us. Secretary of State Haig will take full advantage of this visit to share with Minister Andrei my views on the central international issues of the day.

We continue to support efforts to establish firm criteria for a conference on the military aspects of security in Europe. To be meaningful, the confidence building measures which may come out of such a conference must be militarily significant, verifiable, and carry a high degree of political obligation. We also continue to hold firmly to the position that these criteria must apply to the whole of Europe, including the Soviet territory up to the Urals.

Progress in the security field must be balanced by other concerns, such as human rights. The United States remains interested in Romania fulfilling obligations undertaken in the Helsinki Final Act.

I trust that you continue to believe, as I do, that the Polish people must be allowed to resolve their own problems. Disturbance of the

¹ Source: Reagan Library, Executive Secretariat, NSC Head of State File, Romania: President Ceausescu (8101689) (1). No classification marking.

² May 14–15. See footnote 3, Document 76.

³ Max Kampelman was head of the U.S. Delegation to the Madrid CSCE Review Conference.

⁴ See Documents 72 and 73.

peace in Poland by outsiders would seriously affect the entire range of East-West relations. The American people are grateful for your efforts to promote those relations through better understanding.

Thank you, again, for your letter. As we continue to exchange views and information we will strengthen the stability of peace in our world.

Sincerely,

Ronald Reagan

69. Memorandum From Allen Lenz of the National Security Council Staff to the Executive Secretary of the Department of State (Bremer)¹

Washington, May 11, 1981

SUBJECT

MFN Renewal (Romania, Hungary, PRC)²
S/S 8112916

The NSC Staff suggests that the Presidential waivers of prohibition of MFN for Hungary and the PRC should be considered separately from a potential waiver for Romania. We concur with your recommendation that the situation with regard to Hungary and the PRC does not warrant any additional examination and the said waivers should be granted unconditionally. (C)

However, the Romanian case is quite different. Jewish emigration from Romania has decreased considerably in numbers and the Romanian authorities have not alleviated the harassment of those Jews desiring to emigrate. Their behavior contradicts several pledges extended by the Romanian Government to the American Jewish community. Hence, before MFN can be granted we should seek assurances from the Romanian Government that the current unsatisfactory state of Jewish emigration would be remedied. (C)

We are aware of Romania's sensitivity to the issue of Jewish emigration and the likely resentment with which it will meet our direct

¹ Source: Reagan Library, Paula J. Dobriansky Files, Chron 5/19/81-5/28/81. Confidential. Sent via LDX.

² See Document 2.

pressure. Yet, given its need of U.S. trade and technology and a manifestation of our determination on this issue, it is most unlikely Romania will refuse to grant these assurances. Moreover, given the current sentiment on Capitol Hill, and the already existent Jewish disenchantment with this Administration's proposed AWAC sale,³ the likelihood that Congress would overrule the Presidential waiver to Romania is considerable. If this were to occur, it would embarrass the Administration and would worsen U.S.-Romanian relations to a greater extent than simply not renewing the Presidential waiver. (C)

However, if the Romanians are not forthcoming on this issue and do not provide the required assurances, MFN should not be renewed and our trade agreement with Romania would lapse. It is unlikely, though, that even this improbable contingency would significantly damage overall U.S.-Romanian relations or considerably alter Romania's foreign policy. (C)

Based on the above considerations, we propose that a separate PD, transmittal message and recommendation for extension of waiver authority be prepared for Romania. We seek your comments on the above by noon tomorrow. (C)

Allen J. Lenz
Staff Director

³ Reference is to the proposed sale of AWACS aircraft to Saudi Arabia.

**70. Memorandum From the Executive Secretary of the
Department of State (Bremer) to the President's
Assistant for National Security Affairs (Allen)¹**

Washington, May 12, 1981

SUBJECT

May 11 NSC Memorandum on Romanian MFN Renewal²

We will provide you detailed comments on your memorandum as soon as possible, and Mr. John Scanlan will plan to discuss the matter at his meeting with Dr. Pipes this afternoon.

¹ Source: Reagan Library, Paula J. Dobriansky Files, Chron 5/19/81–5/28/81. Confidential.

² See Document 69.

Basically we believe the NSC memorandum misjudges the way in which MFN leverage can be brought to bear on the Romanians. Furthermore, the memorandum does not take into account the views of the major American Jewish organizations. For example, the President of B'Nai B'Rith International informed Ambassador Eagleburger on May 8, following his recent visit to Romania, that he was convinced that the best interests of Romania's Jewish community were served by MFN renewal.

We strongly believe that the President should not discuss the question of MFN renewal in any explicit terms when he meets with the Romanian Foreign Minister briefly on May 15. The Secretary is sending the President a separate memorandum with his advice on that meeting.

L. Paul Bremer, III³

³ John H. Kelly signed for Bremer above Bremer's typed signature.

**71. Memorandum From the Executive Secretary of the
Department of State (Bremer) to the President's
Assistant for National Security Affairs (Allen)¹**

Washington, May 12, 1981

SUBJECT

Romanian MFN Waiver Authority

This is in response to Dr. Lenz's memorandum of May 11² concerning the extension of MFN waiver authority for Romania. Our initial response was sent to you earlier today.³

As Secretary Haig indicated in his Memorandum to the President of May 1,⁴ the Jackson-Vanik waiver for Romania—as for the other countries concerned—is a central element in our bilateral relationship. We believe that the course the Secretary recommended to the President is one which contributes best both to the Jackson-Vanik objective of freedom of

¹ Source: Reagan Library, William L. Stearman Files, Subject File, Romania 06/02/1981–06/21/1981. Confidential.

² See Document 69.

³ See Document 70.

⁴ See Document 2.

emigration (Romanian emigration to the U.S. has increased seven-fold since the granting of MFN) and our overall foreign policy interests.

Under the Trade Act, the President must make his recommendation to Congress by June 3, or his waiver authority will lapse automatically. Thus a key question is whether the U.S. can usefully take further steps to encourage Romania to permit increased Jewish emigration prior to that cutoff date. In our view, the Romanians are already under maximum pressure from us and American Jewish organizations to increase Jewish emigration.

The Jackson-Vanik waiver extension is a focal point each year in our continuing dialogue with the Romanians on their emigration performance. This year, as in previous years, we and the American Jewish community have used the requirement for a Presidential waiver recommendation and the Congressional waiver hearings as a means to encourage improved Romanian emigration performance. We have already made a series of demarches to the Romanians at high levels, emphasizing our concern about the level of Jewish emigration to Israel. The President of B'nai B'rith International, Jack Spitzer, and the President of the Appeal of Conscience Foundation, Rabbi Arthur Schneier, have both met personally with President Ceausescu to register their concern. They have also conferred with the Chief Rabbi of Romania. Both Spitzer and Schneier have returned from Romania convinced that the continuation of MFN provides the best means of applying pressure on the Romanians to live up to the terms of their 1979 understanding with American Jewish organizations. Both agree that if MFN were to lapse, the U.S. would have no meaningful leverage to support the Romanian Jewish community and that that community would be considerably worse off without MFN. The Israeli Ambassador to Romania has informed us in strict confidence that he believes continuation of MFN is in the best interests of Israel.

In our view, Dr. Lenz's memorandum misjudges the way in which MFN leverage can be used to gain concessions from the Romanian Government. The threat of not renewing MFN is useful only if we are not forced to make good on it. If MFN were not renewed, we would lose our chief means of assisting those Jews who remain in Romania and wish to emigrate. Moreover, we have carefully avoided asking the Romanian Government for government-to-government assurances regarding Jewish emigration as we seriously doubt whether the Romanian Government would grant such assurances.

Our own Congressional soundings have indicated that although Romania's record is certain to be raised at the waiver hearings and individual Congressmen will oppose MFN renewal, it is very unlikely that the major American Jewish organizations, which ultimately will support MFN, will seek to have the Congress override the President on the Romanian waiver. In the unlikely event Congress were to pass

a disapproval resolution, the Administration could still argue that it wished to maintain positive relations with Romania. If, however, the Administration were to oppose MFN renewal on the grounds set forth in Dr. Lenz's memorandum, our ability to pursue our interests in Romania would be seriously undermined.

Termination of MFN status for Romania would also have a dampening effect on U.S.-Romanian trade. This trade has grown dramatically since the reciprocal extension of MFN tariff treatment; it now stands at more than \$1 billion annually and is balanced heavily (70–30 percent) in our favor.

Finally, MFN is the centerpiece of U.S.-Romanian relations and a critical element in Romania's strategy of seeking maximum independence from Moscow. Romania looks to the West, and to the U.S. in particular, for political support and trade alternatives with which to resist Soviet pressures against its independent foreign policy stance. Terminating the waiver could therefore be very damaging to U.S. political and strategic interests.

L. Paul Bremer, III⁵

⁵ John H. Kelly signed for Bremer above Bremer's typed signature.

72. Memorandum of Conversation¹

Washington, May 15, 1981, 11:30–11:45 a.m.

SUBJECT

The President's Meeting with Romanian Foreign Minister Stefan Andrei

PARTICIPANTS

President Ronald Reagan
Secretary of State Alexander M. Haig, Jr.
Assistant to the President for National Security Affairs Richard V. Allen
Assistant Secretary of State Lawrence Eagleburger (European Affairs)
Harry Barnes, former U.S. Ambassador to Romania (interpreter)
Paula Dobriansky, NSC Staff Member

¹ Source: Reagan Library, Paula J. Dobriansky Files, Romania—Correspondence (1). Secret. The meeting took place in the Oval Office. No drafting information appears on the memorandum of conversation. Allen sent a copy to Haig and Baldrige under a May 26 covering memorandum. (Ibid.)

Foreign Minister Stefan Andrei
Romanian Ambassador to U.S. Nicolae Ionescu
Corneliu Bogdan, Director for the Americas, Ministry of Foreign Affairs

The President opened the meeting by welcoming Foreign Minister Andrei. (C)

Foreign Minister Andrei responded by expressing his thanks and gratitude for having the opportunity to meet with the President and by conveying President Ceausescu's best wishes and warm regards to the President. He went on to stress the great importance Romania attaches to its relations with the United States—particularly in the political and economic realm. Specifically, he referred to the importance of MFN being extended to Romania and the fact that the United States constitutes Romania's third largest trading partner. Both developments have significantly broadened their overall relations. Lastly, he mentioned that Romania is seeking to strengthen cooperation in the international field and hopes the U.S. will join in this effort. (S)

The President replied that he respected Romania's independent and special position within the Warsaw Pact and hoped that it will continue to pursue such an autonomous course. (S)

In response, the *Foreign Minister* assured the President that Romania will continue to support this policy and added it would be of great assistance if the U.S. would join Romania in its efforts to lessen international tensions. (S)

The President then reaffirmed his wholehearted approval of Romania's independent course and the need to maintain good bilateral relations. (S)

Foreign Minister Andrei went on to say that he would be meeting with Secretary of State Haig in the afternoon,² at which time he would continue to discuss and explain the Romanian position on some very pressing issues. That very morning President Ceausescu had given him instructions regarding Lebanon, and he wanted to discuss this issue with the Secretary of State. (S)

The Foreign Minister again expressed and emphasized the importance of good U.S.-Romanian relations and specifically made reference to Secretary of Commerce Baldrige's May 14–15 trip to Bucharest. He maintained that Baldrige's trip signified an expression of U.S. goodwill. He then conveyed President Ceausescu's invitation to the President to visit Romania and said he sincerely hoped the President will accept this invitation. (S)

The President replied that he looked forward to the invitation. (S)

²See Document 73.

The *Foreign Minister* added that a Presidential visit to Bucharest would be a clear manifestation of the special relationship between the U.S and Romania. (S)

At this point the meeting concluded to enable Foreign Minister Andrei to attend a luncheon at the State Department and to meet with Secretary of State Haig. (C)

73. Memorandum of Conversation¹

Washington, May 15, 1981, noon

SUBJECT

Conversation Between Secretary of State and Romanian Foreign Minister
Stefan Andrei

PARTICIPANTS

United States
Secretary Haig
Ambassador Harry G. Barnes, Jr.

Romania
Foreign Minister Andrei
Ambassador Bogdan, Director for the Americas, Romanian MFA

(The Secretary and the Minister had come together from the meeting with the President² and had already been talking for a few minutes before Ambassador Bogdan and I joined them.)

ANDREI: I wanted to explain a little more of the importance we attach to your visiting Romania. President Ceausescu asked me to tell you that although the invitation is in the name of the government, he himself looks forward very much to the opportunity to talk with you to share with you some of his thinking and to learn more about your views. As I told President Reagan, we see his visit as much more than a protocol-type occasion. It would be the occasion for a great public manifestation of the friendship between the two peoples. Ambassador Barnes, who was in Bucharest, knows what I mean.

¹ Source: Department of State, Executive Secretariat, S/S Special Handling Restrictions Memos, 1979–1983, Lot 96 D 262, ES Sensitive, March 13–20, 1981. Secret. Drafted by Barnes on May 19. The meeting took place in the Secretary of State's office.

² See Document 72.

MFN

I wanted to raise several bilateral economic and political problems President Ceausescu has asked me to take up with you, particularly in our more restricted discussions. With regard to the renewal of MFN, he is hoping he can count on your support. We will be taking, I can assure you, the necessary measures internally on emigration questions. In this general context, President Ceausescu recalls that we had raised with the Carter Administration the possibility of MFN being granted for two-three years at a time, but that was not then possible. Such an approach would provide a much more favorable perspective to our relations and would make our economic ties much more solid than is now possible with the renewal coming every year, which inevitably introduces an element of uncertainty.

EXPORT LICENSES

We are still having difficulties in obtaining U.S. export licenses. In fact, for the last year, we haven't obtained any of those we have sought. Going back to the time of the Nixon Administration, we had developed a joint venture with Control Data Corporation but now of late have been having problems with getting licenses for export of their technology. As someone with a military background, you, of course, understand that we have and are prepared to accept whatever obligations are necessary to give you the assurances you require for export control. We would ask you to support a more favorable approach to your issuance of licenses which would have a positive effect on increasing American business interest in Romania.

INTERNATIONAL FINANCIAL INSTITUTIONS

President Ceausescu asked me to thank you for your country's assistance to us in both the World Bank and IMF spheres and to ask you to continue that same sort of support in the future. Basically, our problems here are related to the difficulties we've had in getting an adequate supply of oil. Until this last year, the Soviets have provided us with no oil; now they are selling us a million tons but at the world market price not the concessional price other Eastern European countries get. We, in general, do not want to depend too much as you can understand on the Soviet Union, nor for that matter on the other Eastern European countries who are close to the Soviets. (Andrei then proceeded to cite several instances from the past where Romanian actions had led to Soviet displeasure and that displeasure in turn had been felt in Romania's relations with the other Eastern European countries.) What happens is that when we have problems with the Soviets they are felt in our relations with other countries, a sort of "wave" effect. We are planning now to cut the work week from 48 to 46 hours, but to keep up our production plans at the same time. We have made good use of the loans provided

by the World Bank and cannot afford now to lose that source of help. Admittedly, we have concentrated on the production and not the consumer section, but we've done that in order to assure our economic independence. We, therefore, hope you will continue to support World Bank assistance to Romania.

With regard to the IMF, we have negotiated some new understandings and ask that the U.S. Director of the Fund be authorized to support them.

SHIP VISITS TO HAMPTON ROADS

This is a problem that goes back some time. We have concluded an agreement to buy 500,000 tons of coal from an American firm. Hampton Roads is the closest port to the mine, but because of American restrictions we have to load the coal in Baltimore, which costs \$6 more a ton. We are prepared to submit to any form of control of the ship and its crew that you require. The economic loss is so great we do ask that you look at this matter again.

AGRICULTURE CREDITS

There are close ties between the Romanian and American Departments of Agriculture and we had hoped to get some credits for the purchase of various items such as powdered milk. We had been told this would be possible but were just recently informed we would have to pay market prices, which given the transportation costs would make the purchase too expensive.

CONCESSIONAL CREDITS

President Ceausescu also asked me to mention that he has sought since the Nixon-Ford Administrations to obtain credits for development purposes from the United States. I last discussed the matter with Secretary Kissinger in 1976.³ We were always told that this was a very difficult problem but could be looked at from time to time, a sort of half-promise.

THE SECRETARY: I wanted to assure you that I had a very active participation in Romanian-U.S. affairs in the past, starting with the period when Ambassador Bogdan used to work on all these problems. I personally have great respect for President Ceausescu because of our past relations with him and the great help he gave to Presidents Nixon and Ford. There is a vacuum, of course, for me during the Carter years but I was in Europe then and admired the way you worked within the limits of the possible and the practical imposed on you to make the most of opportunities to enhance your independence and

³ See *Foreign Relations, 1969–1976*, vol. E–15, Documents on Eastern Europe, 1973–1976, Document 41.

continuing freedom of action. There is, of course, always a price to pay in the East European environment. That is why the courage you have demonstrated must not be ignored either on the part of the United States or the rest of the Western world.

MFN

I am also familiar but would never speak publicly about the interaction between your emigration policy and our ability to improve and move forward with our economic relations. This is very important in the Congress where difficulties can develop and which do so intermittently. Having said this, we are addressing the question of continuing MFN and this department is in favor of it. There is some opposition in the bureaucracy but I am confident things will work out. You will find our new Secretary of Commerce is a helpful person. We leave up to you to handle privately whatever needs to be done with regard to the emigration issue.

WORLD BANK

As you know, we've had some dispute within our bureaucracy on questions of foreign assistance. I believe it is of vital importance for the United States to continue to participate actively because this provides flexibility to keep our friends able to remain on an independent course. We will continue to do all we can in this area and specifically will follow-up on your request with the World Bank. McNamara⁴ is leaving but Clausen,⁵ who is replacing him, is good. We, of course, have our own economic problems as shown by President Reagan's determination to cut fifty billion dollars from our budget. This will have some effect on our multilateral financial funding in that we will have to stretch out some of our contributions. We will want the Bank to understand our interest in Romania and I will see that we take care of that.

TRANSFER OF TECHNOLOGY

Clearly some of the export licensing problems are the aftermath of the invasion of Afghanistan.⁶ We were probably less than careful in being discriminating as to destination. We will have to get some more discrimination into our approach. We are aware of the Control Data question and will work with that problem constructively. We do, of course, have to abide by the COCOM limits regarding the USSR but there probably are some people foolish enough to believe if something goes to Romania it also goes to the Soviet Union. We have to educate the new officials in the Government to reality.

⁴ Robert McNamara, World Bank President from April 1968 to June 1981.

⁵ Alden Clausen, World Bank President from July 1981 to June 1986.

⁶ The Soviets invaded Afghanistan in December 1979. See *Foreign Relations*, 1977–1980, vol. XII, Afghanistan.

OVERALL U.S.-ROMANIAN RELATIONS

I think in every case you will find President Reagan will be a friend like Presidents Nixon and Ford, in many respects even a greater friend. He understands what great courage gives to a people and understands the pressure under which you have to live. It is in our interest not to complicate things for you but rather to be aware of ways to help you in what you've set out to do.

Our colleagues who are more expert can perhaps help with some of the problems you have raised, but I wanted you and President Ceausescu to know that my involvement with Romania has been of long-standing. It is important that we understand each other well. If that exists, everything will be fine.

POLAND

I'd like to turn to other questions, Lebanon, for example, and get your appraisal. There is, of course, the serious situation in Poland which is somewhat calmer now but may become more serious nearer the Party Congress. I don't want to embarrass you but we are very concerned from the standpoint of the whole issue of easing tension.

ANDREI: Thank you for what you've said. We do want to continue our policy of independence. As you know, we have very good relations with Yugoslavia and we believe it was important that after Tito's death President Ceausescu worked to keep Romania independent—important for the whole European continent. For Romanian independence it is important that Yugoslavia be independent, just as Romania's independence is important for Yugoslavia's own independence. That is why we consult with each other so often and so frankly.

POLAND

With regard to Poland, there are very complicated problems internally. There is no unified point of view anywhere including within the Party. There is part of the Party's leadership, for example, which doesn't say what it wants, which is not that much in favor of independence, but they are afraid to speak out because they have the Soviets behind them. It would, of course, ease things if it could be said that Poland would continue to be a friend of the USSR's. But it would have to be understood that Polish policies were made in Warsaw not Moscow. I believe the Poles can resolve their problems. They have one big advantage, namely the constructive role played by the church. They must, however, avoid a confrontation with the Soviets which would permit the Soviets to intervene. The Soviets, objectively speaking, are not interested in intervening and have said as much to us. They know it would complicate their relations with the new administration. They have their own internal problems. They realize that changing the leadership of the Polish party would accomplish little, for the workers would occupy the factories.

Poland is not Czechoslovakia, the Poles in the past fought the Czar's troops and the Soviets understand they would fight Brezhnev's. The Soviets for these reasons are no longer really raising questions about the transformations that are taking place internally. The sorts of changes they raised questions about and acted on in the case of Czechoslovakia they are letting take place in Poland. It is not just the question of Solidarity or the peasants' association, but the Poles are even authorizing now the establishment of veterans' associations for those who fought on *both* sides during the Second World War!! My feeling is that if the Poles concentrate on strengthening the nationalist sentiment in the country with the aim of building an independent Poland, one that is not hostile to the USSR, with an independent approach to problems, they can succeed.

I have been asked, you should know, by President Ceausescu to assure you officially that there is absolutely no possibility whatsoever in any form or under any conditions of any Romanian participation in an intervention in Poland. The Poles have got to solve their problems themselves. I agree the Congress is very important, but is not going to resolve all their difficulties. Incidentally, we have seen some of the materials being prepared for the Congress which so far on the international side don't sound all that different from Gierek's day with references still to the leading role of the USSR.

LEBANON

There is no need for me to dwell on our relations with Israel with which you are familiar and which among other things have a sentimental importance to us because about a quarter of the population speaks Romanian.

BOGDAN: In fact, President Ceausescu has been told by some Israelis that he could be elected to office there because of the large Romanian speaking population.

ANDREI: President Ceausescu asked me to tell you that we have been making urgent approaches to the Syrians, Lebanese, and Jordanians in the hope of avoiding the outbreak of war. We are very worried about the possibility of a Christian state being set up in Lebanon, which would complicate everything. Instead efforts have to be directed toward somehow reconciling the various elements in that country with each other which would serve as an occasion for the withdrawal of Syrian troops which represent a fundamental problem now. We believe that a war over Lebanon would affect not just Israel but also could affect Egypt and perhaps even bring into question the Camp David accords.⁷

⁷ See *Foreign Relations, 1977–1980*, vol. VIII, Arab-Israeli Dispute, January 1977–August 1978; and *Foreign Relations, 1977–1980*, vol. IX, Arab-Israeli Dispute, August 1978–December 1980.

President Ceausescu also asked me to tell you that he wanted to cooperate in any way we can with your efforts. As you know, we did have a small part in the Camp David agreements. That process was very good, we welcomed it. But Israeli-Egyptian peace is not all there is to the problem and the process has to be carried to its logical conclusion. For that we believe a new framework has to be created—another forum which could create the necessary conditions, a forum in which all the interested parties including the U.S. and the USSR could take part under UN auspices. When we first raised this approach with the USSR, they were absolutely against it insisting that the Camp David accords had to be thrown out and Sadat removed. The Syrians were also very opposed. After a lot of discussions with them, the Syrians are now agreeable to the idea and the Soviets at their party Congress proposed that same policy, even though they may still make noises about Camp David to please Quadhafi. Even though they probably still don't like the idea that the Israelis and the Egyptians have reached an understanding, they know it is a reality of which they have to be aware, just as they know any Egyptian who replaced Sadat would never agree to give back the Sinai just to make the Soviets happy.

PALESTINIAN QUESTION

When I saw Arafat recently, he asked me to tell you that he wants to find some way of talking with the United States. He is still looking for a political solution and is prepared to consider territorial needs which Israel has in those areas where the distances from one border to another would be too narrow. He accepts the idea of a confederation with Jordan but feels this ought to be worked out with the Jordanians on an equal basis. We believe that solving the Palestinian problem would help the Lebanese situation because the Palestinians would have no reason to remain in Lebanon. As you know, the Palestinians have significant influence in other Arab countries, but Arafat stresses it was not Palestinians who created the difficulties in the holy mosque in Saudi Arabia and in fact he has been resisting pressure to make the PLO more Islamic. There were even, as you know, attempts by the Iranians to influence the PLO representative there in that direction.

SECRETARY:

MIDDLE EAST

I am very grateful for your views. It is clear that on some subjects we are not in agreement but I am optimistic that the next phases of the Camp David process can be continued successfully after the Israeli elections and that it would add to the momentum. I recognize that is not enough, but the reason I am optimistic is that if we can maintain peace and stability I believe all of these longer-term difficult problems can be resolved.

Right now our most serious problem is with Syria. To be very frank, we have been putting major pressure on Israel not to take military action. They have been prepared to do so since the day I arrived in Jerusalem a month ago,⁸ but agreed to give us time so we could seek a compromise. It is clear that neither Syria nor Israel created the problem. This problem is with the Christian element which felt left alone with no protecting big brother and started to take actions that disturbed the Syrians. The Syrians then occupied that ridge, placed missiles there, which in turn disturbed the Israelis. In that context, we saw a possible compromise through a return to the status quo. We were able to convince the Israelis to agree not to take any military action against Syrian forces north of the Red Line and we sought a return to the status quo with some assurances from the Syrians that the missiles would be ultimately withdrawn, but not involving making the Syrians back down publicly. We worked out with President Sarkis that Lebanese troops would occupy Zakla town and would remove the non-permanent elements. When this was presented to Assad, Assad said no.

We are going to try one more time, I'll be asking for help from the Saudis and also talking to the Soviets. The Soviets are clearly behind this and I'm afraid time is almost running out. We are prepared to face the consequences, but it is important that both the Soviets and Assad understand that they must demonstrate greater flexibility. We are willing to listen to anything they have to say. At first in the talks with Habib they showed some flexibility, but now none at all, which suggests that the Soviets have been talking to Assad. The situation is dangerous because the Israelis have the ability to take very strong action. I believe that is their intention. It is not in the interest of anyone to become the victims of this sort of situation. Anything you can do to apply pressure in Damascus would be very helpful. Israel has been very responsive even though this is adding to the risks they run because of the increasing Syrian pressure on them. There should not have to be a conflict but the Soviet Union is misjudging the situation if it believes a conflict would stop the peace process started by the Camp David accords. That process has come too far and the Arab states will never rally again under Soviet leadership, not Saudi Arabia, nor Jordan and never Egypt. Also, what interests do the Soviets have in another of their clients being brutalized. We are not anti-Syrian but the Syrians are being foolish.

(At this point the discussion was interrupted and continued over lunch.)⁹

⁸ Haig was in Jerusalem on April 5 and 6. This was part of a larger trip, April 4–12, which included Cairo, Amman, Riyadh, Rome, Madrid, London, Paris, and Bonn.

⁹ A memorandum for the lunch conversation was not found.

74. **Memorandum From Paula Dobriansky of the National Security Council Staff to the President's Assistant for National Security Affairs (Allen)**¹

Washington, May 27, 1981

SUBJECT

MFN Renewal with Romania

In assessing the renewal of Romania's MFN waiver, both the state of Romania's emigration policy and the broader policy considerations must be analyzed. (C)

Background

a. *State of Romanian Emigration: To the U.S.*—more than 2,800 persons emigrated which is seven times the pre-MFN level. *Jewish emigration to Israel*—decreased from approximately 4,000 in 1974 to roughly 1,000 in 1980. (State/Jewish organizations concur on these figures.) (U)

b. *Assessment of Romanian Emigration Procedures/Policy:* There is considerable disagreement over how restrictive Romanian emigration policies are. This dispute stems from a lack of consensus on how many Jews there are in Romania and what percentage want to emigrate.

—State estimates roughly 40,000 Romanian Jews; the Romanian census totals 25,000; the Center for Russian and East European Jewry maintains there are 60–70,000 Jews of whom only one half are officially registered as Jews.

—The Romanian Government attributes the decrease in Jewish emigration to the decrease in the total number of Jews in Romania and to the large percentage of elder persons who do not desire to leave. State concurs with this assessment while the Center for Soviet and East European Jewry vehemently disagrees. The Center attributes the drop in emigration to Romanian repressive emigration procedures which intimidate potential emigrants.

—All agree that Romania's emigration practices are repressive. Applications for emigration are discouraged, applicants are harassed from the time they decide to emigrate, and emigration procedures are cumbersome and time consuming. Currently, there is a backlog of 1,800 pending emigration cases.

¹ Source: Reagan Library, William L. Stearman Files, Subject Files, Romania 06/02/1981–06/21/1981. Secret. Sent for action. "RVA has seen" is stamped at the top of the memorandum.

—The Romanian Government has not lived up to the 1979 understanding it made with the American Jewish community (which was intended to formalize and expedite the registration process). (C)

Stances on MFN Renewal

a. *Congressional Position*: Jackson's office supports MFN renewal. It appears that significant Congressional opposition is unlikely.

b. *Jewish Community*: There exists no unanimity. The Center for Soviet and East European Jewry supports conditional renewal (only if assurances or an arrangement is granted by the Romanians). However, the major Jewish organizations B'nai B'irth, American Jewish Council, and the Conference of Presidents of major American Jewish Organizations advocate MFN renewal; yet, they hope the President will seek firm assurances from the Romanians to comply with the terms of Jackson-Vanik and to increase Jewish emigration from Romania.

c. *Agencies*: Commerce/State support MFN renewal.

d. *NSC Staff*: Dobriansky, Lenz, Nau, Pipes, Poats—support MFN renewal. (U)

Broad Policy Considerations

—Israel does not want the U.S. to exert direct pressure on Romania in regard to Jewish emigration since it values highly its constructive relationship with Romania.

—The U.S. has been a frequent beneficiary of an independent Romanian foreign policy. Thus, it is clearly in the U.S.'s interest to continue maintaining a cordial relationship with Romania.

—As the Administration has not yet announced its policy toward Eastern Europe, other East European countries could perceive MFN non-renewal as a harbinger of worsened U.S.-Romanian relations and strained overall U.S. relations with Eastern Europe.

—Non-renewal could also send the wrong signals to Western Europe and thwart Alliance backing of our anti-Soviet policies. That is, by avoiding potential deterioration in our relations with Eastern Europe, we will be better enabled to secure West European support of our policies vis-a-vis the USSR. (C)

Proposed Recommendations

In light of the above considerations, I recommend that MFN with Romania be *unconditionally* renewed. However, given the lack of Romanian compliance with the 1979 understanding, I would suggest the President in his next letter to President Ceausescu or by other means indicate our concern with Romanian emigration

practices without directly linking the issue of MFN. That is, concrete Romanian assurances to improve and streamline the emigration procedures which would essentially reduce harassment and establish a timeframe for emigration should be sought. Since Foreign Minister Andrei already gave Secretary of State Haig general assurances to improve Romanian emigration practices, the President would be in a good position to pursue this discussion of assurances in more concrete terms. (C)

RECOMMENDATION

That the President seek assurances from Romania for improved emigration procedures without explicit linkage to MFN.² (C)

² Allen initialed the "Approve" line.

75. Memorandum From Paula Dobriansky of the National Security Council Staff to the President's Assistant for National Security Affairs (Allen)¹

Washington, May 29, 1981

SUBJECT

Romanian Emigration to Israel (Follow-up) (Reference Log. No. 2445)

In response to the questions you set forth on my informational memorandum (Tab I)² regarding Romanian Jewish emigration to Israel, I have already forwarded you a memorandum dated May 27, providing background, policy considerations and recommendations (Tab II).³ The bottom line is that MFN should be renewed with Romania but the President at some point should seek assurances from the Romanians to improve their emigration practices, but without explicit linkage to MFN. (C)

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Romania (5/29/1981-07/29/1981). Confidential. Sent for information. "RVA has seen" is stamped at the top of the memorandum.

² Not found attached. A copy of the May 22 memorandum is *ibid*.

³ See Document 74.

As I indicated in my earlier memorandum (Tab II), the Romanians have not appreciably improved their overall emigration record. Yet, due to a lack of concrete figures on the number of Jews residing in Romania and desiring to emigrate and the broad policy considerations (negative effect on U.S.-Romanians relations and possibly our relations with other East European countries, Jewish support of MFN, prospective minimal Congressional opposition), I would recommend unconditional renewal of MFN with Romania. (C)

Today, Jacob Stein informed me that the Jewish Community urges the President, in sending his message to Congress, to note the less than full compliance with agreements on exit visas. However, I believe it would be best not to make this issue public at this time, but to initially resort to quiet diplomacy given our various exchanges with Romania thus far (i.e., Kampelman/Baldrige visits to Bucharest, Foreign Minister Andrei's visit to Washington),⁴ and the assurances we have extended. (C)

As I recommended in my memorandum to you of May 27 (Tab II), the President, in a letter to Ceausescu, should seek assurances from the Romanian Government that they comply with the 1979 understanding which would streamline the emigration process by reducing harassment and establishing a three-month timeframe for exit visas. By securing their compliance to formalize the emigration procedures, we could better determine how many Romanian Jews are interested in emigrating. (C)

However, if the President is unable to secure assurances from the Romanians through quiet diplomacy, we can always consider as a manifestation of our resolve, subsequent measures or possibly non-MFN extension next June. (C)

⁴See Documents 72 and 73 and footnote 3, Document 76.

76. Letter From President Reagan to Romanian President Ceausescu¹

Washington, June 22, 1981

Dear Mr. President:

Thank you for your warm letter,² which Foreign Minister Andrei delivered to me when we met on May 15. I very much appreciate your kind invitation to visit Romania, and I hope it will be possible for us to agree on a visit at a mutually convenient future date.

It was a pleasure for me to meet Foreign Minister Andrei and to have an opportunity to discuss the state of our relations. I view the Foreign Minister's visit to Washington and Secretary Baldrige's visit to Bucharest as having been particularly beneficial.³ Continued contacts of this kind will lead us to a deepening of our understanding for each other's positions on major international issues and will contribute to greater cooperation between us as we deal with them.

Let me take this occasion to also respond to your May 15 message on Lebanon. I can assure you we are continuing intensive efforts to defuse the crisis and to find ways of resolving this situation by peaceful means, supportive of Lebanon's independence, national unity and territorial integrity.

I look forward to our future correspondence.

Sincerely,

Ronald Reagan

¹ Source: Reagan Library, Executive Secretariat, NSC Head of State File, Romania: President Ceausescu (8101689) (2). No classification marking. A draft of the letter is *ibid.*

² See Document 67.

³ Telegram 3703 from Bucharest, May 15, summarized the political aspects of the conversation between Baldrige and Ceausescu. (Department of State, Central Foreign Policy Files, D810231-0007) Telegram 3774 from Bucharest, May 19, summarized Baldrige's meeting with Romanian Deputy Prime Minister Burtica. (Department of State, Central Foreign Policy Files, D810528-0318) Telegram 3756, May 19, outlined the economic and commercial issues that Baldrige and Ceausescu addressed in their conversation. (Department of State, Central Foreign Policy File, D810235-0655)

77. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, July 8, 1981, 1520Z

5149. Subject: Ambassador's Farewell Call on President Ceausescu, July 8, 1981.

1. C—Entire text

2. President Ceausescu received me this morning for my 30 minute farewell call at his Black Sea villa in Neptun. He was in a relaxed but pensive mood and spoke positively of the present state and future prospects for our bi-lateral relations. The only other person present was an interpreter.

3. After I expressed my pleasure in having served in Bucharest and acknowledged that I have been privileged to represent my country for nearly four years in Romania, President Ceausescu said his country's relationship with the United States was one of Romania's important foreign associations, one which he hoped would develop further. During my period of service here our bi-lateral relationship had developed significantly. This was particularly true in trade and commerce, but our dialogue on bi-lateral problems and on international issues had also grown in breadth and quality. Personally, he regretted my departure but he knew that change is the nature of a diplomat's life and this fact must be accepted. He appreciated my personal contribution to solving some of our difficult bi-lateral problems. While we had not solved all of them, we have established a dialogue for working towards their solution.

4. Ceausescu said Romania, not being a world power, would continue to work for detente, peaceful solutions of international conflicts, and for the protection of the national independence of all nations. This was a firm course for Romania, a difficult one but one certainly worthy of the Romanian Government and people's effort. As I had travelled widely in Romania and seen both its strengths and weaknesses, its good and bad points, there was no need for him to comment on the internal situation. There remained much to be done and the government must assess how best, with its limited resources, to improve conditions, but Romania would do its best for its people despite the stringencies of world economic problems and pressures.

5. I thanked President Ceausescu for his comments on my mission. In the perspective of 44 months in Bucharest I was pleased that a very

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Romania (5/29/1981–07/29/1981). Confidential; Immediate.

good dialogue had already commenced between his government and the administration of President Reagan. The exchange of messages between the two Chiefs of State and the respective visits to Romania and [garble] United States of Secretary of Commerce Baldrige and Foreign Minister Andrei had given new impetus to our cooperation and our dialogue. The United States wished to continue this exchange in the spirit of candor and confidentiality and we hoped for more high-level discussions and in some detail in the future. Romania's insights on many of the world's critical problems were appreciated in Washington and we welcomed the opportunity to make certain our positions, concerns and goals were clearly understood.

6. Our economic and commercial cooperation while impressive has not reached its full potential, I said. The Romanian President's views on this subject were well known to me but I believed that, beyond the considerations of import licenses and [garble] annual renewal, [garble] was much Romania could do to improve its performance and serve our mutual commercial interests. In dealing with other bi-lateral problems, both countries benefitted from a continuing dialogue and I hoped we could speed the resolution of the outstanding humanitarian matters.

7. President Ceausescu said he shared my view that an important new dialogue had begun between Romania and the United States under the Reagan administration. He looked forward to a continuation of the dialogue. He also agreed that Romania, like most countries, did have its unresolved problems and he understood the need to work with the United States in dealing with its concerns.

8. I commented that during my travels in Romania, I had come to appreciate its rich cultural and intellectual heritage which had not yet been fully interpreted in the United States. In the context of our mutual commitment to cultural exchange, I hoped that Romanian artists, scholars and other intellectuals might travel to my country to contribute to our understanding of Romania. Ceausescu nodded affirmatively.

9. As our meeting drew near its close, President Ceausescu said he understood I was leaving Romania for important new responsibilities in Washington. I said in fact I was departing on July 11 to be able to commence work on July 14 as a member of a Department of State promotion board, for four to six weeks assignment. My more permanent new assignment, which could be overseas or in Washington, was yet to be determined. I would leave Romania with regret but with satisfaction for having served my country in Bucharest in such an important period in Romania's development and in the growth of our bi-lateral relations. I particularly appreciated the access to Romania's leadership which I enjoyed. In leaving, I offered my best wishes to President Ceausescu and through him to the people of Romania in their efforts to develop

a better life for all Romanians and to contribute to peace and international understanding. I wished them continued strength in defending and strengthening their national independence. President Ceausescu offered his best wishes for success in my future undertakings. He hoped I would continue to work wherever I could for Romanian-American cooperation. He said I would be welcome to return to Romania in an official or in a private capacity and he would be pleased to receive me at that time.

10. Finally, President Ceausescu pledged to do all that he could to strengthen and encourage the growth of good U.S.-Romanian relations.

Aggrey

78. Memorandum From Secretary of State Haig to President Reagan¹

Washington, September 2, 1981

SUBJECT

Coming Months in Romania

Reports of popular and Party discontent in Romania continue to reach us as *Romania's economic situation deteriorates*. Popular discontent flows from the worst food shortages in 35 years. Party and Government critics hold President Ceausescu responsible for the negative consequences of his 1965 decision to emphasize industrial development at the expense of agriculture.

Ceausescu's grip on the reins of power nonetheless appears firm. Romanians appear unwilling to confront their government as the Poles have done. They are likely to endure consumer shortages so long as basic needs can be filled through family connections and the black market.

Worse problems could develop this winter, however, if Romania's food shortages worsen, or if its heavy international financial obligations place greater strain on the economy. Romania's external debt of \$9 billion approaches that of Poland on a per capita basis. Western

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Romania (9/4/1981–11/17/1981). Secret.

banks are proving less willing to extend Romania new credits. Romania has used IMF loans to cover short-term debts, and is looking to Western governments for concessional trade credits.

Early this year Ceausescu decided to seek better relations with the United States. Without having asked for the honor, *we have become Romania's principal patron in the West, its biggest political and economic counterbalance to the Soviet Union. If Romania's financial crisis deepens, it may conceivably look to us to provide Western leadership to help it out of its difficulties*, as we are perceived to be doing with the Poles.

Failure to aid Romania in a crisis could cause it to rethink its foreign policy options. It might seek other patrons, as well as move closer to the Soviets. For now, Romania should be able to stumble through its economic problems—it is not on the verge of becoming another Poland.

The clouds on the horizon, however, bear careful watching; should conditions change, we may be called upon to act.

79. Memorandum From the President's Assistant for National Security Affairs (Allen) to President Reagan¹

Washington, September 8, 1981

SUBJECT

Situation in Romania

In his memorandum at Tab A,² Al Haig alerts you to the deteriorating economic situation in Romania. The shortages of food and other consumer goods in Romania are reaching critical dimensions, causing popular dissatisfaction which in the past several months has led to sporadic outbursts of popular unrest. (S)

Of all the countries in the Eastern Bloc, Romania conducts the most independent foreign policy. On occasion—as for instance, in its relations with China and Israel—its policy has run contrary to Soviet interests. At the same time, it is perhaps the most rigidly

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Romania (9/4/1981–11/17/1981). Secret. Sent for information. Reagan initialed the top of the memorandum. Additionally, "The President has seen," is stamped at the top and dated September 9. Copies were sent to Bush, Meese, Baker, and Deaver.

² Printed as Document 78.

totalitarian Communist country in Eastern Europe (save, perhaps, for Czechoslovakia which is under strong Soviet domination). Its record of economic centralization and political repression is second to none. It is for this reason that Moscow, although frequently irritated by Romania, has left it alone, while applying extreme pressures on Poland which follows the Soviet lead in military and foreign affairs matters. (S)

The NSC Staff questions whether the United States should help bail Romania out of its self-induced economic crisis. Unlike Poland, which is undergoing deep systemic changes, Romania remains committed to totalitarian forms of Communism and its claim on our sympathy and economic assistance is of dubious merit. (S)

80. Memorandum From the President's Assistant for National Security Affairs (Allen) to Secretary of State Haig¹

Washington, September 21, 1981

SUBJECT

Romania

Your memorandum of September 2 concerning the looming crisis in Romania has been passed on to the President.² (S)

The issue which you raise is most timely. All the information reaching us indicates mounting internal problems in Romania, which some sources refer to as the "next Poland". We certainly ought to be alerted to the possibility of defaults on debts and possibly internal disorders in that country. (S)

At the same time, the question to what extent we should help Romania out of her self-induced problems has more than one answer. Romania has been conducting a fairly independent foreign policy *vis-a-vis* the Soviet Union, and in that sense represents an asset for us. At the same time, it remains the most totalitarian country in Eastern Europe (apart from Czechoslovakia, which is under Soviet occupation). Its internal policies are based on ruthless repression of dissent, and its

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Romania (9/4/1981–11/17/1981). Secret. A copy was sent to Meese.

² See Document 78 and footnote 2, Document 79.

central economic planning continue the Stalinist trend introduced at the end of World War II. (S)

In this respect there is a fundamental difference between the situation in Poland and that in Romania. Poland is in the throes of unprecedented internal changes which, if successfully institutionalized, will transform that country into a Social Democratic state with powerful societal counter-balances to the Communist authorities (church, trade unions, and private farming). Such a Poland represents a fundamental, long-term threat to Communist totalitarianism. Furthermore, it considerably weakens the offensive capabilities of the Warsaw Pact. (S)

As long as Romania persists in its present course, however, no parallel development is likely to take place there. Politically and economically, Romania presents no challenge to the Soviet Union. For this reason Moscow has left Romania alone, despite irritation with Ceausescu's foreign policy, while continually threatening Poland. This suggests that Moscow fears more the political, economic, and ideological reforms occurring in Poland than the mild foreign policy challenges emanating from Romania. (S)

Clearly, we could not stand by and watch Romania drift back into the Soviet camp. At the same time, we ought to be aware of the fundamental difference in our interests in Romania and in Poland. If we are to help the Romanians out of their mess, then we should do so only in conjunction with internal reforms that would promise eventual economic self-sufficiency and include some form of participation in economic decision-making process by the workers of the kind now practiced in Yugoslavia, Hungary and Poland. Without such reforms there is no prospect whatever of an improvement in the economic situation in Romania and it will become a permanent burden to us. The Ceausescu government appears totally oblivious of the need for reform: the new Five Year Plan initiated in Romania for 1981–85 indicates no concern with popular discontent and proceeds on the "business as usual" premise—a course that is certain to aggravate economic and fiscal conditions. (S)

These are obviously questions of fundamental importance which deserve thorough discussion, since they are likely to come up in one form or another in the years ahead. (S)

FOR THE PRESIDENT:

Richard V. Allen³

³ Allen signed "Dick" above his typed signature.

**81. Letter From the Deputy Secretary of State (Clark) to
Acting Secretary of Agriculture Lyng¹**

Washington, undated

Dear Mr. Lyng:²

On September 29 in New York, Romanian Foreign Minister Andrei told Secretary Haig that Romania urgently needs CCC credits to cover its feed grain needs during the next two years.³ Andrei stressed that Romania is in serious need of feed grains to maintain its livestock herds, principally because of the poor harvest this year. On October 5, the Romanian Embassy made an oral presentation to this Department, paralleling other approaches to your Department and to our Embassy in Bucharest, urgently asking for \$200 million in CCC guarantees to cover feed grain imports during the coming fiscal year.⁴

From a foreign policy standpoint, Romania's unique position in the Warsaw Pact and its independent line on important international issues such as Poland, the Middle East, Afghanistan and CSCE serve our national interests well. Increasingly Romania is looking to the West and to us in particular to provide the political and economic support necessary to maintain its independent foreign policy line within the Warsaw Pact. Our bilateral relations with Romania have improved steadily over the past decade, allowing us to pursue more effectively our interests in areas of human rights, trade and exchanges. We hope to continue that positive trend, and therefore support Romania's request for CCC guarantees which, if met, will support Romania's relatively independent foreign policy stance, and will permit us to develop further our influence with its government.

As we know from several sources, Romania is encountering financial difficulties, and there have been rumors of possible rescheduling. The Foreign Minister has assured us, and we have heard from other senior Romanian officials as well, that Romania is actively pursuing efforts in the energy and import areas to come to terms with its short term financial problems. While we should take Romania's foreign debt situation into account when considering specific terms for CCC guarantees, we should not allow it to color unduly our view of the overall

¹ Source: Reagan Library, Paula J. Dobriansky Files, Romania—EE Memoranda (1). Secret.

² Clark struck through "Lyng" and handwrote "Dick" above the salutation.

³ Andrei was in New York for the opening session United Nations General Assembly. Telegram 266477 to Bucharest, October 5, summarized the meeting between Andrei and Haig. (Department of State, Central Foreign Policy File, no film number)

⁴ Minutes of the October 5 meeting were not found.

situation. Indeed our approval of the guarantee request would contribute significantly to Romania's ability to confront its current economic difficulties.

Last year Romania requested \$400 million in CCC guarantees, but was granted only \$50 million. At that time it was feared that our grain might be transshipped to the USSR by the Romanians. This year, however, our planned grain sales to the Soviets should obviate concerns over possible transshipments.

I hope you can agree, for the reasons I have cited, to give the Romanian request highest priority consideration. Assistant Secretary Eagleburger will be meeting in Bucharest with Foreign Minister Andrei on Sunday, October 18. It would be highly desirable if he could at that time convey our agreement in principle to provide CCC guarantees to Romania. Taking into account the considerations outlined above, we recommend a program for Romania in FY 82 of \$65 million with a three-year payback period. We would also wish to tell the Romanians that we will be prepared to consider sympathetically a program of similar size for FY 83 and FY 84.⁵

Sincerely,

William P. Clark⁶

⁵ An unknown hand drew a line in the left-hand margin, highlighting the last two sentences of this paragraph.

⁶ Clark signed "Bill" above his typed signature. Below his signature, he wrote, "Dick, if you concur, Jerry Bremer will obtain telephonic W.H. concurrence. Bill."

82. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, October 19, 1981, 1444Z

7469. Subject: Assistant Secretary Eagleburger's October 18 Meeting With Romanian Foreign Minister Andrei—Tete-a-Tete. Ref: 276444.²

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Romania (9/4/1981–11/17/1981). Secret; Immediate; Nodis.

² Telegram 276444 to Bucharest, October 17, provided the talking points for the United States response to Romania's request for loans. (Department of State, Central Foreign Policy File, D810490–0882)

1. (S—Entire text)

2. Tete-a-Tete: Andrei and Eagleburger then withdrew to Andrei's office for a private conversation. Mircea Raceanu, the Ministry's North American Affairs Chief, served as interpreter. Eagleburger orally made the presentation called for in reftel in response to Andrei's demarche while in the United States regarding one billion dollars in a balance of payments support loan and 200 million dollars in Commodity Credit Corporation (CCC) loan guarantees. He also left Andrei a piece of paper (transmitted herewith):

Quote: The United States wishes to be helpful to Romania's efforts to resolve its financial problems.

There are no US programs which would provide Romania with a loan for balance of payments assistance. Were there a program of this kind, present budgetary constraints would not permit the granting of credit in the amount of one billion dollars.

We are prepared to view sympathetically your request for two hundred million dollars in Commodity Credit Corporation (CCC) financing for the purchase of US agricultural products. We will consider CCC guarantees of sixty-five million dollars in financing in fiscal year 1982 to be repaid over a three-year period.

We will also consider sympathetically future Romanian requests for up to sixty-five million dollars (also on a three-year repayment schedule) in each of the next two fiscal years, provided that the Romanian financial situation shows signs of improvement.

For this year's request, the US Department of Agriculture (USDA) requires a formal written request for the aforementioned credit guarantees. Your request should specify the commodities and the dollar amounts desired for each commodity and include information on Romania's total volume of expected imports and exports for all grains and other foodstuffs.

We believe that sixty-five million dollars this year is the maximum amount which our commercial banks are willing to support under a credit guarantee program without repayment of interest. We also believe that sixty-five million dollars is an appropriate amount from the point of view of avoiding the creation of additional pressures on Romanian debt service capacity.

It is unfortunate that our banks' perception of Romania is that it has not been as open and cooperative a partner as it might have been.

Our contacts with US commercial banks suggest that a lack of authoritative information on the Romanian financial situation has contributed to the pressures Romania is experiencing. In our view, it would be useful for Romanian representatives to cooperate more closely with commercial banking partners in the US on the basis of open and candid

exchange of information on Romania's current financial situation. Unquote.

3. Eagleburger emphasized that Romania must do a better job in explaining itself to, and working with American commercial banks if it expects to continue a productive relationship with them. Andrei made no substantive reply to this presentation, but said he would discuss the matter that evening with President Ceausescu.

Funderburk

83. Letter From Romanian President Ceausescu to President Reagan¹

Bucharest, undated

Dear Mr. President,

On behalf of the Romanian people, of the Grand National Assembly of the Socialist Republic of Romania and on my own behalf I am sending to you, as President of the United States of America, this message in connection with the beginning in Geneva of the negotiations between the United States and the Soviet Union on the stopping of the deployment and the withdrawal of the intermediate-range missiles from Europe.²

The Romanian people, as well as the other European peoples are deeply concerned about the situation created in Europe, where the greatest military arsenal ever known in history including both conventional and increasingly sophisticated nuclear weapons, has been accumulated.

The program of development and deployment of new intermediate range missiles cannot but further amplify the danger of war and tension on the continent thus magnifying the European peoples concern and, at the same time, their determination to intervene with all their strength, in order to check the development and deployment of medium range nuclear armament on this continent, for the reduction of the existing potential and for freeing Europe of all nuclear weapons.

¹ Source: Reagan Library, Executive Secretariat, NSC Head of State File, Romania: President Ceausescu (8102743) (1). No classification marking. The original letter in Romanian, signed by Ceausescu, is dated November 30. (Ibid.)

² Documentation on the Intermediate Range Nuclear Forces negotiations is scheduled for publication in *Foreign Relation*, 1981–1988, vol. XII, INF, 1984–1987.

The huge demonstrations and actions bringing together hundreds of thousands participants from the European countries including Romania, demonstrate the will of the peoples on our continent, conscious that they will be the victims of a nuclear confrontation in Europe, to act with all their forces to remove the danger of war, to stop the arms race and, first of all, the nuclear weapons one, to eliminate the nuclear armaments of any kind from this region of the world.

Under these circumstances the Soviet-American negotiations on intermediate-range missiles in Geneva acquire a particular importance. Debating these issues, the Grand National Assembly of the Socialist Republic of Romania in its session of November 28, this year, has entrusted upon me the task to send this personal message to you, dear President Reagan, calling upon you to do everything in your power, in order to bring about, as a result of the Geneva negotiations, specific agreements regarding the cessation of the development and deployment of new nuclear weapons, the withdrawal of the intermediate-range missiles from Europe.

I have also been empowered by the Grand National Assembly to send a message on the same issue to the President of the Presidium of the Supreme Soviet of the USSR, Leonid Brezhnev. Equally I have been empowered to send messages to the heads of states and governments of the other countries signatories of the Helsinki Final Act calling upon them to do their utmost for the success of the Geneva negotiations, for a halt to nuclear armaments race in Europe, for freeing the continent of all nuclear weapons.

At the same time, the Grand National Assembly of the Socialist Republic of Romania adopted a similar appeal addressed to all parliaments, governments and peoples of the European countries, of the USA and Canada.

We welcome the beginning of the negotiations in Geneva. The Romanian people, as well as the other peoples are expecting the negotiations to agree, from their very beginning, on a halt, for the duration of the negotiations, in the implementation of the NATO decision to deploy in Europe new intermediate-range nuclear missiles, in the increasing, by both sides, of the existing ones and, the Soviet Union, as President L.I. Brezhnev has stated, to unilaterally reduce a certain number of the same kind of their missiles deployed on the European part of the USSR territory.

At the same time, the Romanian people would like to see the Geneva negotiations ending with an agreement conducive to the reduction at the lowest level of all nuclear weapons in Europe, as well as to measures to remove all nuclear arms, be either intermediate-range or tactical, so that Europe would become a continent free of nuclear weapons.

In connection with the above I would like, dear Mr. President, to appeal to you, on behalf of the Romanian people, to use all your authority as the leader of the United States of America to directly contribute to the progress of these negotiations, to their constructive and fruitful course, with the view of their successful conclusion, so that they meet the peoples expectations and be registered as a major event with profound, positive implications for the contemporary political life.

I think you will agree with me, dear Mr. President, that now, before the missiles enter into action, before nuclear bombs are beginning to be dropped on this continent, now before it is too late, when we are still alive and we can act, we should do everything in order to reduce and eliminate the nuclear weapons in Europe, in order to defend the fundamental human right to life, freedom and peace.

The Romanian people, as well as the other peoples, hope that the heads of states and, first of all, you and the President of the Presidium of the Supreme Soviet of the USSR, will act in such a manner that the two great nuclear powers will never use their nuclear armaments, will renounce them, and the atom will be used only for peaceful purposes, in the interest of the progress, the welfare and the civilisation of mankind.

I am aware of the numerous difficulties, of many existing complex and difficult problems to be solved in the international life, I know that many weapons and much distrust have been accumulated, but the cause of stopping the arms race, of reducing tension and armaments, especially the nuclear ones, should prevail on everything else. In this spirit I consider that all the European states should express a special preoccupation and interest in the success of the Geneva negotiations, and should participate, in one way or another, to these negotiations.

As far as we are concerned, Romania will further cooperate with the United States of America, with the other states, for the success of these negotiations and is ready to take part, in one way or another, to the negotiations, to the quest for the most judicious ways leading to understanding and cooperation in the service of the fundamental interests of peoples on our continent.

Starting from the major importance, the creation in different parts of Europe of nuclear free zones, of cooperation and good neighbourhood, has for the process of disarmament, security and confidence building on the continent, Romania is determined to further do everything in her power to develop her good relations with all the Balkan states, to transform the Balkans into an area of peace and cooperation, without nuclear weapons and would welcome the United States support for the fulfilment of this desideratum of the Balkan peoples.

May I, in conclusion, dear Mr. President, convey to you cordial greetings and my best wishes, as well as my desire to continue to work together for the development of the Romanian-American relations of cooperation, in our mutual interest, to the benefit of the cause of peace, cooperation and international détente.

Sincerely,³

³ The translation is unsigned.

84. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, December 26, 1981, 1110Z

9169. Subject: Message for President Reagan From Romanian President Ceausescu. Ref: Bucharest 9168 (Exdis).²

1. C—Entire text.

2. Following is an informal Embassy translation of the text of the letter on Poland from President Ceausescu to President Reagan which was presented to the Ambassador on December 25 (see Bucharest 9168 (Exdis)).

Begin text of Ceausescu message:

Dear Mr. President,

In the spirit of Romanian-American relations and of the exchange of views between us by means of personal messages, I wish on this occasion to address myself to you in connection with the tensions created following the events in Poland.³

As is well known, Romania has always stated that the complex and grave problem of Poland should be solved only by the Polish people, by internal social-political forces, without any foreign interference.

¹ Source: Reagan Library, Paula J. Dobriansky Files, Romania—Correspondence (2). Confidential; Immediate; Exdis.

² Telegram 9168 from Bucharest, December 25, described Funderburk's meeting with Andrei and the letter from Ceausescu that Andrei gave him for Reagan. (Department of State, Central Foreign Policy File, D810614–0524)

³ Reference is to the enactment of martial law on December 13, and subsequent U.S. economic sanctions against Poland.

I do not wish now to refer to the causes which have brought about the events in Poland, but, as is known, lately things have arrived at a very dangerous situation, owing to the activities of various forces hostile to the government and the social order that have actively promoted a policy of internal confrontation, a fact which has caused the setting up of a state of siege and the taking of appropriate measures.⁴

I have no intention of in any way justifying these measures which are, strictly speaking, the internal affair of the People's Republic of Poland and which it would have been good to avoid. It is however known that the Polish Government devoted a great deal of time to efforts for a dialogue to bring about a national understanding, but these efforts were not reciprocated. They were interpreted as a weakness on the part of the government and were rejected by extremist, irresponsible elements who gave more value to their own narrow group interests as opposed to the interests of the Polish people and of the independence and sovereignty of the country. In these circumstances, the Polish Government saw no way out other than the establishing of a state of siege which it itself considers not as a solution but as the lesser evil in the existing situation.

It is obvious that at present the only path toward a normalization of the situation in Poland is that of the joint and united efforts of the entire people, the respect by all citizens of the constitution and state laws, the deepening of the process of socialist democratization, the realization of national understanding, and the creation of conditions for the functioning of Polish society.

I am particularly concerned by the fact that very hard positions have been adopted by the U.S.A. and by other Western states in connection with the installation of a state of siege in Poland; all types of interpretations are being given, pressures are being exerted, and the United States has taken economic measures which affect Polish-American relations,⁵ creating new difficulties for the Polish people and rendering more difficult the process of normalization in Poland. Romania considers that no sort of justification can exist for the adoption of these positions since the measures taken in Poland are the internal affair of the Polish state and are directed toward the restoration of order and the creation of an atmosphere of calm and discipline, normalization and development of economic and social life and the strengthening of the country's independence and sovereignty. And the reestablishment

⁴ Reference is to the December 10 Politburo meeting during which the Politburo rejected a Soviet military invasion of Poland. On December 13, Jaruzelski proclaimed martial law.

⁵ In an address to the nation on December 23, President Reagan announced the imposition of economic sanctions on Poland. The address is printed in *Foreign Relations*, 1981-1988, vol. I, Foundations of Foreign Policy, Document 76.

of order and discipline are precisely what will assure the conditions for independence and national unity, and for the democratic development of Poland.

I believe that one should start from the necessity that no one should intervene in Poland's internal affairs and that the Polish people alone should resolve their problems and one should develop relations on the basis of the principles of equality of rights, respect for national independence and sovereignty, of non interference in internal affairs, principles which are also inscribed in the Final Act of the Helsinki Conference.

It is known that if things had continued without the taking of exceptional measures, violent clashes would have resulted, moving toward civil war, which could have led to foreign intervention, something which would have created a very grave situation on the national and international levels.

Thus I believe that the measures undertaken by the Polish authorities to put an end to economic disorganization and chaos in social-political life, to reestablish order and to avoid an intervention from outside are temporary and that everything must be done to return as soon as possible to normal activity, thus creating the conditions for the continued development of the Polish people's life and activities, based on the principles of socialist democracy.

In these circumstances, any boycott measure can only lead to the creation of new difficulties, the slowing of the tempo of restoration of normal life, of democratic development and of a resumption of dialogue and the achievement of the Polish people's national unity.

I believe that it is in the interest of the Polish people and in the interest of the policy of detente and peace to avoid the adoption of measures which will worsen tensions and instead to leave the problems of Poland to be solved by the Polish people; to contribute to the rapid restoration of the situation, not through boycott measures, but by giving assistance toward the swift resolution of problems and the normalization of social and economic life.

I believe that the exceptional measures adopted by the Polish authorities are to be preferred to the perspective of a civil war which could lead to armed intervention from outside.

Romania continues to believe that the only path is for the Polish authorities and people to be left to resolve the great difficulties and problems through which their country is passing; to reach a state of normalization of social and economic life, the resumption of dialogue, progress in the activities of trade unions and other organizations, for the independent, democratic development of Poland and for national unity.

I believe that the friends of the Polish people will do well to act in this way; a way which would be in the interest of the Polish people, of the policy of peace and detente, and of the fulfillment of the provisions of the Helsinki Final Act.

As for Romania, starting from respect for the principle of non-interference in the internal affairs of Poland, our country will continue to act to help the Polish people to overcome their present difficulties and will do everything to support the efforts made to restore and normalize the situation in Poland.

Even if there are different opinions regarding the measures adopted in Poland, and it cannot be expected that the USA or other states approve these measures, I believe that it is very important not to do anything which would create difficulties on the path of restoration of calm and order, taking into account the important role which Poland has and can have in international life, and considering the relations between Poland and the United States and the interests of world peace and cooperation. I believe that such a way of understanding the problems would suit the national interests of Poland and the policy of peace, detente and international understanding.

In closing, I express Romania's wish to continue to work with the United States of America for peace, disarmament, detente and security in Europe and the whole world and for the reduction of international tensions; so that the differing positions regarding the situation in Poland and other problems which appear on the world scene will not constitute a source of strain, of aggravation of the relations between states and of escalation of suspicion, but, on the contrary, so that the efforts of all countries may be intensified toward solving their own problems by political means, toward an improvement of the international climate, toward security, independence and the progress of all nations.

On the threshold of a New Year, I want to use this opportunity to send to you warm greetings and best wishes for success, health and personal happiness, and to our friends the American people much prosperity and peace,

Sincerely,

Nicolae Ceausescu

End text.

Funderburk

85. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, December 26, 1981, 1214Z

9170. Subject: Message for President Reagan From Romanian President Ceausescu Call on Foreign Minister Andrei, December 25, 1981. Ref: A. Bucharest 9168,² B. Bucharest 9169.³

1. C—Entire text.

2. I was called to the Foreign Ministry at 2000 on December 25 to meet with Foreign Minister Stefan Andrei. Also present was the Ministry's Americas Director, Ambassador Corneliu Bogdan. Andrei said that he had just been with President Ceausescu. Ceausescu had given him a letter dealing with Poland for President Reagan. (For informal Embassy translation of full text of this letter, see Bucharest 9169).

3. Andrei asked me to transmit the letter as soon as possible (Bucharest 9168) and then made the following oral points.

—We are coming to you within the framework of improving Romanian-American relations and keeping close and early contact with each other. We want to inform you about our position on the Polish situation.

—We desire a democratic and independent Poland.

—We prefer dialogue among the parties in Poland. Including Solidarity, to resolve the crisis.

—We consider martial law to be the lesser of evils.

—We think that the American policy of diminished economic aid and contacts makes matters worse.

—Solidarity was taken over by hotheads in the past two weeks.

4. In response to my questions Andrei made the following comments:

—I can assure you nothing was discussed regarding Poland during President Ceausescu's December 18 and 19 visit to Moscow for Brezhnev's birthday.

—In any eventuality Romania will not intervene in Poland.

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Romania (11/30/1981–1/29/1982). Confidential; Immediate; Exdis. Printed from a copy that was received in the White House Situation Room.

² See footnote 2, Document 84.

³ See Document 84.

5. Andrei also emphasized that the situation in Poland was at a very difficult stage and should be calmed, not further aggravated, so as to avoid a catastrophe.

Funderburk

86. Letter From President Reagan to Romanian President Ceausescu¹

Washington, January 5, 1982

Dear Mr. President:

Your letter supporting United States' efforts to reduce the number of intermediate-range nuclear weapons was very much appreciated.² I share with you the deep and sincere hope that the negotiations which we have just begun with the Soviet Union in Geneva will make a significant contribution toward this goal.

As I emphasized in my speech of November 18,³ the United States is willing to forego planned deployment of Pershing II ballistic missiles and ground-launched cruise missiles in Europe if the Soviet Union dismantles its SS-20, SS-4 and SS-5 missiles. If accepted by the Soviet Union, this proposal would significantly reduce the risk of nuclear war and immeasurably enhance international peace and security.

As members of my Administration and I have often pointed out, the NATO decision in 1979 to pursue modernization of intermediate-range nuclear forces was taken to correct a major imbalance in these forces resulting from the massive and ongoing Soviet buildup of intermediate-range nuclear forces, particularly the SS-20 missiles. It is this imbalance that represents a great threat to peace and security in Europe at the present time.

You will recall that a parallel decision was also made in 1979 to seek to restore a balance through arms control negotiations with the Soviet

¹ Source: Reagan Library, Executive Secretariat, NSC Head of State File, Romania: President Ceausescu (8102743) (1). No classification marking. A draft of the letter is *ibid*.

² See Document 83.

³ On November 18, 1981, Reagan spoke to the members of the National Press Club about arms reduction and nuclear weapons. See *Public Papers: Reagan, 1981*, pp. 1062–1067. The speech is also printed in *Foreign Relations, 1981–1988*, vol. I, Foundations of Foreign Policy, Document 69.

Union.⁴ The NATO modernization program can be rescinded only as a result of a concrete agreement that altogether eliminates the comparable missiles on the Soviet side. Any other approach would undermine the prospect for a successful outcome of these negotiations.

Acceptance of the long-standing Soviet proposal for a moratorium on further deployments of intermediate-range nuclear forces, which President Brezhnev repeated during his recent visit to the Federal Republic of Germany, would merely perpetuate the present imbalance and leave the threat to peace and security undiminished. Furthermore, the Soviet Union's efforts to limit negotiations on intermediate-range land-based missiles only to those based in Europe, ignores the fact that the Soviet missiles which create the imbalance have ranges that make them fully capable of striking targets in NATO countries from bases East of the Urals. It is clear, therefore, that only global limits on such land-based intermediate-range nuclear missiles can eliminate the threat to Europe.

As I stressed in my November 18 speech, my Administration is resolutely committed to seeking genuine and significant reductions in strategic and conventional as well as intermediate-range forces. If they are to be effective, such reductions must be embodied in agreements that are concrete, equal and verifiable. Knowing your desire to help reduce the threat to peace posed by the arms buildup threatening Europe, I hope that you will continue actively to support the principles we share in this regard.

Sincerely,

Ronald Reagan

⁴ Reference is to the SALT II Treaty, signed by Carter and Brezhnev in June 1979. See *Foreign Relations, 1977–1980*, vol. VI, USSR, Documents 207–208.

87. Memorandum From Maurice Ernst, National Intelligence Officer for Economics at the Central Intelligence Agency, to Norman Bailey of the National Security Council Staff¹

Washington, January 27, 1982

SUBJECT

Romania's Balance of Payments and Debt Problems

As per your request, attached is some material on Romania's balance of payments and debt problems. Romania clearly is unable to meet its financial obligations. To do so would require cuts in imports so severe as to force substantial declines in industrial production, such as occurred in Poland. The Romanians have already squeezed all the consumer goods they can out of the economy, and this has occasioned some sporadic unrest.

The receipt of a \$65 million CCC credit would fill only a small part of the balance of payments gap. They would probably use such a credit to free up foreign exchange with which to pay interest on debt and perhaps repay those creditors they cannot put off.

The prospects of such a credit being repaid would be poor. There is little chance that the Romanian economy will substantially turn around in the next two or three years, and next to no chance it will generate large new sources of foreign exchange earnings. Their oil fields, traditionally a large source of hard currency earnings, are at a late stage of development and declines in production are probably inevitable. Romania hopes to further diversify its hard currency exports, but has had little success to date.

Maurice C. Ernst

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Romania (02/17/1982-02/26/1982). Confidential.

Attachment

Paper Prepared in the Central Intelligence Agency²

Washington, January 27, 1982

SUBJECT

Romanian Difficulties in Meeting Debt-Service Obligations

1. Romania will continue to have difficulties in meeting debt service obligations on its estimated hard currency debt of \$10 billion. Bucharest has placed its needs for 1982 at \$4.5 billion, including \$2 billion in principal on medium- and long-term debts, a \$.5 billion current account deficit, \$.6 billion for short-term credits, \$.3 for building up reserves and extending credits, and \$1.2 billion in arrearages from 1981. Projected sources of finance fall far short of needs. Bucharest hopes to secure approximately \$2.45 billion, consisting of \$.75 from the IMF and World Bank, \$1.2 billion in supplier credits, and \$.5 billion from “other sources” (probably a balance of payments loan from Arab financial institutions). The financial gap could prove to be even larger than the \$2.05 billion presented by Bucharest. Holding the current account deficit to just \$.5 billion will be difficult as Bucharest encountered serious domestic problems in slashing the 1980 current account deficit of \$2.4 billion by \$1 billion last year. Furthermore, supplier credits may not be as readily available until the arrearages are cleared up.

2. Rescheduling is currently under way with Western bankers, but reaching an agreement will be difficult. Bankers so far have offered to reschedule only \$1.5 billion of the amounts due this year with the condition that government debts be rescheduled too. Bucharest desires to reschedule everything due this year—including the arrearages—plus debts due through 1984.

3. Romania faces hard times even if rescheduling takes place. Its principal hard currency exports are hindered by the soft world market for petroleum products and by a second consecutive poor performance in the agricultural sector. Bucharest continues to push food exports despite the severe shortages at home. Most nonessential imports have been cut and import reductions are now affecting needed raw materials. Further cuts in imports will have negative repercussions for domestic growth and already low living standards.

[name not declassified]

² Confidential; No Dissemination. Prepared in EURA/EE/SE.

88. **Memorandum From the President's Assistant for National Security Affairs (Clark) to Secretary of State Haig, Secretary of the Treasury Regan, Secretary of Defense Weinberger, Secretary of Agriculture Block, the Director of the Office of Management and Budget (Stockman), and Director of Central Intelligence Casey¹**

Washington, undated

SUBJECT

CCC Credit for Romania

The Commodity Credit Corporation has under consideration a \$65,000,000 loan to Romania for the purchase of corn and soybean meal.

It is well known that Romania is in serious financial difficulty, primarily because of mismanagement. It is the best judgment of the CIA, Treasury and OMB that Romania is unlikely to be able to repay this loan.

Although it is true that Romania has exhibited some degree of foreign policy independence from the Soviet Union, it is internally one of the most repressive of Soviet Bloc governments. Thus, granting this loan at this time would not only be bad business but would also send the wrong signals to the USSR and to other countries with reference to our current posture vis-a-vis the Soviet Bloc.

FOR THE PRESIDENT:

William P. Clark²

¹ Source: Reagan Library, Paula J. Dobriansky Files, Romania—EE Memoranda (1). Confidential. Bailey sent a copy of the memorandum to Clark under a January 27 cover memorandum, requesting that Clark sign the memorandum to "department heads." (Ibid.)

² Printed from a copy that bears this typed signature.

89. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, January 29, 1982, 0949Z

638. Subject: Invitation to Secretary Haig To Visit Romania. Ref: Bucharest 0488.²

1. (Confidential—Entire text.)

2. Begin summary: President Ceausescu warmly welcomes the possibility of Secretary Haig's visit to Bucharest during the period February 8–13. A visit would provide a unique opportunity to state our policy on Poland and to underscore our continued policy of differentiation towards Eastern European countries while on Warsaw Pact territory. The Embassy strongly recommends acceptance of the invitation. End summary.

3. The Ambassador, accompanied by visiting Romanian Desk Officer Becker, called on Foreign Minister Stefan Andrei the morning of January 29 at Andrei's request. Andrei said that President Ceausescu is delighted by the possibility of a visit by the Secretary. Andrei added that any time from February 8 to 13 would be acceptable. The Secretary's visit was the number one item on Ceausescu's agenda and had precedence over all other events.

4. Andrei said that Ceausescu would plan to discuss bilateral relations, "matters involving Poland and the Soviet Union and the relationship between those two countries," disarmament and the Middle East. He would appreciate a briefing from the Secretary on his recent meeting with Soviet Foreign Minister Gromyko.³ The Secretary could, of course, raise any matters he wishes. Ceausescu would be glad to hear his views on any topic.

5. Andrei added that although Ceausescu would not raise with the Secretary Romania's recent financial and credit requests (which had been the subject of discussions between Andrei and the Ambassador),⁴ he himself would welcome the opportunity to discuss these matters with the Secretary.

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Romania (11/30/1981–01/29/1982). Confidential; Immediate; Exdis. Printed from a copy that was received in the White House Situation Room.

² Telegram 488 from Bucharest, January 22, invited Haig to visit Romania following his meetings with Gromyko in Geneva at the end of January. (Department of State, Central Foreign Policy File, D820038–0660)

³ See *Foreign Relations*, 1981–1988, vol. III, Soviet Union, January 1981–January 1983, Documents 137 and 138.

⁴ A record of this meeting is in telegram 8854 from Bucharest, December 12. (Department of State, Central Foreign Policy File, D810592–0545)

6. President Ceausescu's invitation to the Secretary to visit Romania at the earliest opportunity provides us with a unique and unexpected opportunity to carry the case, and the challenge to the Soviet Union, for national independence and non-interference in internal affairs into Eastern Europe. It would allow the Secretary to make a statement on Eastern European territory of our overall objectives and hopes for Poland and the Polish people. This statement could underscore our continued commitment to the policy of "differentiation" in Eastern Europe and hold open a channel of communications into the Warsaw Pact which can be used to challenge the Soviet Union's attempted solutions to the crisis in Poland.

7. Alone of Eastern European leaders, President Ceausescu in his December 25 message to President Reagan⁵ attempted to establish a dialogue on Poland which is both candid about Romanian concerns over the concept of sanctions and yet noncontentious about U.S. motives and President Reagan's actions. Subsequently, Romania has refrained from any critical comment regarding the United States' attitude toward Poland although offering some criticism of the concept of sanctions in general. The nuanced policy has been in marked contrast to that pursued in the other nations of the Warsaw Pact.

8. We are acutely aware that the Secretary's visit would come at a crucial time for Romania in terms of its growing economic/financial crisis and the multi-lateral discussions about its external debt renegotiations. Ceausescu may seek to manipulate the visit to enhance his "international statesman" image and reinforce Romania's "independent" foreign policy stance in the context of the Polish crisis. This need not, however, be in conflict with our own interests and gives us a reciprocal opportunity to play our vital concerns about the Soviet actions and intentions against the backdrop of a Warsaw Pact member's own concerns for the integrity of its national territory and non-interference in internal affairs.

9. To the extent that the Secretary's presence would signal our interest in a continued measured and dispassionate evaluation of the Romanian financial situation by the international banking community, it might well be of value to our larger interest in preventing a "spill over" effect to the detriment of Yugoslavia's financial position.

10. We also see in Ceausescu's invitation an opportunity to demonstrate specifically to Romania that it need not feel that it is being forgotten by the U.S. in the difficult days which have followed the Soviet inspired military takeover in Poland—that the Polish issue does not preclude our creative and pragmatic response to opportunities for exerting positive influence in Eastern Europe. A visit by the Secretary

⁵ See Document 84.

would make clear that Romania continues to have meaningful relations with the U.S. and the West, and has a viable alternative to being drawn (or pushed) inexorably closer to the Soviets. The visit would also signal neighboring Eastern European countries that the U.S. is prepared to continue and encourage productive relations with those countries which are prepared to take even a relatively moderate stance where possible on important international issues different from those demanded by the Soviets.

11. This would in effect underline the fact that the sanctions we have imposed on Poland and the Soviet Union are aimed at the specific situation in Poland and are not inspired by any desire on our part to return to a bloc-to-bloc approach to relations with the nations of the Warsaw Pact.⁶ Such an implied statement would not only be useful for us in our continuing contacts with all the nations of Eastern Europe, but would reassure our allies that we are serious about continuing our policy of differentiation.

12. We believe the Secretary's oft-stated public commitment to the importance of human rights in the formulation and conduct of our foreign policy would override a contention that his visit would in some way indicate a lessening of our support for civil liberties and human rights. On the contrary, it would present the opportunity for an initiative reflecting our views directly to Ceausescu in our preferred method of action through traditional quiet diplomacy.

13. It is not our intention to overstate the case for the Secretary's visit to try to endow it with potential benefits that are illusory or unrealistic. We want the U.S. to be seen to be conducting diplomacy in a balanced and constructive way, in the enemy camp, even in a time of crisis, exactly as we have said we wish to do if the conditions and actions of the other side, both spoken and actual, are right.

14. The counterpoint to possible concern about visiting Eastern Europe at this time is that there are millions and millions of people here, who above all are afraid of the Soviet night descending again, and perhaps for their lifetime, over the domestic and foreign affairs of these countries. We believe that the Secretary can exploit and develop that concern to our foreign policy advantage and to the detriment of Soviet policy, if not directly in Romania at least in the pre and post press activities surrounding his visit.

15. The Embassy strongly recommends acceptance of the invitation.

Funderburk

⁶ See footnote 5, Document 84. On December 29, Reagan announced the imposition of economic sanctions on the Soviet Union in response to its role in the repression in Poland. (*Public Papers: Reagan, 1981*, p. 1209) See *Foreign Relations, 1981–1988*, vol. III, Soviet Union, January 1981–January 1983, Documents 124 and 125.

90. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, January 29, 1982, 1905Z

652. Subject: Manifestation of Romania's Relative Independence.
Ref: Bucharest 0638.²

1. C—Entire text.

2. Begin summary: This message amplifies the Embassy's views provided in reftel concerning Ceausescu's invitation to the Secretary to visit Bucharest in approximately 10 days, and discusses Romanian perceptions of our current relationship and our policy of differentiation in Eastern Europe. End summary.

3. To assist the Department in assessing the advisability of accepting President Ceausescu's invitation to the Secretary to visit Bucharest, we want to stress that this is a matter of the utmost seriousness, importance and urgency for Ceausescu and the foreign policy leadership, and that fundamental Romanian perceptions of the Western connection and specifically relations with the United States are at stake here. We have been getting many signals in the last few days that there is very strong concern in the Romanian leadership that we are tacitly withdrawing from our policy of differentiation in Eastern Europe. All of this is coalescing with further perceptions here of our apparently negative reactions to Romania's various requests over the past few months for some measure of assistance during this period of intense economic/financial difficulties.

4. We believe that the U.S. is at an important decision point in its relationship with Romania and the place that Romania will occupy in our foreign policy framework. If the decision is towards in effect dismantling the differentiation policy between Eastern European countries and the USSR, the fundamental basis of our present relationship with Romania is undercut. We continue to believe that Romania's pursuit of an "independent" foreign policy and a clear cut Western connection on balance has positive aspects for our security and foreign policy interests.

5. We offer the following manifestations of Romania's pursuit of a policy of relative foreign policy independence believing that as a whole they illustrate that this independence has been in our own interest and in the overall Western interest and that we should continue to encourage it.

(A) Romania, though a member of the Warsaw Pact, does not allow its troops to participate in maneuvers in other countries nor other Pact forces to enter its own territory.

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Romania (02/01/1982–02/14/1982). Confidential; Exdis.

² See Document 89.

(B) Romania refused to increase its defense expenditures in November of 1978 when the Soviets urged all Pact members to do so. Since then it has publicly reduced arms expenditures.

(C) Romania has taken a relatively even-handed stance toward the INF issue, outlining both the American and Soviet positions and urging successful negotiations.

(D) Romania, unlike other Warsaw Pact states, never attacks American motivations on foreign policy questions. When it does criticize us, as in the case of the Polish sanctions, it addresses itself to our actions, but not to our basic attitude.

(E) Romania has made it plain that were there a Warsaw Pact intervention in Poland, it would not participate, just as it did not join in the 1968 intervention in Czechoslovakia.

(F) Romania is the only communist nation which has diplomatic and trade ties with Israel. It has played a useful role in the Middle East diplomatically (easing the Sadat-Begin rapprochement) and in other ways (facilitating the Shah's oil shipments to Israel.)

(G) Romania refused to go along with the Soviet effort to gain unanimous support for an anti-American declaration on Cuba at a November 1981 Moscow conference of secretaries of ruling communist parties.

(H) Romania has refused to recognize the Vietnamese installed regime in Phnom Penh and has generally frustrated Soviet efforts to gain greater acceptance of that entity, even within the Warsaw Pact and CEMA.

(I) Romania, unlike the other members of the Warsaw Pact, has excellent relations with the People's Republic of China.

(J) Romania has made a serious long-term effort to increase its participation in the world economy and to avoid dependence on the Soviets and the rest of CEMA.

Witness:

—Romania has over one billion dollars a year in bilateral trade with the U.S.;

—Romania participates in the IMF, the World Bank, and the GATT;

—Romania broke ranks with the rest of CEMA and entered into a bilateral agreement with the EEC;

—Romania in 1975 was the first CEMA country to sign a trade agreement with the U.S.;

—Romania has over 50 percent of its trade with the West and the developing world and the amount is increasing;

—Since 1972 Romania has qualified under the general system of tariff preferences (GSP) granted by the U.S. and other Western countries to the developing world;

(K) Romania was the only Warsaw Pact state which refused to support the Soviet position on the UNGA resolutions on Afghanistan.

(L) Romania is the only Warsaw Pact country to maintain that international discussion of its human rights practices is legitimate and, in fact, to engage in a human rights roundtable with the U.S.

(M) Romania was the only Warsaw Pact nation to criticize the Soviet invasion of Czechoslovakia and the Vietnamese invasion of Kampuchea.

(N) We have constructed with the Romanians a network of political, commercial, cultural, and scientific ties which have operated to our benefit and which may, in time, cause some opening up on the part of the regime. In the meantime, we have been able to carry out a significant refugee program and make representations, often successfully, on behalf of individual dissidents.

In sum, Romania is a nation which, while maintaining its own orthodox communist regime and ever mindful of the fact that geography has made it a neighbor of the Soviet Union, has sought to assert its independence. It has done so economically as well as politically. It is in our interest to do what we can in a carefully considered and pragmatic way, to encourage this effort. How we behave toward Romania now will not just be noted by its present rulers, but by their successors and those who may in time lead the other states of Eastern Europe. Showing that such a policy of independence will elicit a positive response from the chief power of the West is in our strategic and political interest as well as in our economic interest.

Funderburk

**91. Letter From President Reagan to Romanian
President Ceausescu¹**

Washington, January 29, 1982

Dear Mr. President:

I appreciate your concern about the situation in Poland² and I share your desire to see a rapid lifting of martial law in that country. I cannot, however, agree with your assertion that the economic sanctions imposed by the United States against the Polish and Soviet Governments could lead to further destabilization of the situation. In fact, I hold to the opposite view.

¹ Source: Reagan Library, Paula J. Dobriansky Files, Romania—Correspondence (2). No classification marking.

² See Document 84.

We have observed with regret that tensions in Europe have been heightened by the fact that major political and social forces in Poland have been denied the right to resolve outstanding issues by means of an open and peaceful dialogue. The imposition of military rule represents, in addition, a decision by the Polish military government to disregard the solemn commitments it undertook when it signed the Helsinki Final Act. It also represents a violation of the Gdansk agreement of 1980.³

The United States Government believes it important to underscore its fundamental opposition to the actions taken by the Polish Government against its own people. These actions were directed in particular against Solidarity, a mass workers' movement with nearly ten million members, representing the interests of the majority of the Polish people. The imposition by the United States of economic sanctions against Poland and the Soviet Union demonstrates our dedication to and respect for international agreements and for the internationally recognized rights of persons everywhere. We are unwilling to stand idly by in the face of the violation of those solemn agreements by the Polish military aided by the Soviet Union.

On the other hand, the United States Government, recognizing the pressing needs of the Polish people, has agreed to permit the sending of humanitarian aid to Poland through private organizations. I have also made clear to General Jaruzelski that the United States Government is prepared to help restore the Polish economy, just as we helped the countries of Europe after both World Wars. It would be necessary, however, for the Polish Government first to demonstrate by its actions that it is prepared once again to honor its commitments under the Helsinki Final Act and in documents like the 1980 Gdansk agreement. It should take concrete steps to end repression, free those who have been subjected to arbitrary detention and begin a search for reconciliation and a negotiated accommodation with the true representatives of all of the social, spiritual and political elements of Polish society.

In outlining our position, Mr. President, I hope to make clear to you that while we disagree on some points, we can understand the reasons for your policy. Our two nations stand in different relationships to Poland for historical and political reasons. Your government has adopted a policy toward Poland which is in keeping with the commitments you perceive as a Warsaw Pact ally and member of the Council on Mutual Economic Assistance (CMEA). Our policy reflects our commitment to principles which we hold to be fundamentally important. The central point to be understood and agreed upon, however, is that

³ See Footnote 3, Document 65. Further documentation is scheduled for publication in *Foreign Relations, 1977–1980*, vol. VII, Poland, 1977–1981.

parties to a dispute must not resort to force or the threat of force, but that free negotiations without coercion be the channel for resolving differences.

I trust in the days to come that it will be possible for all concerned parties in Poland to return to free and open discussions as the best approach to allow the Polish people themselves to resolve the difficulties which continue to beset their country.

Sincerely,

Ronald Reagan

92. Memorandum From the President's Assistant for National Security Affairs (Clark) to Secretary of State Haig¹

Washington, undated

SUBJECT

Your Proposed Trip to Romania

It has come to my attention that you are planning a trip to Romania about February 12–13.

Although Romania is something of a foreign policy maverick within the Soviet Bloc, it has a very repressive internal policy, severe social and economic problems and is, in effect, internationally bankrupt.

A visit at the Secretarial level at this time, when we are imposing sanctions on Poland and the USSR, would leave us open to charges of hypocrisy by our allies as well as by domestic groups.

Additionally, there are questions pending which have not been resolved, such as CCC and Exim credits to Romania. A visit while these matters are not yet resolved could prove embarrassing.

I urge you to reconsider your decision to visit Romania at this time.

FOR THE PRESIDENT:

William P. Clark²

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Romania (02/01/1982–02/14/1982). Confidential.

² Printed from a copy that bears this typed signature.

93. Telegram From the Department of State to the Embassy in Romania¹

Washington, February 2, 1982, 1452Z

27232. Subject: Visit by Secretary Haig. Ref: A) State 21806,² B) State 23572,³ C) State 21970,⁴ D) State 23524,⁵ E) Bucharest 488.⁶

1. (C—Entire text)

2. Ambassador should deliver the following message from Secretary Haig to Foreign Minister Andrei for delivery to President Ceausescu as soon as possible.

Begin quote:

Thank you for your gracious invitation to visit Romania. I am pleased that it will be possible to come to Bucharest on Friday, February 12. I look forward to meeting you and holding discussions on February 13 with you and Foreign Minister Andrei for a full exchange of views on matters of mutual interest and concern. End quote.

3. Ambassador should propose following tentative schedule to Foreign Minister and seek confirmation for the Department as soon as possible.

—February 12

—1945—Arrive Bucharest from Marrakech. Dinner (private). Given nature of visit, we would prefer to discourage Romanian dinner invitation.

4. February 13

—0900—Meeting with Foreign Minister Andrei followed by meeting with President Ceausescu.

—1145—Depart for Otopeni Airport.

—1200—Depart Bucharest for United States.

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Romania (02/01/1982–02/14/1982). Confidential; Niac Immediate; Exdis. Sent Priority for information to Lisbon, Madrid, and Rabat. Printed from a copy that it was received in the White House Situation Room.

² Telegram 21806 to Bucharest, January 27, provided guidance and outlined the general requirements for Haig's visit to Bucharest. (Department of State, Central Foreign Policy File, D820047–0141)

³ Telegram 23572 to Bucharest, January 28, described the communications procedures for Haig's trip. (Department of State, Central Foreign Policy File, D820049–1049)

⁴ Telegram 21970 to several posts, January 28, described a variety of scenarios that needed to be considered prior to Haig's arrival in each of the following cities: Lisbon, Madrid, Munich, and Marrakesh. (Department of State, Central Foreign Policy File, D820047–0563)

⁵ Telegram 23524 to Bucharest, January 28, outlined the press arrangements for the Secretary's visit. (Department of State, Central Foreign Policy File, D820049–0951)

⁶ See footnote 2, Document 89.

5. Mrs. Haig will accompany the Secretary on the trip. Embassy should work out with Romanians a separate schedule for her for the morning of Saturday, February 13.

6. The Department is repeating Refs A through D for Bucharest's action. These cables will provide detailed instructions on administrative arrangements which must be put into effect preparatory for the Secretary's visit.

7. For strictly logistical reasons, the Embassy should plan to house all members of the Secretary's party, including the Secretary and Mrs. Haig, in the same hotel. The Secretary appreciates that the Ambassador would want to extend hospitality to the Secretary and Mrs. Haig and the immediate members of his staff. He hopes the Ambassador will understand that he has found it extremely important that he and his entire immediate staff and the S/S support operation be located in the same building. The number of individuals on his staff cannot be accommodated at the Ambassador's residence.

8. Please confirm as soon as possible Romania's acceptance of proposed dates and schedule.

Haig

94. Memorandum From Secretary of State Haig to President Reagan¹

Washington, February 3, 1982

SUBJECT

My Visit to Romania February 12-13

Romanian President Ceausescu has invited me to visit Romania February 12-13. The visit provides an excellent opportunity to challenge the Soviet Union close to home. We believe President Ceausescu's primary notice is the political symbolism involved. While the Romanians may raise financial or economic assistance issues, I intend to say these cannot be discussed while Romania's debt is being rescheduled.

My visit should clarify to other countries in Eastern Europe and NATO that Romania continues to have meaningful relations with the United States, a viable alternative to being inexorably drawn deeper into the Soviet sphere of influence.

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Romania (02/01/1982-02/14/1982). Confidential. A stamped notation indicates that it was received in the White House on February 3 at 9:49 a.m.

Romania's foreign policy continues to follow a relatively independent line, often directly contrary to Soviet interests. This, despite the fact that Romania is currently facing great financial problems and feels threatened by the USSR as a result of the crisis in Poland.

Romania has recently taken a relatively even-handed stance on INF. Alone among Warsaw Pact countries, Romania has called for a reduction in Soviet missiles. Ceausescu has also made it plain that Romania would not participate were there a Warsaw Pact intervention in Poland, just as he was outspoken in his criticism of the Soviet invasion of Czechoslovakia in 1968 and Afghanistan in 1979. Behind the scenes, Romania blocked Soviet efforts to gain Warsaw Pact support for an anti-American declaration on Cuba in 1981.

Our two-way trade with Romania is over one billion dollars a year. We have constructed a network of political, commercial and cultural ties which continue to operate to our benefit and provide an entree with which we are able to raise difficult emigration questions involving family reunification, Romanian Jews and human rights issues affecting Baptists and Pentecostals.

In sum, my visit will demonstrate support for Romania's relative independence from Soviet dominance on the international scene. It will also maintain the opening we find useful for dealing with continuing bilateral economic and political issues. The trip will irritate the Soviets, but will give me an excellent chance to address the Polish situation in the heart of the Warsaw Pact.

95. Telegram From Secretary of State Haig to the Department of State¹

February 14, 1982, 0200Z

Secto 3100. Subject: Memorandum for the President: Visit to Bucharest.

1. Secret—Entire text.

2. We have just concluded four hours of extensive discussions with Romanian President, Ceausescu, focusing largely on the Polish question, disarmament, the Middle East, and especially Romanian concerns about their economic difficulties. I found Ceausescu outwardly confident but clearly concerned by what he referred to as powerful strains

¹ Source: Department of State, Central Foreign Policy File, D820002–0297. Secret; Niact Immediate. The telegram was sent from the Secretary's aircraft.

on the situation in Europe. He appeared to take pains to disassociate himself from the Soviet Union, never once mentioning the Warsaw Pact. In fact, in his statement on international political, economic, and disarmament issues, he sounded more like the leader of a Third-World, non-aligned country than a Soviet ally.

3. I handed Ceausescu your letter on Poland² which replied to his letter to you of December 25.³ This opened a lengthy discussion of Poland during which Ceausescu agreed that our goals coincided and required an immediate lifting of martial law and normalization. He emphasized, however, that our third condition, which emphasized the need for a dialogue between the union, the Church and Solidarity, created internal problems in Poland which we should avoid. This was a reflection of the threats to his incumbency. He agreed that the Polish Government had created the problem with its own political mistakes and emphasized that he personally saw no justification for the emergency measures that had been taken. On the other hand, he considers that Jaruzelski acted to head off civil strife and outside military intervention. His most important point involved economic sanctions against Poland which he fears will drive Poland into the arms of the Soviet Union.

4. I emphasized that we had intimate knowledge of the deep Soviet involvement starting as early as March 1980, adding that you did not wish to punish the Polish people but considered that sanctions against Poland serve as an inducement for early normalization as well as pressure on the USSR. Ceausescu did not dispute this point.

5. Ceausescu avoided any discussion of sanctions against the Soviet Union, indicating that such action is appropriate. Nor did he challenge in any way the evidence provided on the Soviet role in the crackdown. Notwithstanding, he is clearly concerned about the likelihood of a further deterioration in the situation and the possibility that this might lead to Soviet military intervention. Perhaps based on wishful thinking, he expressed the view that a compromise is likely and sooner than the West expects.

6. On arms control, Ceausescu said that although he favored our initial zero option position,⁴ we should clearly be ready to accept a solution at the lowest possible level, adding that he hoped for a program with a nuclear-free zone in the Balkans.

² See Document 91.

³ See Document 83.

⁴ In remarks at the National Press Club on November 18, 1981, Reagan first proposed the zero option for intermediate-range nuclear forces: "The United States is prepared to cancel its deployment of Pershing II and ground-launch cruise missiles if the Soviets will dismantle their SS-20, SS-4, and SS-5 missiles." (*Public Papers: Reagan, 1981*, p. 1065) The full text of his remarks is printed in *Foreign Relations, 1981-1988*, vol. I, Foundations of Foreign Policy, Document 69.

7. On the Madrid Conference, I pointed out that you were interested in preserving the Helsinki process but, because of the Polish situation, you believed a cooling-off period would best serve this objective.

8. He agreed with our assessment that the Middle East is increasingly dangerous. Ceausescu emphasized his earlier idea of an international conference and the need for a Soviet role. I told him that you considered this to be out of the question since the Soviets have historically appeared interested in controversy rather than solutions. Using his long-standing influence with the PLO, I warned that continued terrorism against Israel would immediately generate an Israeli military response against PLO strongholds in Lebanon.

9. Ceausescu is desperate about Romania's economic situation but appears to be scantily knowledgeable. Clearly, his main objective is to survive in an environment in which his incumbency is in jeopardy. He recognizes clearly that he is dealing with a new mood in America which will not rubber-stamp additional credits unless he demonstrates independence from Russia and concern about the excesses in Poland.

10. I believe strongly that Romania is not on the Russian wavelength, that we must encourage its independent spirit, and not pursue policies which will drive it, under a new leader, back into the Soviet embrace. This is an issue of growing significance here at home and one which I hope to discuss with you at greater length on Monday.⁵

11. All in all, the Romanian stop confirmed my own judgments of what is truly happening in Eastern Europe and the wisdom of the course you have been pursuing.⁶

12. Warmest regards. Al.

Haig

⁵ February 15. Haig met with Reagan and Clark from 1:58 to 2:36 p.m. (Reagan Library, President's Daily Diary) No record of the meeting was found.

⁶ Telegram 1033 from Bucharest, February 15, conveyed the draft text of a memorandum of conversation between Haig and Romanian Foreign Minister Andrei. (Department of State, Central Foreign Policy File, D820002–0303)

96. **Memorandum From Norman Bailey of the National Security Council Staff to the President's Assistant for National Security Affairs (Clark)**¹

Washington, March 5, 1982

SUBJECT

The Romanian Financial Situation

The Romanian government on Tuesday² suspended payments on its debt to the private banks after trying to shift its funds in the U.S. to a bank where it has no debt exposure. These instructions were refused by several banks.

Last weekend some European banks refused to accept the rescheduling agreement worked out in Bucharest by nine Western banks. On Monday at a meeting in New York, several U.S. banks also refused to accept the agreement.

Romania in the meantime made a payment of \$5.6 million to several U.S. banks acting as agents for the CCC. These banks forwarded only \$1.2 million to the CCC, keeping the rest to cover their Romanian exposure. Eximbank was subsequently paid by Romania. Any payments to U.S. Government agencies made after March 2, 1982 will be contested by the banks as violating the *pari-passu* rule. At least one bank has diverted Romanian funds without authorization to cover its exposure, and it is reliably reported that on March 8, 1982 Chemical Bank intends to do the same.

It would thus appear that the first in a series of shaky dominoes may be falling. A Romanian default (or moratorium) would probably be followed by Poland declaring a moratorium or being declared in default. The result of all this would be a complete cessation of private bank lending to Eastern Europe (without home government guarantee).

That, in turn, would probably lead to default at least in Hungary, Yugoslavia and East Germany. We must assume West Germany would try to bail out East Germany. I presume we, along with others, would try to launch a rescue effort for Yugoslavia, perhaps costing us upwards of \$1 billion.

¹ Source: Reagan Library, Paula J. Dobriansky Files, Romania—EE Memoranda (2). Limited Official Use. Sent for information. Copies were sent to Weiss, Nau, Pipes, Reed, and Gregg. Poindexter wrote underneath the date, "3/8, Mentioned to President. JP." According to a fax cover sheet attached to another copy of the memorandum, it was sent to the attention of Poindexter, who was in California with the President. (Ibid.)

² March 2.

It is quite conceivable that a scenario such as the above might lead to a substantial cutoff of credit flow to the Soviet bloc for years to come and a much greater willingness of the allies to cooperate with us in controlling official credit flows.

It is equally possible that it could lead to a contraction of international bank lending worldwide, which coupled with a much lower OPEC oil surplus to recycle and an unprecedented concentration of international debt maturities in the first half of the year, as well as recession throughout the Western world, might result in an international financial crisis of unmanageable proportions.

The Romanians have asked our permission to send a high-level mission to the U.S. to discuss the situation urgently. In connection with this, it should be noted that Marc Leland of Treasury and I will be away March 13–20 as part of the Buckley mission.³

³ See footnote 3, Document 10.

**97. Letter From President Reagan to Romanian
President Ceausescu¹**

Washington, July 14, 1982

Dear Mr. President:

As you are aware, Most Favored Nation (MFN) status renewal for Romania will soon be considered by the U.S. Congress. I am required by law to provide Congress with a determination whether such status is to be renewed. After carefully reviewing this issue, I recommended MFN renewal for Romania in 1982.² My decision was predicated on the level of Romanian emigration to the United States in 1981, on the good political relations and mutually beneficial economic intercourse between our countries, and my deep respect for Romania's pursuit of an independent foreign policy.

Despite these positive developments, however, I am gravely concerned about certain issues which have become serious irritants in

¹ Source: Reagan Library, Executive Secretariat, NSC Head of State File, Romania: President Ceausescu (8102897). No classification marking. Additional draft copies of the letter are *ibid.*

² See Reagan's message to Congress, June 2, in *Public Papers: Reagan, 1982*, Book I, pp. 720–722.

U.S.-Romanian relations—Romania's policy toward emigration to Israel and the treatment of members of various religious denominations, particularly Pentecostals and Baptists, who have been subjected to harsh fines and long periods of imprisonment for their religious activities.

Since the extension of MFN status to Romania, the level of Jewish emigration to Israel has declined by some 50 percent. Furthermore, notwithstanding the 1979 understanding between American-Jewish leaders and the Romanian Government, considerable delays in the resolution of Jewish emigration cases continue to occur, resulting in a periodic backlog numbering into the hundreds of cases.

In the past six months, I have received numerous reports of Romanian Christians being arrested and charged with criminal offenses because they have sought to distribute Bibles to fellow believers and to have contact with representatives of churches and religious organizations in the West.

These incidents have stirred a strong public reaction in the United States. I have received letters of concern from some American-Jewish leaders and from a large number of prominent members of Congress such as Senators Moynihan, Helms and Jepsen, and Congressmen Solarz and Dornan. Given the existing public sentiment, I expect that, unless there is a marked improvement in Romanian human rights practices, particularly as they affect religious denominations, and emigration policies for those desiring to go to Israel, MFN renewal for Romania in 1983 is likely to provoke an even sharper debate. Your personal intervention on this matter, I am confident, would have a favorable impact and preclude such an unfortunate development.

Best wishes.

Sincerely,

Ronald Reagan

**98. Letter From the Ambassador to Romania (Funderburk)
to the Deputy Secretary of Defense (Carlucci)¹**

Bucharest, October 22, 1982

Dear Secretary Carlucci:

In your October 11 meetings with Minister of Defense Lt. Gen. Constantine Olteanu and Foreign Minister Stefan Andrei² they—especially Andrei—asked you about the status of the United States response to Romania's request for seismic equipment. As you are aware they were referring to the Romanian request, most recently made to USAID in early September, for a variety of seismic and other equipment to be funded by USAID's Disaster Relief Program.

We understand from other Washington visitors that the Romanian Embassy in Washington has been told already that the United States cannot supply some of the items requested and that the remainder of the list is being scrutinized.

These Romanian requests bring into focus concerns that I and several of my staff have had with the matter of technology transfer to Romania. Upon reading NSDD-54 we noted that Romania is to be treated differently than other Warsaw Pact members with regard to the transfer of sensitive technology. We have serious reservations about such an exception. We realize that the NSDD was a laboriously negotiated document and that the various elements of it are in effect encapsulations that have specific meaning to those who deal with the subject in Washington. We also realize that sensitivity is relative and that there are items and technology governed by COCOM that are not particularly sensitive. We also understand that we have interests to promote by permitting the transfer of less sensitive items. Romania, probably for commercial reasons, would resist Soviet efforts to get less sensitive items more than highly sensitive items.

Our concerns are with truly sensitive items and technology—material that the Soviets would covet and that would bestow on the Soviets military benefits which they do not now possess—and with NSDD-54's perception of Romania.

Regarding the sensitivity of export items, we would defer to the experts to determine what is truly sensitive and what is not. If an item is truly sensitive, however, we believe that it should not be transferred to Romania.

¹ Source: Reagan Library, Donald Fortier Files, Subject Files, Technology Transfer: Romania Landsat Case 1981–1982. Confidential. "Dep. Sec. has seen" is stamped at the top of the letter. Another stamped notation reads, "See Mr. Carlucci's comment." Carlucci wrote at the top of the letter, "Unusual position for an Amb. to take. Good for him. I agree. Let's support him. FC."

² No records of these meetings were found.

Briefly, we believe that, were we to transfer to Romania highly sensitive technology which the Soviets coveted, the Soviets could bring sufficient pressure to bear on the Romanians to obtain it. Moreover, we believe that in their present economic straits, in which they are seeking Soviet and CEMA aid, the Romanians' susceptibility to Soviet pressure is increasing and is greater than it has been for twenty years.³

Thus, we are encouraged by the close scrutiny that Romania's requests apparently are receiving and urge that it be continued. Copies of this are being sent to Secretary of State Shultz and National Security Adviser Clark. Thank you for your consideration.

Betty and I enjoyed your visit and meeting your wife. Best wishes.
Yours sincerely,

David B. Funderburk

³ Carlucci drew a vertical line in the left-hand margin next to this sentence.

99. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, November 8, 1982, 1342Z

8553. Subject: Romanian Education Repayment Decree. Ref: Bucharest 8150 (Notal).²

1. On Nov 6 Romanian newspapers carried the text of the Council of State decree (see reftel) concerning the requirement that intending emigrants repay the government for their education and for other services. The text of that decree follows:

Begin text.

Council of State of the Socialist Republic of Romania

Decree

Regard the obligations of persons who request to be permitted to take up residence permanently abroad of paying in entirety the debts which

¹ Source: Reagan Library, Executive Secretariat, NSC Head of State File, Romania: President Ceausescu (8106944) (1). Limited Official Use; Niact Immediate. Sent for information to Belgrade, Berlin, Budapest, Madrid for CSCE Delegation, Munich, Moscow, Prague, Sofia, and Warsaw, and to USCINCEUR Vaihingen, USDOCO South Naples, CINCUSAFE Ramstein, and CINCUSAREUR Heidelberg for POLADs.

² Telegram 8150 from Bucharest, October 25, reported on the Romanian education repayment program for emigrants, although the Embassy did not yet have the text of the decree. (Department of State, Central Foreign Policy File, D820552-0138)

they owe the state, socialist organizations, and physical persons, as well as of repaying some expenditures made by the state for their schooling.

In the general political context of the Party and the state of continuously raising the standard of living of the entire population, important funds are allocated to assure the citizens of the fatherland a free education at all grades, free medical care, and a large system of social security and assistance.

For the compensation of these expenditures, in conformity with ethical and equitable socialist principles, it is necessary that persons who leave the country permanently indemnify society for the material efforts devoted to their schooling and specialization, as well as for the other services from which they benefit until abandoning the territory of the state.

In this scope, the Council of State of the Socialist Republic of Romania decrees:

Art. 1: Persons who request to be permitted to take up residence permanently abroad are obliged to pay fully the debts which they owe the socialist units, and other organizations.

Similarly, they have the obligation to pay in entirety allowances for support (alimony) and every other debt to physical persons.

Art. 2: Persons who desire to be permitted to reside permanently abroad are obliged to repay the Romanian state in hard currency (valuta) the expenditures made for schooling, specialization, and training, including scholarships, with regard to high school (liceal), university (superior), post graduate school, and doctoral education.

The amounts owed are established through the application of the rates provided by law for foreigners who study at their own expense in the Socialist Republic of Romania.

The provision of the present article is not applied to persons who at the date of the approval of their request to emigrate from the country fulfill the conditions of age provided by law in regard to the granting of a pension for work contributed and limited by age.

Art. 3: The payment of debts owed to the state, socialist units, and other organizations and of payments for maintenance (alimony) and of the other debts owed to physical persons, as well as the repayment of expenditures for schooling, specialization, and training are made after the approval of the request to emigrate and before the release of the passport.

Art. 4: From the date of the approval of emigration until the date of effective departure from the country, persons provided for in article 1 will support, in hard currency, expenses for medical care charges and fees for tourist services as well as whatever other charges and fees owed according to the law by foreigners who do not have domicile in the Socialist Republic of Romania.

Art. 5: Buildings and land belonging to persons who emigrate from the country become, according to the law, the property of the state.

Art. 6: Property of the national cultural patrimony belonging to persons who are approved to emigrate are surrendered obligatorily to the state at the price established by the State Central Commission for the National Cultural Patrimony.

Art. 7: In the case of persons who have departed in a fraudulent manner from the country or who, being already abroad, did not return at the expiration of the term established for their return to the country, the restitution of the expenditures for schooling, specialization and improvement is assured through the pursuit under legal conditions, of the goods and other rights which they have in the country or abroad until the full satisfaction of the debt.

Art. 8: The repayment of the expenditures, including scholarships, as well as the payment of charges and fees provided in Articles 2 and 4 are to be made in freely exchangeable foreign currency, through bank transfers or directly, in effective hard currency and checks.

Nicolae Ceauesscu

President of the Socialist Republic of Romania

Funderburk

100. Letter From President Reagan to Romanian President Ceausescu¹

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

¹ Source: Reagan Library, Paula J. Dobriansky Files, Chronological File, Chron 11/05/1982-12/17/1982, NLR-145-8-44-10-3. No classification marking.

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.² 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.

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 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

² See Document 99.

101. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, December 7, 1982, 1457Z

9401. Subject: Presidential Letter to President Ceausescu: Initial Response.

1. C—Entire text.

2. Summary: The Ambassador conveyed personally President Reagan's letter to President Ceausescu² at a 40 minute meeting on 6 December. An interpreter translated the entire letter at the meeting and Ceausescu immediately gave his reactions orally, saying that he would also have a written response. He reviewed briefly the basis of U.S.-Romanian relations since 1969 and said that the law referred to in President Reagan's letter had nothing to do with U.S.-Romanian relations, but rather with relations between the Romanian state and Romanian citizens. He said that Romania always rejected attempts from anywhere to interfere in its internal affairs and to apply conditions. He wanted good U.S.-Romanian relations to continue and it would be the responsibility of the United States if this did not happen. He is ready to receive President Reagan's personal envoy and to continue the talks on emigration questions. He concluded the meeting by hoping "that what has been achieved in our relations over the past 14 years will not be washed away." End summary.

3. The Ambassador met with President Ceausescu on 6 December at 4:00 pm at the Communist Party Central Committee headquarters, and presented the letter from President Reagan as instructed in reftel.³ Ceausescu was accompanied only by his interpreter and a note-taker. The DCM accompanied the Ambassador. The meeting lasted 40 minutes. The 7 December Romanian morning newspapers "Scinteia" and "Romania Libera" reported on their front pages that the Ambassador met with President Ceausescu in a "cordial atmosphere" but the substance of the call was not given. A radio report said "friendly atmosphere."

4. Ambassador Funderburk began by explaining to President Ceausescu that he had been instructed to convey personally a letter from President Reagan regarding the recent Romanian educational repayment decree and related aspects of U.S.-Romanian relations. The

¹ Source: Reagan Library, Paula J. Dobriansky Files, Romania—Correspondence (3). Confidential; Immediate; Exdis.

² See Document 100.

³ Presumably a reference to telegram 338068 to Bucharest, December 4, which conveyed the text of the letter from Reagan to Ceausescu, in addition to delivery instructions. (Department of State, Central Foreign Policy File, D820629-0364)

Romanian interpreter then read the entire letter to President Ceausescu in Romanian. After the conclusion of the transcription of the letter, President Ceausescu pondered his response for about a minute and then asked the Ambassador if young people in the United States did not have to pay fees or charges for their education. He did not respond to the Ambassador's brief explanation of differences between some non-tuition public universities and tuition-charging private universities.

5. Ceausescu said "I am surprised by the way that this problem is approached." He continued that it is a Romanian issue and as such does not involve the relationship between the United States and Romania; this law aims at regulating relations between the Romanian state and Romanian citizens. The relations established since 1969 by the United States and Romania have been based on the principles of equality, independence, non-interference, and mutual advantage. All of these principles are embodied in three or four joint documents. He said that the desire that relations between the two countries be developed on these principles has also been reaffirmed in the exchange of letters between himself and American Presidents.

6. Ceausescu continued that the measures contained in the decree of law to which President Reagan's letter refers have nothing to do with Romanian relations with the United States, but rather with the relations between the Romanian state and Romanian citizens. The issue begins with the fact that in Romania education is fully free of charge, both for the secondary level as well as for higher education. All Romanian citizens have an obligation after their education to go where they are assigned. When preparing this legislation Romania took into account the need to "create order" and to regulate the relationship with respect to those who received their education in Romania and who now wish to work in another country. Ceausescu stressed that in its relations with the United States, Romania is in no way duty bound by any agreement to provide for the education of experts and training of skilled workers, only to have them then leave to work in foreign countries. He said that "what we mean to do is to have those who wish to emigrate to other countries pay back their educational costs at a rate that foreign students would pay for their education. As a matter of fact we wish with all these measures to regulate procedures and to do away with many restrictions" for those who wish to leave to work in foreign countries. He noted that Romania does not, however, mean to encourage emigration.

7. Ceausescu said that he thought that the remark in President Reagan's letter referring to many economic difficulties cannot be accepted and in any case appears to stem from incorrect information. If it is a question of solving some economic problems, "our economy is strong enough to overcome these problems."

8. Ceausescu then offered that "we have been informed that problems like this between Canada and Czechoslovakia" were solved in

1928 by an agreement which is still in force. He suggested that the United States check with the Canadians about this.

9. The President said that Romania is defending itself against the "policy" which is being carried out internationally regarding the drawing of skilled help from developing countries and that the UNGA had passed a resolution recently on this subject.

10. Ceausescu then said that he was ready to receive a personal envoy from President Reagan to talk these matters over. He is ready to do this regarding a solution for those who wish to leave Romania after receiving their education. He was surprised by the remarks in the letter with respect to the trade agreement between Romania and the United States and also MFN. He said that relations between Romania and the United States have developed quite well and that he would want this to continue—but that he would want this to continue in the framework of the agreements already signed without conditions or interference in the internal affairs of Romania. He said Romania has always rejected attempts from anywhere to interfere in its internal affairs and to apply conditions. The development of economic and other relations is to the mutual benefit of Romania and the United States and that of other countries in the world. He said "We are hopeful that such measures as are referred to in the letter will not take place" because it would mean a "devaluation" of our agreements and our relationship. If this happens, "if so, it will be entirely the responsibility of the United States." Romania will continue with her foreign policy and will act as it deems necessary in the spirit of non-interference and mutual respect. "Once again I am ready to receive a special envoy from President Reagan and I agree to the continuation of talks between the Romanian Ministry of Foreign Affairs and the State Department." Referring back to the Romanian law he said that perhaps a solution can be reached along the lines reached some 50 years ago by Canada and Czechoslovakia.

11. The Ambassador got confirmation that President Ceausescu was reacting affirmatively to the proposed visit of the personal envoy and that he was giving the go ahead to convey the word that he would receive the envoy. Ceausescu again stated that the Romanian MFA and State Department could continue their talks. He hoped we could find a solution to these problems particularly for people who wish to emigrate to the United States with the understanding that they pay for their education costs. He said this new law is meant to do away with certain difficulties and to shorten procedures.

12. The Ambassador said that President Reagan had sent this letter in the context of the past relations between the United States and Romania and that there was no implication of interference in internal affairs. The message is in part based on the laws of the United States. We will look to the solving of this problem in the spirit of the relationship.

Ceausescu, waving his hand to change the topic and shaking his head, said that he realized the Ambassador would not think this was meant to be interference and that he would obviously defend his President. But, Ceausescu continued, “I cannot interpret it in any other way.” He said that he would be responding to President Reagan’s letter.

13. Ceausescu said that it will be Romania’s policy not to request any more loans from anyone including the United States. He said this decision had been made two years ago. He ended the meeting by saying “Let us hope a solution will be found and that what has been achieved in our relations over the past 14 years will not be washed away.”

14. Comment: President Ceausescu’s oral response to the President’s letter, although it is tactically defensive in tone, expresses surprise at the approach taken to the education repayment issue, and pointedly refers to setting conditions and interfering in Romanian internal affairs, nevertheless, indicates that he is not ready to foreclose on discussing the issue and continuing the talks on emigration procedures. We recommend that the President’s envoy visit Bucharest as soon as possible and that we be advised of possible dates so that we can ask for a presidential meeting. Neither we nor the Canadian Embassy here have any idea what Ceausescu was referring to regarding a 1928 Canadian-Czech agreement allegedly still in force. The Canadian Ambassador is checking with Ottawa and we are seeking background information from the MFA here.

Funderburk

102. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, December 22, 1982, 1206Z

9870. Subject: Visit of Special Envoy; Education Repayment Decree. Ref: Bucharest 9805.²

1. Acting Foreign Minister Aurel Duma summoned the Ambassador to the Ministry this morning (December 22) to give him President Ceausescu’s response to the proposal that Under Secretary Eagleburger

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Romania (11/23/1982–01/05/1983). Confidential; Immediate. Printed from a copy that was received in the White House Situation Room.

² Telegram 9805 from Bucharest, December 21, conveyed Acting Romanian Foreign Minister Aurel Duma’s reaction to the selection of Eagleburger as the President’s emissary to Romania. (Department of State, Central Foreign Policy File, D820661–0088)

visit Romania to discuss the education repayment decree and other matters. Duma said that following the Ambassador's call on him on the evening of the 20th he had informed President Ceausescu of Eagleburger's appointment and the proposed dates of the visit (January 4–5). Duma said that President Ceausescu informed him that he and the Foreign Minister will be out of the country January 3–6 and that he preferred that the Eagleburger visit occur after January 7.

2. Duma requested that we let him know as soon as possible the new proposed dates of the visit.

3. The Ambassador asked Duma whether any arrangements regarding the education repayment decree had been worked out with Israel. Duma took a few seconds to get his thoughts in order, then responded that Romania's relations with Israel were going well and that there were no problems to date. He said that the emigration repayment decree would be applied to persons emigrating to Israel as well as to any other country, but that how it will be applied—how the tax will be paid—will have to be worked out. "Rabbi Rosen is an intelligent man, he will be able to come up with some solution."

4. Discussing emigration to Israel, Duma said that Romania has sent many cadre—doctors and educated men—to Israel and that this has been a great boon to Israeli development. He noted in passing that many Jews who emigrated to Israel from Romania are asking to return to Romania or to leave Israel for Vienna and the United States.

5. Returning to the application of the decree, Duma said that emigrants whose applications were approved before the effective date of the decree will not be required to repay to the GOR the cost of their education. Conversely, he said, those whose applications are approved after the date of the decree will indeed be required to repay the cost of their education.

6. In response to questions regarding the rates, he went into his office and returned with a mimeographed schedule of charges which he consulted when passing along the following information. He said the rates this year are as follows: for high school (liceu), 185 dollars per month for each month of the 9–10 month academic year; for technical and economic training at university level, approximately 300 dollars a month; for medical training, approximately 400 dollars a month; and the fine arts and theater training, where tutelage is on a one-to-one basis, 700–800 dollars per month. He said the rate would vary from year to year in the future with the charges being whatever the going rate is during the year the application is approved.

7. Duma said that he hoped that Under Secretary Eagleburger would bring with him some suggestions as to how the cost of education of emigrants going to the United States might be paid. He floated as a possibility the extension of credits, with the USG in turn collecting the

cost from the emigrants themselves after they are in the United States. He made very clear that he sees the primary purpose of the Under Secretary's visit to be working out an arrangement whereby the United States through one means or another can meet the Romanian education repayment requirements.

8. Duma reiterated the GOR position regarding the emigration tax. He stressed that it was not an emigration matter but an internal requirement concerning individual Romanian's obligations to the state. Free education, he said, is provided to those who remain in Romania, not for those who emigrate. "It would be immoral and unethical for such persons to leave without paying." He said Romania is in effect giving receiving nations trained manpower. "No one gives us anything; we are charged 18 percent interest for whatever money we get."

9. In closing he noted that too much is being made of problems with emigration and that Romanian-US relations involved much more than this subject. With regard to emigration to the United States, he said that the GOR was now handling more applications to depart than ever—4,000 persons applied to emigrate to the United States in 1982, twice the number that applied in 1981. He added that departures for Israel have remained constant: 1147 in 1980, 1102 in 1981, 1552 in 1982.

Funderburk

103. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, December 29, 1982, 1243Z

10074. Subject: President Ceausescu's Response to President Reagan's Letter. Ref: Bucharest 9401.²

1. C—Entire text.

2. On Dec 29 Foreign Minister Stefan Andrei delivered to Ambassador a copy of President Ceausescu's letter responding to the letter sent by President Reagan (see reftel). The text of the English translation of the letter prepared by the Ministry of Foreign Affairs follows in paragraph 4. The copy of the letter in the Romanian language which was given to the Ambassador will be pouched to the Department.³ The Foreign Minister said that the original of the message would be delivered in Washington by Romanian Ambassador to the U.S. Mircea Malita, who departed Bucharest on Dec 28 for that purpose.

3. Remarks made by the Foreign Minister about the forthcoming visit of Undersecretary Eagleburger and other matters follow by septel.⁴

4. Begin text.

Bucharest, December 1982

Dear Mr. President,

I have received your personal letter, submitted to me by the United States' Ambassador in Bucharest at the beginning of December.

Indeed, I appreciate as well as you do, that the relations between Romania and the United States of America have a great importance for both our countries.

I would like, on my turn, to underline the mutual development of the commercial exchanges following 1969 and the necessity to further cooperate in order to ensure their expansion in the future. It is true that under conditions created after 1969 the American exports to Romania were much larger and therefore the United States

¹ Source: Reagan Library, Executive Secretariat, NSC Head of State File, Romania: President Ceausescu (8106944) (1). Confidential; Immediate; Exdis. Printed from a copy that was received in the White House Situation Room.

² See Document 101.

³ The letter in Romanian is in the Reagan Library, Executive Secretariat, NSC Head of State File, Romania: President Ceausescu (8106944) (1).

⁴ Telegram 10091 from Bucharest, December 29. (Department of State, Central Foreign Policy File, D820672-0651)

companies were favoured. Lately, we took a series of measures to ensure the continuous expansion of the economic exchanges but on a balanced basis.

At the same time, our countries cooperated extensively regarding international matters for a solution of the Middle East conflict and, in general, for settling the war and conflictual situations, for a normalization of relations between the U.S.A. and other states, for a policy of peace, detente, cooperation and national independence, against any resort to or threat with force.

I think that in the course of the general development of the Romanian-American relations the exchange of messages at the highest level, fruitfully continued with you as well, played an important role.

In this spirit, I would like from the beginning to tell you openly that I have been surprised by the way your letter tackles with the matter of the decree of the State Council of the Socialist Republic of Romania regarding the obligations of the citizens who ask and get approval to settle abroad to repay the Romanian state the expenses made for their education.

This decree relates in no way with the relations between Romania and the U.S.A. and does not refer to the problem of emigration. The decree regulates the relations between the Romanian citizens and the Romanian state and constitutes a strictly internal matter for Romania.

The Romanian-American relations, developed especially after 1969, were based on equality in rights, respect of independence and national sovereignty, non-interference into internal affairs and mutual advantage.

In the joint declarations signed with three Presidents of the U.S.A., as well as in the messages exchanged with you, the desire to further develop the relations between our countries, based on these principles, has been reaffirmed.

I wish to specify that in Romania education is free and compulsory for the first 10 classes. Further on, education is free but not compulsory and its role is to ensure the training of specialists depending on the needs for the country's economic and social development. The measures foreseen in the decree start from the fact that in Romania, the state, the people, pays for all expenses for education and the graduates have the obligation to work in the enterprises that offered them grants or in other places allotted to them by the state.

It is, therefore, normal that the persons educated in Romania on the state and the Romanian people expenses and wishing to leave the country, to reimburse the Romanian state, repaying the expenses made for their education at the level paid by the foreign students who study in Romania on their own account and do not benefit of a grant offered by Romania.

Otherwise, there are already internal regulations in different countries regarding the obligations that the specialists have towards the state or towards the institutions that granted them scholarships during their studies.

I wish to tell you that when Romania gets technical assistance from abroad, 5–6,000 dollars monthly have to be paid for every foreign specialist.

Specialists trained in Romania who settle abroad bring revenues to the companies and states that employ them and it is clear that the Romanian people cannot train on its own account specialists to bring revenues to other states or companies.

The decree joins the actions adopted in the international arena in order to put an end to the drawing of these specialists from different countries and, first of all, from the developing countries. A few days ago, the General Assembly of the United Nations Organisation adopted a special resolution in connection with putting an end to the exodus of specialists from the developing countries. In fact, Romania has no agreement nor an international obligation towards anybody, including the U.S.A., to train on the Romanian people's expenses, specialists who, afterwards, work in different countries or for different companies.

As I pointed out, the measures contained in this decree do not regard the United States and are not applied especially to the Romanian citizens who would like to settle permanently in the U.S.A. By this decree a number of procedures for those who wish to leave Romania for good and work in another country are simplified and the period for solving their request becomes shorter.

The remark in your letter concerning the link between the economic difficulties of Romania and this decree starts from false information, from ignoring the realities from Romania. We do not intend to encourage in any way the emigration, we do not want and, as a matter of fact, it is not possible to solve in this way the economic problems of Romania, the Romanian economy being strong enough to be able to surpass the consequences generated by the world economic crisis in all the states of the world.

I was surprised by the reference in your letter to the trade agreement between our countries, that provided the granting of the most favoured nation clause. It is true that after 1969 the Romanian-American economic exchanges were strongly developed and we would like further development of these relations, but in the spirit written in the trade agreement, namely without conditions and without interference in the internal affairs of Romania.

The development of the economic relations and, in general, of the rapports between our countries is in the mutual advantage, in the interest of the policy of peace and cooperation in the world. I hope that such

measures that would mean an infringement of the agreements and the principles of the relations between states will not be adopted. It is obvious that in the event of adopting such measures, the responsibility will revert on those imposing them.

Romania is very fond of her policy of independence, has rejected any attempts of interference in her internal affairs, of imposing political or any other kind of conditions and will not admit in the future, too, such conditions from anybody. Romania will continue this policy in the future as well, will act as it deems necessary, in the spirit of the policy of equality in rights, of independence and non-interference in the internal affairs.

In the spirit of the policy of cooperation with all the states, we would like to ensure a general development of our relations with the United States of America. In this respect, we would like to find a settlement which will lead to the intensification and the broadening of the political contacts, to the developing of the commercial exchanges and not to raising obstacles on the way of the economic cooperation. At the same time, we would like to continue to cooperate in solving various international issues in the interest of the policy of peace and equality, for solving the problems in the Middle East and other regions of the world, for a policy of disarmament, to stop the deployment of missiles in Europe, for the reduction and the withdrawal of the existing ones, for understanding, detente and international security.

In this regard, I am ready to discuss and reach a direct settlement from the government to government and I agree with your proposal concerning the coming to Bucharest of your personal representative. I agree as well with the discussions between our representatives, at the level deemed necessary, respectively the State Department and the Ministry for Foreign Affairs, in order to find a solution concerning the way in which the situation of those wishing to settle permanently in the USA is regulated.

Acting as we did in the past, when we discussed issues even more difficult and found suitable solutions, mutually advantageous, I hope that by joint efforts, starting from the equality in rights, the respect of independence and non-interference in the internal affairs, a solution could be reached this time too in order to ensure the continuation of the relations in the political, economic and other fields, the development of [garble] of friendship and cooperation between our countries and peoples.

Concluding, I would like to stress that we bear the responsibility of cooperating for the development of the relations between our countries, (for the continuation of the mutual advantageous economic exchanges, for the extension of the cooperation in solving the big issues of the international life, to achieve disarmament, to implement

a new international economic order, to solve all the litigious problems through negotiations, for peace and international security. This way we will respond to and serve the aspirations of our peoples for friendship and cooperation, the general cause of detente, cooperation and peace.

Sincerely yours,
Nicolae Ceausescu

His Excellency
Mr. Ronald Reagan
President of the United States of America
White House
End text.

Funderburk

104. Memorandum From Secretary of State Shultz to President Reagan¹

Washington, January 14, 1983

SUBJECT

Romanian Tax on Emigration

As your special emissary, Larry Eagleburger talked with President Ceausescu and Foreign Minister Andrei January 10 and 11 about the Romanian education tax for emigrants. Despite the fact that we told the Romanians in advance that Larry would not be bringing any "solution"—indeed that we could never make a deal to pay for emigrants and that we would take away MFN if they proceed to implement this decree—Ceausescu still showed signs of wishful thinking. He did not move away from his "principled" position that those who get free education at the expense of the Romanian State must repay the State if they are leaving the country. Ceausescu cited the USG's move in October to require repayment of student loans as one justification.

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Romania (01/10/1983–03/01/1983). Secret. A stamped notation indicates that it was received in the White House on January 14 at 11:36 p.m.

Eagleburger may have gotten it through Romanian heads that we are different than the Germans and Israelis,² who long have payed for emigrants. He was absolutely firm in telling both the Foreign Minister and Ceausescu that if the emigration tax decree is implemented Romania will lose MFN. Nevertheless, it is Eagleburger's judgment that Ceausescu is not yet ready to shift his position; indeed, he may never shift. We have until June 2—when you must decide whether to recommend to Congress renewal of MFN—to bring him around.

We are organizing an interagency group to make recommendations to you on how to proceed. My general view at this point is that we should continue to make clear to the Romanians that until we resolve this issue we cannot move ahead on other matters, i.e., EXIM financing for their nuclear power plant. We should try to get *explicit* agreement that they will not implement the decree. However by June we may face a more ambiguous situation—no explicit agreement but also no implementation. I have asked the interagency group to make recommendations on how to deal with such an eventuality. Finally, the Romanians may go ahead with implementation, in which case I will recommend that you take away MFN.

Larry told Ceausescu that we need to begin to consider how to manage a post-MFN US-Romanian relationship—recognizing our mutual interest in sustaining as much Romanian independence from the Soviet Union as possible. Ceausescu made clear that loss of MFN would assist Andropov's efforts to restore greater unity to the Warsaw Pact, and hinted that it would lead to a reduction in current levels of emigration from Romania as well.

Eagleburger stopped briefly in Yugoslavia on his way home. The Yugoslavs are now experiencing their most serious economic and therefore political crisis since Tito's death. The Yugoslav leadership requested that he convey to you their gratitude for the effort we initiated to help them through this period. They still may be forced to reschedule, but the US, our NATO allies and some European neutrals are trying to give them a fighting chance to avoid what they (and the Soviets) would consider a failure of the more liberal and decentralized Yugoslav system. We will know in the next few weeks whether our approach is working.

²Shultz wrote to Reagan in a January 3 memorandum: "Under Secretary Eagleburger met with Israeli Ambassador Arens on January 3 to discuss Jewish emigration from Romania. Arens confirmed that Israel had an arrangement under which it paid Romania for Jewish emigrants, but Israel is now unwilling to renew it because the Romanians are demanding exorbitantly high fees in the \$20–40,000 per capita range. Eagleburger said that while we could understand Israel's motivation in paying for emigrants, the US is unwilling to do so. Eagleburger said he would tell Ceausescu next week, that the US Congress would categorically reject the idea of a financial arrangement and would undoubtedly react by refusing to extend MFN status for Romania." (Reagan Library, Executive Secretariat, NSC Agency Files, Secretary of State's Evening Reports, Sec State Evening Reading Report 12/17/1982–1/5/1983)

105. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, January 31, 1983, 1700Z

939. Subject: President Ceausescu's Desire To Visit the United States in 1983.

1. Confidential—Entire text.

2. Summary: Foreign Minister Andrei asked on January 31 for an invitation for President Ceausescu to visit the U.S. in 1983. Andrei wants to visit Washington in late March or early April. Andrei wants Deputy Foreign Minister Dolgu to go to Washington ASAP for talks. End summary.

3. On January 31, Minister of Foreign Affairs, Stefan Andrei called Ambassador Funderburk to the Ministry of Foreign Affairs to suggest that President Reagan invite President Ceausescu to visit the United States in 1983 to discuss bilateral relations and international problems.² Andrei said that President Ceausescu believes that a meeting with President Reagan would now have an important impact on U.S.-Romanian relations. President Ceausescu realizes Andrei said that the President has a very busy schedule and if he cannot visit Romania this year, then President Ceausescu is willing to visit the United States upon receiving an invitation from President Reagan.

4. Stefan Andrei said that regarding his planned visit to the U.S. he had spoken with President Ceausescu on Saturday, 29 January. Ceausescu told Andrei to plan on high level meetings with U.S. Government officials to review and discuss important international issues such as the Middle East crisis, European security, disarmament, the new economic order, and special matters related to the desires of several states that wish to improve their relations with the U.S. Andrei said that President Ceausescu would serve as a go-between for these countries who desire better relations with the U.S. He did not specify which countries these were.

5. Andrei said that when he visits the U.S. he would also like to have meetings with Eagleburger to discuss a wide range of international issues including the Madrid Conference, European security and some special subjects that he recently discussed with Col. Khadaffi. Andrei said that he would like to visit the U.S. after attending the Non-Aligned conference meeting in New Delhi in March 1983. He would prefer to visit the U.S. the last week in March or the first week of April 1983.

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Romania (1/10/1983–03/01/1983). Confidential; Immediate; Exdis.

² Not found.

One of the major goals of his visit would be to prepare for a visit of President Ceausescu who would continue these discussions of international issues with President Reagan.

6. Deputy Foreign Minister Gheorghe Dolgu is prepared to visit the U.S. immediately for talks with U.S. officials and with Under Secretary Eagleburger. During Eagleburger's recent visit to Romania, President Ceausescu emphasized to him the importance of improving the exchange of information between the two governments to strengthen bilateral ties and cooperation. Therefore, Andrei said, "we are taking this initiative".

7. Andrei asked the Ambassador to convey to Secretary of State Shultz Andrei's friendship and best wishes for his success in Shultz's trip to the far East.³ Andrei told the Ambassador that he was very satisfied with his conversations with National Security Advisor Clark,⁴ and he very much appreciated the positive way that Clark approached bilateral problems. Andrei thanked the Ambassador for his contribution to these bilateral discussions.

Comment: The top Romanian leaders appear to be convinced that meetings with high ranking U.S. officials can help solve Romanian problems, as well as burnish Romanian leadership images, and are thus anxious to engage in such discussions ad nauseum: the issues, for example, that Andrei listed as an agenda for his visit are the same issues he had dealt with during several recent meetings with high U.S. officials. He did not offer any indication that he would be instructed to raise anything new. He will undoubtedly attempt to escalate his proposed visit to a meeting with the President or Vice President, NSC Director Clark and secretaries of other departments. The visit of Dolgu is relatively low level and we see no particular problems with signals that might be conveyed with his meetings. He is primarily an economist and could be programmed as such. We would have very serious concerns about considering a Ceausescu state visit and will address them and other considerations about the proposed Andrei visit in septel.⁵

Funderburk

³ January 30–February 10.

⁴ No memoranda of conversation from these meetings were found.

⁵ Not found.

106. Memorandum From Secretary of State Shultz to President Reagan¹

Washington, February 19, 1983

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, 1982,² 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

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Romania (01/10/1983-03/01/1983). Secret.

² See Document 100.

time for the approximately 200 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.³

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 3.⁴

—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.⁵

³Not found attached. Reagan made the statement on March 4. (*Public Papers: Reagan*, 1983, Book I, p. 329)

⁴Reagan checked and initialed the "Approve" option.

⁵Reagan checked and initialed the "Approve" option.

**107. Action Memorandum From the Acting Assistant
Secretary of State for European Affairs (Palmer)
to Secretary of State Shultz¹**

Washington, March 23, 1983

SUBJECT

U.S.-Romanian Relations in the Post-MFN Environment

ISSUE FOR DECISION

How best to preserve a constructive, mutually beneficial relationship with Romania now that we have announced that Romania's Most-Favored-Nation (MFN) tariff status will end on June 30, 1983.

ESSENTIAL FACTORS

The termination of MFN and associated benefits for Romania undoubtedly will be a serious blow to our bilateral relationship. Moreover, the education repayment decree and continuing human rights violations make it difficult for us to maintain a genuinely close relationship with the Romanians. Nevertheless, most of our fundamental interests vis-a-vis Romania are unchanged, and we should still seek to preserve and advance them to the extent possible.

It remains in our interest for Romania to stay as independent and free from Soviet control as possible, to keep its military cooperation with the Warsaw Pact at minimal levels, and to avoid bankruptcy. We also want to preserve some relationship with the GOR so that over time we can work toward improvement in their human rights practices, including emigration. Finally, Ceausescu will not last forever and we should look ahead to the post-Ceausescu era. The initial indications are that the GOR also wants to limit the damage to our relationship that will result from the loss of MFN and access to USG credit and guarantee programs. And we cannot rule out the possibility that the Romanians ultimately will see that they have more to gain than to lose by stopping implementation of the decree.

The main challenge facing us will be to conduct our relations with Romania in a constructive way at a time when the loss of MFN and

¹Source: Reagan Library, George P. Shultz Papers, Official Memoranda (03/24/1983) (2). Confidential. Sent through Eagleburger. Drafted on March 1 by Jonathan Rickert (EUR/EEY); cleared by Palmer, Davis, Bruce Hirschorn (EB/OT/TA), Steven Sestanovich (S/P), Daniel McGovern (L), and Elliott Abrams (HA). Rickert initialed for all the clearing officials except for Palmer. At the top of the memorandum, an unknown hand wrote, "See Secretary's request pg. 5." A stamped notation indicates that it was received on March 23 at 3 p.m.

access to USG credits and credit guarantees severely limits what we can do in the areas of greatest interest and importance to the Romanians—trade, finance, and the economy. However, there are several actions we should take to keep the bilateral relationship healthy.

ANALYSIS OF OPTIONS

The following is an outline of the major actions we should take to preserve our relationship with Romania over the next few months and to encourage the GOR to drop implementation of the education repayment decree.

A. EXIM Credit for Cernavoda Project

Commerce and USTR feel strongly that it is in the U.S. interest to go ahead with the provision by General Electric (GE) of steam turbines for the Cernavoda nuclear power project. This involves some 2,000 American jobs and almost \$200 million in sales—all would be lost to the Canadians, Italians, or other Europeans if we do not move in the coming months.

As approved by the President, EXIM agreed in 1981 to provide \$120 million in credit to the Romanians to permit them to purchase the GE turbines. As recently as March 1, Deputy Foreign Minister Dolgu made a plea to Under Secretary Eagleburger and Commerce Under Secretary Olmer for continued EXIM involvement in the project,² in which the Canadians and Italians are also participating. In our view, termination of Romania's MFN does not require the cancellation of prior credits such as the one in question. The Canadians and Italians wish to make a technical survey of the Cernavoda site soon and want the US to take part. EXIM is no longer enthusiastic about the project and does not want to participate in the tripartite technical survey. It has been concerned over Romania's precarious financial situation, but is now also nervous about possible Congressional criticism of the Bank if it proceeds with the loan after the termination of MFN. From the political standpoint, it is important for us to go ahead with the EXIM credit—it is the only significant economic carrot remaining which we can use with the Romanians. In any case, we should definitely participate in the technical survey so as to keep this option open and credible, assuming that GE remains interested in the project. We can reserve a final decision on participation. We understand that Mac Baldrige and Bill Brock agree. To break the logjam, we suggest you send a letter to Bill Draper (Tab 1),³ with copies to Commerce and USTR.

² Telegram 63028 to Bucharest, March 8, reported the meeting between Eagleburger, Olmer, and Dolgu. (Department of State, Central Foreign Policy File, D830128–0518)

³ Not found attached. A copy of the letter, signed by Shultz and dated March 28, is in the Reagan Library, George P. Shultz Files, Official Memoranda (03/28/1983).

B. Visits

President Ceausescu has asked to pay an official visit to Washington this year. Foreign Minister Andrei has also expressed interest in coming to Washington in April. A Ceausescu visit does not appear desirable this year unless preceded by repeal of the education repayment decree or the cessation of its implementation. On the other hand, an Andrei visit in April could be useful, if only to maintain the appearance of normal relations during a period when not much other high-visibility bilateral activity may be possible. Indeed we may need to rely on other such visits in both directions over the coming months for the same reason.

C. Landsat

The purchase of Landsat equipment continues to be of great interest to Romania. Eugeniu Mandescu, Secretary of the Romanian Commission for Space Activities (RCSA), visited Washington on February 22 to discuss the status of this question with NOAA, State, and Commerce representatives. Mandescu conveyed continued Romanian interest in Landsat, which the GOR wishes to use for agricultural and mining research purposes. He was told that DOD still is reviewing the export license applications for the equipment involved, but that State and Commerce intended to push for approval of the program.

We understand that Commerce is considering pushing this issue to the EARB (Economic Advisory Review Board) to try to pry a decision on LANDSAT from DOD. If Commerce does not move, we should take action to obtain resolution of this issue—either by calling a meeting of the EARB ourselves, or by taking the issue to the NSC/President. This has been dragging on too long, and our scientific reputation and relations with Romania call for resolution of the issue.

D. Trade Areas

Although the loss of MFN and associated benefits will seriously hamper our ability to be helpful to Romania in the economic, financial, and trade fields, we will continue to support Romania's debt rescheduling efforts and requests for IMF and IBRD assistance to the extent possible. Moreover, we should endeavor to maintain those portions of our bilateral trade agreement not directly affected by the loss of MFN. The Commerce Department and other USG agencies should continue to assist the GOR in trade promotion, marketing, and in other appropriate ways. The object would be to maintain our economic relationship with Romania, although necessarily at a lower level than before, and continue to keep the door open to rapid expansion should it be possible to restore MFN status. You should know that Milt Rosenthal, Chairman of the Board of Engelhard Corporation, plans to visit Bucharest shortly in his capacity as US Co-Chairman of the Romanian-US Economic Council to discuss with Ceausescu the U.S. business community's evaluation of the impact the loss of MFN would have on bilateral trade.

E. Education and Cultural Activities

During a period when our relations with Romania may have to be characterized more by form than by substance, it is important that we maintain and, if possible, expand our activities with Romania in the areas of education and culture. In July 1983, USIA will present to the GOR its draft program for 1984 for bilateral cooperation and exchanges in education, culture, science, technology, and other fields. That will provide an opportunity to demonstrate continued USG interest in a bilateral cooperation and exchanges program. USIA could also be requested to seek opportunities for additional high-visibility activities with and in Romania which would enhance bilateral cultural understanding and cooperation.

F. Human Rights and Emigration

We should seek to maintain our dialogue on these subjects, *inter alia*, because we will continue to face innumerable specific problem cases. Congress will want us to use whatever influence we can on these cases. Also we should not rule out eventual discussions on how to deal with the emigration issue. Should Romania stop applying the education tax and make other specific emigration process improvements, we would give serious consideration to restoring MFN, keeping open the option of seeking multi-year MFN for Romania at a later date should conditions warrant it. We do not believe it is appropriate, however, to convene the human rights round table discussion, which had been planned tentatively for this spring, until there has been some human rights progress in Romania.

RECOMMENDATION

That you approve the foregoing general approach to preserving and, where possible, enhancing our bilateral relations with Romania during the post-MFN period.⁴

That you agree to meet briefly with Foreign Minister Andrei at a mutually convenient time in April.⁵

That you sign the attached letter to William Draper of EXIM, urging EXIM participation in the upcoming tripartite site survey in Romania.⁶

⁴ Shultz initialed the "Approve" option, and the date of "Mar 28 1983" was stamped next to the initials. Adjacent to this recommendation, Shultz wrote in the right-hand margin, "I'd like more info on Landsat & relation of this to discussions with the PRC."

⁵ Shultz initialed the "Approve" option, and the date of "Mar 28 1983" was stamped next to the initials.

⁶ Shultz initialed the "Approve" option, and the date of "Mar 28 1983" was stamped next to the initials.

108. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, March 31, 1983, 1504Z

2864. Subject: Technology Transfer to Romania; Landsat. Reference: [less than 1 line not declassified] Report (IR 2 350 0009 83) (2202-00).²

1. Secret—Entire text.

2. Embassy recommends that Landsat not be transferred to Romania.³ Based on the "Western technology transfer in Romania" report and our studied view, we consider that the export of American high technology to Romania would likely result in its transfer to the Soviet Union when either needed or required by the Soviets.⁴ Consequently before making a final decision on the sale of Landsat, we recommend that Landsat and other examples of sensitive technology transfer items not be sold to Romania.⁵

3. Aside from the evidence [less than 1 line not declassified] that the GOR does transfer Western technology to the Soviets, the Embassy suggests that the Landsat equipment not be sold to Romania for the following additional reasons:

A. Romania is a strict Marxist state and a member of the Warsaw Pact.

B. Romania has serious economic problems and the Soviet Union is in a position to exert considerable economic pressure on Romania.⁶

C. President Ceausescu is sympathetic to Soviet requests because of his background training in Moscow and ideological inclinations.

4. In as much as the computer/tape recording devices on the Landsat are of intense interest to the Romanians and could have military application which would be of interest to the Soviets it would not be prudent or in the best security interest of the United States to risk such equipment becoming available to the Soviets via Romania.⁷

Funderburk⁸

¹ Source: Reagan Library, Donald Fortier Files, Subject File, Technology Transfer: Romania Landsat Case 1981-1982. Secret; Niact Immediate; Nodis.

² Not found.

³ An unknown hand underlined this sentence and circled the word "not."

⁴ An unknown hand underlined the portion of the sentence beginning with "we consider that" until the end.

⁵ An unknown hand underlined the portion of the sentence beginning with "we recommend that" until the end.

⁶ An unknown hand underlined this sentence.

⁷ An unknown hand underlined this paragraph.

⁸ An unknown hand underlined Funderburk's name twice.

109. Memorandum From Acting Secretary of State Dam to President Reagan¹

Washington, May 5, 1983

1. *Romania: Education Repayment Decree*. Romanian Foreign Minister Andrei informed Ambassador Funderburk today that President Ceausescu has decided to stop applying the education repayment decree for emigrants to the United States, effective May 1.² Andrei added that Romania hoped that by June 1 it would not be necessary to enforce the decree for emigrants to any country. He said Romania, however, does not intend to state publicly that the decree is no longer being applied. The Romanian decision is an important breakthrough. It increases the chances of preserving a normal relationship with Romania, including continued Most-Favored-Nation (MFN) status.

[Omitted here are sections unrelated to Romania.]

¹ Source: Reagan Library, Executive Secretariat, NSC Agency File: Records, Sec. State Evening Report 4/29/83–5/23/83. Secret.

² No report of this meeting was found.

110. Letter From Romanian President Ceausescu to President Reagan¹

Bucharest, May 1983

Dear Mr. President:

In the last 15 years Romanian-American relations have developed and have greatly expanded, especially in recent times.

In the spirit of the principles inscribed in the Joint Statement signed with President Nixon in December 1973² and in the other Romanian-American documents signed at the highest level in 1975 and 1978 and of the Romanian-American Agreement on Trade Relations,³ Romania

¹ Source: Reagan Library, Executive Secretariat, NSC Head of State File, Romania: President Ceausescu (8400229–8406115). No classification marking. Printed from a translation prepared in the Division of Language Services, Department of State.

² Nixon and Ceausescu signed the Joint Statement of Principles and a Joint Statement on Economic, Industrial, and Technological Cooperation in Washington on December 5, 1973. For the texts, see *Public Papers: Nixon*, 1973, pp. 997–1003.

³ TIAS 8159.

and the U.S.A. will work for the continued development of Romanian-American relations in the interest of the two peoples and of peace and international cooperation.

Relations between Romania and the U.S.A. are based on equality of rights, respect for the principles of independence and national sovereignty, and non-interference in internal affairs.

In the framework of its general policy Romania will continue to solve humanitarian problems on the basis of reciprocal trust and good will. Romania is completely in agreement with the understanding expressed in your letter that, with a view to continuing and stimulating economic relations and cooperation in production between the two countries, Romania will not require those granted permission to go abroad permanently to reimburse the state for the expenses of their education, as stipulated in Decree 402.

At the same time, although Romania will not create economic or procedural obstacles to permanent departures, it would like to emphasize that it does not encourage the permanent departure of Romanian citizens from their homeland, since that creates many social and humanitarian problems.

Motivated by the joint desire to develop even stronger bilateral relations of friendship and cooperation between the two States, the Romanian Government agrees that both parties will encourage the expansion of trade relations and that, within this framework, the United States and Romania will encourage—in accordance with their laws and regulations—the development of cooperation in production, expansion of imports and exports and the development of Romanian-American economic cooperation in general.

In general, Romania will endeavor to give a renewed stimulus to Romanian-American economic relations and notes that the U.S.A. will do likewise.

Romania is prepared to discuss continuation of economic cooperation with the United States in the context of the next meeting of the Joint Economic Commission, which will be held in the fall of 1983.

Very sincerely yours,

N. Ceausescu

111. Letter From President Reagan to Romanian President Ceausescu¹

Washington, June 1, 1983

Dear Mr. President:

The United States values its relationship with Romania and wishes to resolve all important bilateral questions in the spirit of existing agreements between the two countries and of the principles set forth in the U.S.-Romanian Joint Declaration of December 1973, and on the basis of national sovereignty and independence, mutual respect and non-interference in internal affairs.

The United States understands that Romania will continue to resolve all emigration and other humanitarian questions on the basis of mutual trust and good will and that in order to continue and stimulate economic relations and industrial cooperation between the two countries, Romania will not require those who receive approval to emigrate to reimburse the State for their education costs, as stipulated in Decree 402. The United States further understands that Romania will not create any economic or procedural barriers to emigration. On this basis, I will recommend to Congress and will support the continuation of Romania's Most-Favored-Nation tariff status and will consider recommending to Congress at an appropriate future time the extension of Most-Favored-Nation treatment to Romania on a multi-year basis.

The United States supports the right of free emigration, enshrined in the Universal Declaration of Human Rights and other international documents. As a general principle, however, the United States does not seek to influence individuals in their decisions on whether or not to emigrate from the country of their residence.

Based on the desire further to develop relations of friendship and cooperation between the two states, in the spirit of the Romanian-American Trade Agreement, and for the mutual benefit of both states, it is the understanding of the United States that both governments intend—consistent with their laws and regulations—to encourage trade and economic cooperation in industry and agriculture. In this regard and consistent with its laws and regulations, the United States recognizes the importance of processing export licenses as expeditiously as possible, assisting American companies investing in Romania, encouraging Romanian investments, purchases in and exports to the United

¹ Source: Reagan Library, Executive Secretariat, NSC Head of State File, Romania: President Ceausescu (8400229–8406115). No classification marking.

States, and extending the preferential treatment provided by the U.S. Generalized System of Preferences. Overall, the United States will endeavor to give a new impetus to U.S.-Romanian economic relations, and notes that Romania will do so as well.

The United States is prepared to discuss continued economic cooperation with Romania in the context of the next Joint Economic Commission meeting, to take place in the fall of 1983.

Sincerely,

Ronald Reagan

**112. Letter from Secretary of Defense Weinberger to
Secretary of Commerce Baldrige¹**

Washington, July 7, 1983

Dear Mac:

(S/NF) I want to express to you my strong concerns over the proposed export to Romania of the high-density recorder and airborne multispectral scanner system (MSS). These systems would make a significant contribution to Soviet military intelligence, including spaceborne multispectral scanner systems, should the items be diverted. I believe the available evidence, [*less than 2 lines not declassified*] indicates that there is a substantial probability that this could occur if we go through with the sale.

(S) I have just received information which reveals that immediately, prior to the Romanian request for MSS from the United States, Romania signed a Protocol with the USSR for Outerspace Remote Sensing of Earth Resources. The agreement was concluded on 5 October 1979 at the 21st Session of Intergovernmental Commission on Economic and Scientific-Technical Cooperation. The Protocol extends cooperation between the two countries from 1981 to 1985. The airborne MSS system is an essential technology for the Soviets to achieve effective outerspace remote sensing, in addition to its use for military and intelligence application.

¹ Source: Reagan Library, Donald Fortier Files, Subject File, Technology Transfer: Romania Landsat Case 07/09/1983-07/14/1983. Top Secret; [*handling restriction not declassified*].

(S/NF) The Soviets are now five to 10 years behind the United States in the development of multispectral scanners. As you may know, the airborne MSS functions as a versatile field measurement system, providing visual and infrared spectral data needed for future spaceborne and operational military equipment. While the Soviets have some units, they are far from a near real-time capability which this export would assist. They now use a camera system which results in considerable delay from the time the information is gathered until an image is constructed. With an airborne electro-optical, or near real-time capability, the Soviets could develop their own systems to monitor camouflaged troop and logistical developments. *[less than 3 lines not declassified]* is a breakdown of how the exports would enhance Soviet capability in high-speed recorders and multispectral scanners.

(S/NF) While the airborne MSS technology is almost 10 years old, the Soviets, if they acquired it, would be handed the basis on which to build a spaceborne MSS capability. Daedalus has built various types of MSS systems used for research, development and design of the spaceborne Thematic Mapper system. In addition, the airborne MSS is to be used by the French for the development of the spaceborne SPOT system. Because of its improved spatial resolution, SPOT's systems' progress is being monitored by the Defense Intelligence Agency as part of its search for improved spaceborne techniques.

[2 paragraphs (11 lines) not declassified]

(S/NF) In addition, the U.S. Navy has recently requested the National Aeronautical and Space Administration (NASA) to employ an airborne version of an MSS subsystem to obtain spectral data during an amphibious operation at Camp Pendleton in California. The objective is to obtain information for future tactical reconnaissance system designs. The instrument to be used is of the same technology as the MSS in question. The measurements are to begin within the next few months. *Therefore, Soviet acquisition of this system would have a direct adverse effect on our own military operational capabilities, for which Soviet countermeasures could be devised.*

(S) Safeguards against the diversion of the airborne MSS strike me as unreliable, since the Soviets do not need a hands-on application to make use of the system, either for reverse engineering or exploitation. For example, the Soviets could ask the Romanians to fly the airborne MSS system over their own territory, evaluate the data and determine whether its military facilities are detectable. If they are, countermeasures could be instituted.

(S) We believe that Romanian acquisition for civilian purposes of the airborne MSS, along with the high-speed recorder for U.S. signal intelligence is only marginally justified, given that the land resource

data they need is already available to them. With Romania's economic problems in mind, I find it difficult to believe this effort is not inspired by other considerations. Despite the modest sum for these proposed exports, we see the risk as out-weighing any marginal benefits and believe they should be denied.²

Sincerely,

Cap

² Underneath his signature, Weinberger wrote, "Mac—There is new information in this letter that wasn't provided before. I'll be glad to discuss further if you wish. Cap."

113. Action Memorandum From the Assistant Secretary of State for European Affairs (Burt) to Secretary of State Shultz¹

Washington, undated

SUBJECT

Landsat for Romania

ISSUE FOR DECISION

Whether to telephone Judge Clark to urge approval of the pending Landsat-related export licensing cases for Romania and to sign the attached letter along the same lines to Secretary Baldrige.²

ESSENTIAL ELEMENTS

On July 8, Judge Clark decided to turn down Landsat to Romania. He did so on the basis of an end-run letter from Secretary Weinberger based on intelligence which the CIA, State, Commerce, and NASA previously had refuted.³ We are concerned that none of the political arguments nor the countervailing technology transfer arguments were presented to him.

¹ Source: Department of State, Executive Secretariat, S/S Special Handling Restrictions Memos, 1979–1983, Lot 96 D 262, ES Sensitive, July 1–14, 1983. Secret. Drafted by Palmer; cleared by Davis. Sent through Dam. The date July 9, 1983, is stamped at the top of the memorandum. "GPS" is also stamped at the top of the memorandum.

² Attached but not printed. McKinley noted at the top of the memorandum that the letter to Baldrige was signed on July 11 (see Document 114).

³ Attached but not printed. See Document 112.

This could create a major problem in our relations with the Romanians. Coming just on the heels of President Ceausescu's eating enormous crow over the education tax and splitting from the Soviets at Madrid, it will be seen by him as a direct act of bad faith on our part. There is a longstanding commitment through several Administrations to provide Landsat to Romania. Making a negative decision at this very moment will be inexplicable to him on political grounds.

The Department of Defense opposed differentiation from the beginning and has been using Landsat to try in effect to reverse the President's decision in NSDD-54, which specifically singled out Romania for more favorable treatment. DOD's technology transfer arguments are spurious. John McMahon has just confirmed to Hugh Montgomery that the CIA does not find Weinberger's letter has changed their conclusion that the sale should go ahead, with appropriate safeguards. This continues to be the view of all other agencies.

There are also important economic stakes here. Commerce is doing an analysis now showing that we could lose several hundred million dollars in exports if Ceausescu reacts strongly to this decision.

I believe you should call Judge Clark to state that he needs to consider the strong foreign policy arguments and the views of all other agencies on the technology transfer question.

RECOMMENDATIONS

1. That you telephone Judge Clark to present our views on Landsat for Romania, using the attached talking points.⁴
2. That you sign the attached letter to Secretary Baldrige, with a copy of Judge Clark, providing our reaction to the Weinberger-Baldrige letter.

⁴ An unknown hand checked the "Approve" option. The talking points which were attached at Tab 2 are not printed. McKinley wrote in the right-hand margin adjacent to the recommendations: "Letter requires correction Monday a.m. BMCK."

114. Letter From Secretary of State Shultz to Secretary of Commerce Baldrige¹

Washington, July 11, 1983

Dear Mac:

I was dismayed to learn that a recommendation to the President on the Daedalus cases was not sent forward on July 6, as was agreed in the meeting of the Export Administration Review Board the day before.² We understood that such action would be taken by July 6, as required by Judge Barrington Parker's summary judgment in the Daedalus cases.³

We have read, with great care Cap Weinberger's letter to you of July 7.⁴ Frankly speaking, we see nothing in the letter which calls into question our continuing strong support for the approval of the Daedalus and other Landsat-related cases. Neither that letter nor the Defense Department's previous submissions over many months on this issue have demonstrated that Romania has diverted controlled technology to the Soviet Union in the past or would be likely to do so. Moreover, we understand that from the technical standpoint neither NASA nor the CIA considers diversion likely or the risks entailed to be serious. In our view, such diversion would be highly unlikely—it would put at grave risk Romania's access to U.S. technology in the future and would have negative implications for our bilateral relations in general. In view of Romania's past record, the safeguards that can be placed on the exported equipment, and Romania's desire to enhance and strengthen its relations with the United States, we consider the risk of diversion to be minimal.

At the same time, we believe that the Landsat-related cases should be viewed in a broader perspective. NSDD-54 of September 8, 1982, spelled out the President's differentiated export policy toward Eastern Europe. That Directive clearly states that "there is a high probability that technology legally sold to any Eastern European country *other than Romania* (emphasis added) will be passed to the Soviet Union . . . ," indicating that Romania poses less of a diversion risk than other Eastern European countries. We believe that that still is the case and attach for your information a memorandum prepared recently on the differences

¹ Source: Reagan Library, Donald Fortier Files, Subject File, Technology Transfer: Romania Landsat Case 07/09/1983-07/14/1983. Secret. A copy was sent to Clark.

² The minutes for this meeting were not found.

³ Daedalus Enterprises sued Baldrige and other Commerce Department officials over delays in granting export licenses.

⁴ See Document 112.

the Romanian government has had with the Soviet Union in a number of areas over the past half year or so.⁵

The Landsat-related cases are very important to US-Romanian relations. The issue of their approval has gone unresolved far too long already. Romania recently has made significant concessions to the U.S. in the emigration field and has been helpful at Madrid, splitting from the Soviets on some important issues. Romania should be encouraged to move toward us in as many areas as possible. That is the idea behind the policy of differentiation, and it is one we believe we should continue to promote, especially in the case of Romania. The Landsat-related cases provide an excellent way for us to do so, while a decision now to disapprove them would be an act of bad faith and injurious to major U.S. political interests in Eastern Europe.

Sincerely yours,

George P. Shultz⁶

⁵Not found attached.

⁶Shultz signed "George" above his typed signature.

115. Letter From the Director of International Affairs, National Aeronautics and Space Administration (Pedersen) to the Under Secretary of Commerce for International Trade (Olmer)¹

Washington, July 11, 1983

Dear Mr. Olmer:

(U) Thank you for the opportunity to comment on the technical issues raised by Secretary Weinberger's letter of July 7.² We defer to other agencies for an assessment of the continued overall desirability of establishing a Landsat ground station in Romania. However, as our technical responses have indicated over the past two years, it has been our assessment that the Daedalus requests are appropriate, minimal approaches to the establishment of a Landsat Multispectral Scanner (MSS) ground station capability in Romania. We continue to hold that view.

¹Source: Reagan Library, Paula J. Dobriansky Files, Romania—Landsat (1). Secret; Noform.

²See Document 112.

(U) As you know, since the inauguration of the Landsat system in 1972, it has been the policy of the United States to make all data from the system publicly available to anyone on a non-discriminatory basis. We have consistently urged other nations contemplating civil remote sensing systems to follow this lead and, in February 1982, the Romanian Government placed itself directly in opposition to the USSR and associated itself with this policy of non-discriminatory data availability.

(U) As a consequence both of the open data policy and of the demonstrated, unique value of multispectral civil remote sensing data, equipment and analytic techniques for use of multispectral data have been developed throughout the world. French and British companies have developed multispectral scanners for the world market. French, German, Canadian, and Japanese firms have developed ground station equipment for receipt of Landsat MSS data.

(C) The Romanian commitment to a Landsat ground station (which dates from February 1977) is representative of a global interest in the mid-1970's to make use of the synoptic, repetitive coverage only available from such spaceborne civil systems. Moreover, the Romanian proposal to acquire this Daedalus airborne equipment is entirely consistent with patterns established in other countries (Canada, Brazil, the US, and China) in preparation for Landsat ground station implementation. In fact, an identical airborne multispectral scanner and three dual-channel scanners were approved for export to China in 1978 (CoCom (78) 455). At that time, five years ago, the US took the position that, "The scanner is roughly an order of magnitude poorer than U.S. military equipment installed in the RF-4 aircraft in the 1960's and about two orders of magnitude poorer than current U.S. military production scanners."

(S/NF) Our experience has shown that an airborne electro-optical multispectral scanner is neither necessary nor sufficient to develop a space-based system.³ The development program leading to Landsat-1 prior to 1970 was based primarily on experience with a multiple camera/filter system analogous to the Soviet MKF-6. Moreover, given the very different operating regimes, there are fundamental design differences between airborne and spaceborne multispectral scanner systems. These differences are sufficient, in our view, to make direct application of airborne systems design to space platforms infeasible.

(U) The value of airborne multispectral scanner systems today lies in their ability to simulate the operations of already established space system designs. This is precisely the role of the airborne

³ An unknown hand circled this sentence and drew an arrow in the adjacent margin pointing to the text.

system in the SPOT program. The SPOT program will be flying a series of missions this summer using an airborne multispectral scanner designed by MATRA to simulate the data from the SPOT spacecraft after it is launched next year. We understand that three of these MATRA scanner systems have already been provided to the Soviets. The MATRA-designed multispectral scanner for the SPOT spacecraft is a more sophisticated “pushbroom” scanner, using a linear array rather than a mechanical scan.

(S/NF) Since the airborne multispectral scanner proposed for export by Daedalus is restricted to some of the spectral bands employed in the Landsat MSS, it can simulate the operation of the Landsat instrument, but it cannot readily be used for development of a new instrument employing new spectral bands.⁴ However, as the basis for an R&D program, the Daedalus equipment is superfluous, since much worldwide MSS data from the Landsat itself is already publicly available on a non-discriminatory basis.⁵ These data could already have been acquired and been used to determine any tactical applications. Thus, the availability of this airborne multispectral scanner would not seem to represent a significant contribution to Soviet R&D efforts even if it were diverted.

(S/NF) It is our understanding also that the Soviets have had a longstanding program interest in multispectral remote sensing. This interest is reflected in the development of a camera system flown in the Soyuz/Salyut program and an electro-optical system now being flown on the METEOR-2 satellite series. The first of these, the MKF-6, which was first flown in 1976, employs six photographic systems operating simultaneously in four visible and two infrared spectral bands. From the 300 kilometer orbital altitude of the Salyut, the ground resolution of the system is claimed to be 15 meters. In addition, since about July 1977, the Soviets have included on the METEOR-2 meteorological satellites an electro-optical multispectral scanner operating in four channels in the visible and near infrared spectral regions (resolution 600 meters) and two channels broad band (resolution 250 meters). This sensor was first flown on a Soviet spacecraft in July 1974. I have enclosed a copy of a recent Soviet submission to the United Nations which provides some insight into Soviet spaceborne remote sensing activity.⁶

(U) We have no new information regarding the state of Soviet airborne multispectral scanner development, but we note as a matter of record that, during evaluation of the identical scanner for export to China in 1978, the record showed that the technology and the detectors

⁴ An unknown hand bracketed this sentence.

⁵ An unknown hand bracketed this sentence.

⁶ Not found attached.

(including the spectrometer planar silicon array) to make equipment comparable to Daedalus were available both in free and bloc nations. It was also a matter of record at that time that scientists from the Soviet Ministry of Geology had presented some years previously (at open meetings in the United States) results from a two-channel infrared scanner using photoconductive, liquid nitrogen cooled, lead-selenide detectors operating in spectral bands nearly identical to those proposed in the current Daedalus cases. We presume Soviet R&D has proceeded beyond this stage in the intervening years.

(S/NF) With regard to the question of the tape recorders proposed for export by Daedalus, two points are germane. First, the US has approved for export to the USSR video television tape recorders on a number of occasions. In the early stages of the Landsat program (in 1972), NASA used the TR-70 video television tape recorder for Return Beam Vidicon video/FM data, but also (slightly modified) to record the 15 megabit per second digital data stream from the MSS. Presuming the Soviets would have been able to make similar modifications to their television tape recorders over the past ten years, the SABRE IV system proposed in this export (as constrained by the Romanian Landsat Guidelines) would actually be less capable than TR-70, which we used nearly twelve years ago. [*less than 5 lines not declassified*] We also agree that the potential for Soviet gain would be minimal in these cases, if proper safeguards were put into effect.

(U) In summary, we continue to believe this Daedalus equipment is appropriate to the stated end use and that the proposed safeguards will minimize risk of diversion.

Sincerely,

Kenneth S. Pedersen

116. Memorandum From the Deputy Director of Central Intelligence (McMahon) to Secretary of Commerce Baldrige

Washington, July 11, 1983

Source: Reagan Library, Paula J. Dobriansky Files, Romania—Landsat (4). Secret; Noform. 3 pages not declassified.

117. Memorandum From Donald Fortier of the National Security Council Staff to the President's Assistant for National Security Affairs (Clark)¹

Washington, August 4, 1983

SUBJECT

Export to Romania of the Daedalus Multispectral Scanner (MSS) and Associated Tape Recorders

We have undertaken an exhaustive review of the factors underlying the dispute over the licensing of an MSS system for Romania. [*less than 2 lines not declassified*] the estimates of the intelligence community have fluctuated throughout the period of this review in a way that I find troubling.

Bureaucratically, of course, the divisions run deep. Cap Weinberger is unambiguously in opposition to the sale. A Presidential override of the Secretary of Defense would need to be reported publicly to the Congress. This has never happened before, and—given the attention now being focused on the China Technology Transfer Review—we would need to think very carefully about the substantive and political implications. Moreover, precisely because technical uncertainties do exist, I think it would be very awkward to make this the first case in which a President overrides his Secretary of Defense on the military implications of a proposed technology transfer.

State strongly supports the transfer, although our Ambassador to Romania, David Funderburk, himself believes it would be dangerous to export Landsat, the system to which the MSS is a precursor. Mac Baldrige reserves judgment. On the NSC staff itself, Ron Lehman, Gus Weiss and I favor denial; Jack Matlock, Paula Dobriansky and Norm Bailey favor approval. All agree it is worth bringing up at your next breakfast meeting with Shultz and Weinberger² in order to determine if there is any leeway for compromise on either side and also to see if the participants want an NSC meeting on the subject.

To simplify somewhat your review of this complex case, Jack Matlock, Paula Dobriansky and I have cast the principal arguments in the form of pros and cons.

¹ Source: Reagan Library, Paula J. Dobriansky Files, Romania—Landsat (4). Top Secret. Sent for action. Fortier did not initial the memorandum.

² No memorandum of conversation for this meeting was found.

Arguments in Favor of the Transfer

—Our foreign policy interests would be well served by approval of the license. Romania will of course not reorient its foreign policy because of a denial, but the U.S. ability to influence Romania to maintain elements of its more autonomous course would be impaired.

—The Vice President's visit to Romania (September) would be clouded by this case and we would not be able to reap its full potential benefits.

—NSDD-54, which has placed transfers of technology to Romania on a different basis than those to other East European countries ("there is a high probability that technology legally sold to any Eastern European country *other than Romania* will be passed to the Soviet Union . . ."), would be reaffirmed and, thus, would underscore the consistency of our foreign policy.

—The final report of the Technology Transfer Intelligence Committee (TTIC) notes that the Soviets have as good or better capability in the infra-red area as that found on Daedalus.³

—TTIC also affirms that potential gains to the Soviets can be minimized by safeguards that insure that Daedalus is not made available for detailed engineering study or reverse engineering. It concluded that in order to reap any tangible benefits, the Soviets would have to gain extended access to the system—a contingency which can be minimized through appropriate safeguards.

—There is no immediately apparent offsetting move that we could take to soften the blow a denial would cause to our relations with Romania, since it will be difficult to explain why we would deny 15-year-old widely available technology supplied to China five years ago.

Arguments in Favor of Denial

—The denial of a single technology transfer is unlikely in any fundamental way to alter either U.S.-Romanian relations or the character of Romanian foreign policy. Romanian policies are predicated on a number of considerations on which our leverage is minimal.

—Even if denial does worsen the atmosphere during the Vice President's trip, no lasting damage can be expected; in fact, the visit itself could potentially offset any repercussions of transfer denial.

—It is true that NSDD-54 places transfer of technology to Romania on a different basis from other bloc countries, but NSDD-54 does not abandon the need for case by case review. Moreover, NSDD-54 may itself need to be reevaluated in light of recent information regarding

³ The report is in the Reagan Library, Kenneth DeGraffenreid Files, Subject File, Technology Transfer Intelligence Committee—Romanian LANDSAT Paper 1983.

technology cooperation between Romania and the Soviets, as well as [less than 1 line not declassified] that the Soviets “increasingly are in a position to pressure the Government of Romania to share technology acquired from the West.”

—[1 paragraph (6 lines) not declassified]

—As noted above, TTIC believes the system can be safeguarded against *reverse engineering and outright diversion*. DOD is concerned however about contingencies in which the Soviets would ask the Romanians to *share data* developed by the system—data which would be helpful, among other things, in determining the extent to which SS-20 sites were adequately camouflaged.

—[less than 6 lines not declassified] TTIC itself acknowledges that if the Soviets get extended *access* to the system it will probably enable them to improve their military airborne multispectral scanning capability.

—We know that the Soviets have clear interest in this technology by virtue of the fact that U.S. Customs caught them trying to covertly acquire an MSS system as late as 1982. This system was more sophisticated than the Daedalus in infrared capability, but comparable in the visual range, where the Soviets lag.

Procedural

We believe you should broach the subject with Secretaries Weinberger and Shultz at your next meeting or sooner if the occasion arises (talking points attached).⁴ The Commerce Department is under court order to report by the end of next week either that the case has been resolved or that a clear timetable exists for resolution. We believe you should ask Cap if he has reviewed all the work of the intelligence community and if he still persists in his opposition to the transfer. We believe you should ask Secretary Shultz if he believes U.S.-Romanian relations will turn decisively on this particular transfer and if we could not explore alternative arrangements—such as data leasing or an agricultural exchange agreement—that would give the Romanians at least part of the capability they seek.

Recommendation

That you discuss the matter privately with Shultz and Weinberger to determine if their positions remain unchanged.⁵

⁴ Attached but not printed at Tab I are the undated talking points.

⁵ The “Approve” option was checked.

118. Letter From Romanian President Ceausescu to President Reagan¹

Bucharest, August 19, 1983

Esteemed Mr. President,

The Romanian people, like all European peoples, is profoundly preoccupied at the possibility of beginning the deployment of new intermediate range missiles in Europe, which would create an especially grave situation, in Europe and in the world, would open the way for an intensification of the arms race, would increase the danger of war, and in the first instance nuclear war, and would put in peril all European peoples and the existence of life itself and of human civilization.

Having in mind your commitments and declarations according to which the United States of America is for the reduction and the elimination of nuclear arms in Europe, I consider that it is necessary to do everything to conclude with success this year the Soviet-American negotiations at Geneva regarding intermediate range missiles,² which would correspond to the interests and burning aspirations of the European peoples and the American people and would have profound positive implications in actual international life.

Sharing with you my concern with the fact that until now no progress has been registered in the Soviet-American negotiations at Geneva, I appreciate that there is still time, through new efforts, through negotiations carried out in a spirit of cooperation and acting with complete responsibility both by one party and the other, to arrive quickly at a suitable agreement which will assure the halting of the deployment of new rockets and the withdrawal and destruction of those existing, as an intermediate measure on the path of freeing the continent of all nuclear arms. As long as the negotiations are in progress and as long as there exists even a small chance of halting the deployment of the new rockets, it is necessary to do everything for the success of the Soviet-American negotiations at Geneva.

In the case that one will not arrive at an agreement in the framework of these negotiations until the end of this year, Romania considers that it would be necessary to do everything to arrive at an understanding that the NATO decision regarding the deployment of new

¹ Source: Reagan Library, Executive Secretariat, NSC Head of State File, Romania: President Ceausescu (8106944) (2). No classification marking.

² The second round of negotiations in Geneva ended on July 14. The third round began on September 6. Documentation regarding the Geneva negotiations is scheduled for publication in *Foreign Relations*, 1981–1988, INF, 1984–1987.

intermediate range missiles should be put off at least until the end of 1984 or the beginning of 1985. This would give the possibility of continuing negotiations and concluding them with positive results and would demonstrate the desire not only of the U.S. but also of the USSR of responding to the expectations and interests of the European peoples and of the peoples of the world and of peace, trust, and security on the continent. In the period of continuing the negotiations, the USSR would give guarantees, in the sense of prior declarations, that it will halt the deployment of new intermediate range missiles and their modernization and will reduce unilaterally a part of those located in the European zone of the USSR.

In circumstances in which an agreement in this regard is not arrived at, Romania considers that it would be possible to have in mind at least that intermediate range missiles not be deployed on the territory of the Federal Republic of Germany, the Democratic Republic of Germany, the Socialist Republic of Czechoslovakia, and other states as an intermediate measure, until achieving a final understanding regarding intermediate range missiles in Europe.

Romania considers that until the complete freeing of Europe of any form of nuclear weapons, it would have great significance to create a denuclearization zone on the continent. In this spirit, one is inclined to act in support of efforts to create a denuclearized zone in the Balkans, in Northern Europe and in other parts of the continent as an integral part of the process of achieving disarmament and security on the continent.

Romania proposes that the U.S. and the USSR adopt unilateral decisions to freeze military expenditures for the next two years at 1983 levels and in this period to develop negotiations to pass on to reducing military expenditures. Such a measure would have a great political importance, would not affect the security of any of the parts (of Europe), would respond to the interests of the peoples, and would contribute to the climate of international trust and security.

Even in the actual international circumstances, it is still necessary that all times one should show a spirit of initiative and adopt new measures which will lead to the reduction of international tensions, to the halting of the arms race, and in the first instance of nuclear arms, and to the strengthening of policies of peace, detente, and international cooperation.

I express the conviction in the spirit of the appeal that I address to you in the name of the Romanian people and in my own name, sir, that the United States will do everything to conclude successfully the Soviet-American negotiations at Geneva, to halt the escalation of nuclear arms in Europe, to arrive at concrete measures for nuclear disarmament on the continent, which represents a vital desire of all European peoples

and of all peoples and would contribute to the relaxation and improvement of the climate of international life.

I use this occasion to express my conviction that acting in the spirit of understandings and documents agreed on at the highest level between our states, the bilateral relations between our two countries and peoples will expand continuously and at the same time, the cooperation in the interest of policies of peace, disarmament, collaboration and respect for the national independence of all peoples will intensify.

With special consideration,

N. Ceausescu³

³ Printed from a copy that bears this typed signature.

119. Letter From President Reagan to Romanian President Ceausescu¹

Washington, September 12, 1983

Dear Mr. President:

Thank you for your letter of August 19.² I want to assure you that the American people share the concerns of the Romanian people for effective arms control and increased security in Europe. I wish to stress my personal commitment to the deepest possible reductions in nuclear and conventional forces.

The United States and its Allies seek to preserve and strengthen peace in Europe by deterring aggression and by preserving cooperative relations among all states. For more than 30 years, NATO has made clear in word and deed that its purposes are purely defensive and that it will maintain only those defensive forces necessary to fulfill its strategy of deterrence. At the same time, the United States and its Allies have vigorously sought to improve stability and security in Europe through equitable and verifiable agreements to limit and reduce military forces.

I thus would like to address the suggestions in your letter for a postponement of the deployment of U.S. intermediate-range nuclear

¹ Source: Reagan Library, Executive Secretariat, NSC Head of State File, Romania: President Ceausescu (8106944) (2). No classification marking. Bush presented the letter during his meeting with Ceausescu. See Document 120.

² See Document 118.

(INF) missiles in Europe, a freeze on military spending, and establishment of nuclear free zones in Europe.

The U.S. and its NATO Allies decided in 1979 that it was necessary to address a growing imbalance of military forces in Europe caused by a massive and unwarranted Soviet build-up in longer-range INF missiles aimed at NATO. While NATO made clear its determination to deploy deterrent systems of its own if necessary, the NATO Allies also offered to seek an arms control agreement that would eliminate or at least significantly reduce these systems to equal levels on a global basis. The negotiations began in late 1981.

The United States, in consultation with its Allies, has made far-reaching offers in these negotiations; we have proposed the total elimination of the entire category of U.S. and Soviet land-based longer-range intermediate-range nuclear missiles. As a step toward this goal, the United States has proposed an interim agreement that would achieve equal, substantially reduced levels of such systems on a global basis. The United States and its Allies also have stated repeatedly their willingness to consider any serious alternative proposals that meet the security concerns which prompted their 1979 NATO decision. Unfortunately, the Soviet Union has yet to accept either of the U.S. proposals or to advance one of their own that takes into account NATO's security.

It is my most fervent wish that the Geneva INF negotiations make rapid progress toward an equitable and verifiable agreement that would, at a minimum, substantially reduce nuclear forces in Europe. I am convinced that a delay in NATO deployments would eliminate any possibility of such progress. It would remove any incentive for the Soviet Union to negotiate seriously. Moreover, it would perpetuate the tension arising from the threatening Soviet monopoly in longer-range intermediate-range nuclear missiles.

A freeze on military spending, by itself, would also perpetuate, and perhaps aggravate, military imbalances that undermine collective deterrence. As you know, the United States has been working with other states in the United Nations to develop standard guidelines for comparing and reporting military expenditures. We will continue this effort and urge other states which have not done so to join us.

The United States has long recognized that nuclear weapons free zones which take account of existing security situations and defensive arrangements may enhance security in certain regions of the world. However, the United States and its Allies have long expressed their concerns that a nuclear weapons free zone in all or part of Europe would not meet these criteria. A nuclear weapons free zone there would not take account of the existing security situation, since it would not constrain the threat to such zones from Soviet nuclear weapons adjacent

to it. Indeed, such zones could well undermine rather than enhance security. I believe that a more practical and effective goal is substantial and verifiable reductions in the strategic and theater nuclear arsenals of both sides.

Despite the differences in our views on some European security issues, I appreciate your interest and concern about this problem which is of vital interest to all of us. I value the private exchanges of views on this and many other issues which we maintain with you and other members of your government. I believe that the continuation of such diplomatic dialogue is in the interest of both of our countries and peoples. Vice President Bush will be prepared to discuss European security and other issues of mutual interest with you during his visit to Bucharest on September 18–19.³

Sincerely,

Ronald Reagan

³ See Document 120.

120. Message From Vice President Bush to the White House, the Department of State, and the Central Intelligence Agency¹

Vienna, September 21, 1983, 1117Z

914. Fm: Vice President Bush. To: Judge Clark, for the President, Secretary of State/Shultz, Director CIA/Casey. Subject: Meeting With President Ceausescu September 18, 1983.

1. I had a fascinating four-hour private meeting with President Ceausescu at his residence on September 18. The meeting started at 5:00 and ended at 9:00 in the evening. Dan Murphy was present on our side and their Foreign Minister, Stefan Andrei, was there on their side. They also had an interpreter and a notetaker.

2. While reporters were in the room in the beginning, I presented your letter.² After the reporters left, the translator read your letter to

¹ Source: Reagan Library, Paula J. Dobriansky Files, VP Bush Trip to N. Africa/E Europe 9/83 (4). Secret. Sent via privacy channels. Poindexter wrote at the top of the message, "WHSR, Send to EOB. JP." Printed from a copy that was received in the White House Situation Room. Also sent for information to the Office of the Vice President.

² See Document 119.

Ceausescu. He thanked you for the message and the greetings, and sends his best wishes to you and the American people. He mentioned that he shares your ideas on Romanian/US relations. I started the meeting by noting his interest and insight into international matters and suggested that we discuss items like the Mid-East. I also told him I had some news for him on bilateral issues and listed: (1) the Export-Import Bank decision to provide credit for the nuclear power plant, (2) CCC credits for Romania, and (3) the fisheries agreement which we were ready to negotiate. He responded by saying, "Let's take the bilateral issues first."

Bilateral Issues

3. He went over the history of our economic relations going back to the '70's and recalling Nixon's visits to Romania.³ He said times were tense in the world then also. There are no special issues between us even though we have different systems. No real problems now to hinder improvements in our relations. The differences in our social systems are national options and should not stand in the way. He feels that over the past two years our relations have slipped. He admitted one reason was the economic international situation, but in addition there were some restrictive measures by the United States that caused this slippage. Would like to put this behind him now and renew the old economic relations. On the emigration question, he said that when the Jackson Amendment passed it referred to Jews emigrating to Israel. This is no longer a problem. There are twenty thousand Jews in Romania. More Jews can depart Romania if the US desires it. Of course this is a long-term prospect. This should not stand in the way of improved economic relations.

4. On the Export-Import Bank, he noted what I had said. He talked about problems with General Electric, claiming that the difficulties were caused by high interest rates. He felt the earlier Export-Import Bank steps were unjustified and he emphasized that he wanted to keep his new arrangement with General Electric (I think this problem is now solved).

5. Then he came out with the surprise of the evening by declaring that he has decided that Romania would no longer use credits. "All debts will be paid as soon as possible. There will be no more credit. Romania will be self-reliant." He said he was starting a new agricultural program running around \$8–10B and it would be accomplished by means other than credit on loans.

6. He then turned to the CCC question. He has decided there will be no CCC credits in the future. It was quite evident that he was

³ August 2–3, 1969. See *Foreign Relations, 1969–1976*, vol. XXIX, Eastern Europe; Eastern Mediterranean, 1969–1972, Document 183–185.

smarting about certain actions taken by the United States—something to do with a \$5M shortage in their account. He didn't like the way he was informed and, in short, he'd had enough. He said he was telling me this so that our future relations could be on an enduring basis. He wanted to remove barriers.

7. The agricultural program he referred to would be with American businessmen, namely Charles Vanik, ex-Congressman from Ohio, and some ex-Agricultural Secretary, unnamed. Again he emphasized he was going to do this without relying on credit.

8. He then turned to fisheries stating that he is ready to start negotiating. There are only 5,000 tons of fish around Romania—not much. He appeared anxious to continue the fishing agreement.

9. The next topic was technology transfer. He emphasized that he was not seeking any technology transfer. He emphasized that he was not seeking any technology that would endanger US security.

He is opposed to nuclear weapons and does not intend now to have such weapons. He referred to a joint venture he has going with Control Data. Apparently there is some technology transfer involved in this venture. The technology transfer has been stopped and he asked that we try to be helpful in this case. He said he was only interested in civil activities when it comes to technology transfer.

10. He then recalled his agreement with Nixon whereby Romania would reach a \$1B export level with the United States by 1980 and then in the out-years the number would be raised to \$2B. By 1982 it had reached \$1.18B, but the balance is very unfavorable to Romania. He said he was hopeful that we could reach a balanced level. He said he looked forward to the Joint Commission session in October (this is one Mac Baldrige will attend) where all these matters can be discussed and conclusions reached. He would appreciate it if President Reagan would give personal attention to these matters and encourage solutions. I thanked him for his run-down, told him that Mac Baldrige was an expert on technology transfer. I promised to talk to Mac before he comes over.

11. I asked for clarification from a technical point of view on his CCC credits. Specifically, I said, "Are you saying that CCC credits are not necessary?" He said "Yes, that's right. If we import, we will try not to use credits. Why?—many Congressmen visited here in 1981. They insisted that we import agricultural products on such credits. Butter, for example. Senator Percy was one of these from Congress."⁴ I told them that we would consider it. Late in 1981, a press statement was issued from Washington saying that Romania was asking for these credits and

⁴ Senator Charles (Percy R-Illinois).

the US did not want to give them. So I want no more.” I replied by saying that I understood and it was fine with us. We could use the credits elsewhere.

12. I will pass this along to Secretary of Agriculture—tell him nothing is needed. I added that we respect his views. Somewhat emotionally, Ceausescu added, “That is right. Even if we have nothing to eat. We are proud people. Two thousand years of history. Five hundred years of struggle for independence. I know you share our views on independence. I read it in your Algiers speech.⁵ I want good relations with all, but want independence.”

13. I reminded him that we have several deep feelings and convictions also. The laws of our land reflect the way American people feel.

14. We then discussed the old Jackson-Vanik Amendment a little. I reminded him that the Republican administration fought against that amendment at that time. Ceausescu thought that the Supreme Court had just declared the amendment unconstitutional. He had it mixed up with the Chadha decision (legislative veto).⁶ I clarified this for him and told him that it did not look like the Chadha decision covered the Jackson-Vanik Amendment.

15. Ceausescu then turned to MFN. He noted that American businessmen wanted stronger guarantees for a longer period of time. They cannot plan on a year-by-year basis. I pointed out to him that this ties in with the subjects that we had discussed earlier like immigration. More movement by Romania in these areas would improve the climate in the United States for providing longer MFN.

16. Ceausescu then returned to the subject of credits. He said he hoped to pay all debts before they were due. He expected no trouble paying back American bankers. Not one dollar of credit in the future. No company would take credit in the future. I told him I understood. As a businessman, I knew what a good feeling it was to have absolute freedom, mentioned that we owe \$200B to the American people, and that this [garble] President and myself. It is true, of course, that there are no strings attached to our debts.

17. I mentioned that we expected deficits to be projected down in the out-years and that this should bring interest rates down. Reminded him that the Reagan administration had cut interest rates in half, but agreed that they were still too high. Noted that interest rates were disproportionately high when related to current US inflation.

18. Summarizing this part of our conversation, I told him that President Reagan and I feel that relations with Romania are very good.

⁵ See Document 21.

⁶ See footnote 2, Document 44.

We share his aspirations. No one in the administration wants to pull back as far as trade with Romania is concerned.

Mideast

19. I then turned the conversation to the Mid-East, pointed out our three goals: (1) all foreign forces out, (2) a secure northern Israeli border, and (3) a stabilized Lebanese Government. I explained how the situation is complicated by our Marines being fired upon. I told him, "If a few more Marines get hit. Something is going to happen." Then asked to hear his thoughts. His following comments proved to be very interesting.

20. He warned me that he would not be dramatic and that he would not avoid sensitive matters. He cited the heart of the problem in Lebanon to be the Palestinian people problem. The Palestinian issue is also at the heart of the whole Mid-East problem. The only reason the treaty between Egypt and Israel was possible is because it addressed all the people in the area.

"You have to start solving the PLO problem. Nothing else will work. Nothing else is viable. Otherwise you will see growing anti-American feeling." He explained a recent talk with Arafat. It was Ceausescu's view that the US was ignoring Arafat and playing games with the Israeli Government. "You have to bring Israel to reality by some shock." He had talked to Israeli politicians recently and he believes that there are some Israelis who understand the need to talk to the PLO and find some radical solution. He agrees with our position that we must free Lebanon of foreign troops. He noted that the Israelis had entered Lebanon by force while the others entered by agreement with Lebanon. He also noted that recent talks on Israeli withdrawal from Lebanon were conducted while ignoring Syria. He said he was talking to both sides seeking a ceasefire and negotiations.

21. He advocates Lebanese independence and reconciliation of all political forces. But a solution really depends on solving the PLO situation. "If we don't, things will get worse." He made it clear that the PLO is ready to start negotiations. Specifically, he said the PLO are ready to resume negotiations with King Hussein of Jordan. He feels this is one possible way to bypass the deadlock.

22. I interrupted to ask "What changed Arafat's mind? It was Arafat who stopped King Hussein from going to the negotiating table." Ceausescu said that the previous understanding was blocked inside the PLO. They could not agree on how to proceed. But now the PLO Council has agreed to talks with Jordan. There is a possibility that the King could be joined by a Palestinian delegation to do the negotiating.

23. Then Ceausescu raised the second possibility. An Arab delegation with Jordan as the base and other Arab nations joining in. Included

in the delegation would be Palestinians who would be unofficially nominated by the PLO. Ceausescu claims that Arafat is agreeable to this.

24. I told Ceausescu that we had one big caveat. It was essential that the PLO recognize Israel's right to exist as a state. The PLO must strike out of its Charter references to the destruction of the Zionist entity. I asked Ceausescu what kept Arafat from doing this. "If he would, then the US would be free to sit down and talk with the PLO if they think that is useful." Ceausescu replied that Arafat could do this if he were alone. He added that as long as Israel denies the legitimate existence of the PLO, the PLO cannot recognize them. He suggested that it might be better for Israel to agree to the right of the PLO to exist. I said "Maybe, but I cannot see this happening." I said again that if the PLO could remove the statement about the destruction of the Zionist entity, we could talk. Not asking for recognition nor exchange of ambassadors—this would be very narrow move. Ceausescu just said, "This is very hard to achieve," and repeated his proposal about an Arab delegation with Palestinian, not PLO participating. I indicated there might be merit in this idea.

25. Ceausescu then proposed that a resolution be introduced in the United Nations. Arafat is willing to have a UN resolution that will be agreeable to both, Israel and the US. Included in his idea was the need for the US representatives to meet with Palestinian representatives. I asked him if he had good relations with Shamir. He said, "He was just here. We talked for hours, discussed an international conference on the Mid-East." I gave my view that Shamir would be as tough as Begin. He reminded me that it was Begin who got the treaty with Egypt and said that sometimes it is better to negotiate with someone who looks tough. I noted that current existence of national shame in Israel over Lebanon but this could change if Syria refuses to get out. Lebanon has requested Syria to get out. "The mood in Israel could change and that would not help any of your suggested approaches to solving the problem."

26. Ceausescu said there should be no conditions. "Don't relate the starting process with actual changes in the situation. Merely setting up a committee to negotiate does not mean there is an instant solution, but it would definitely relax tensions. So it is worthwhile to find some way to start like one of Arafat's proposals." He added that he thought the UN should be involved in the peace process. Israel's move into Lebanon created a new situation. We now have the MNF in Lebanon. Soviet strength has also been added. Soviet participation in the negotiation is a must. He said again that drafting a UN resolution on the establishment of an Arab group to look at the problem would be a good first step. This is Arafat's idea. So in Ceausescu's mind the best venue would be an international conference that included both the US and the

USSR. In his view a solution based only on a US plan is not possible. In reply, I said I would speak frankly.

27. The US would have a big problem with USSR participation and some Arab nations would also object. Knowing how the UN works from my days in the UN, I could see this idea being so modified that it would be unrecognizable when it came time to vote. Ceausescu challenged this thought saying that the resolution could be worked out so that it was agreeable to all parties. Arafat also believes this. The only trouble he saw was trying to persuade Saudi Arabia. Egypt would agree. Syria would agree. Lebanon would agree. Jordan would agree. He was talking about agreeing to both the resolution and the inclusion of the USSR in the international conference. I objected to the inclusion of the USSR. I feel the second approach would draw attention away from the idea of starting negotiations. I told him I knew some Arab countries besides Saudi Arabia would object. Ceausescu disagreed. He said Israel would be willing. He thinks the USSR would be welcomed. "Everyone wants progress. Everyone knows you cannot leave the USSR out. Later when international guarantees are needed, the Soviet Union could help."

28. I told him I was absolutely amazed that Israel would agree. Flabbergasted, Ceausescu claims he has talked to Israel about this. I pointed out that I have talked to them too and I am still flabbergasted.

29. He replied that Sadat went to Jerusalem and started negotiations when nobody thought that could happen. He added that he did not think there would be any objections. I reminded him that back in the days of Kissinger's shuttle diplomacy the people in the Middle East rejected any involvement of the Soviet Union. Ceausescu said that recently all Palestinians had met in Geneva and this proposal for an international conference on the Mid-East was discussed. He thinks it is worth a try. He feels the US and Romania could work out the resolution and get a US ok before submission to the UN. The US need not instigate the resolution. He sees Israel, the US and the USSR all on board before the resolution would be submitted and again stated that Arafat was in favor of this. Ceausescu went on to say that time was not on the Israeli side. They can no longer rely on superiority given missiles of long range. The Arabs are moving toward a radical position now. The way things are going, the US has nothing to gain. There will be ever-increasing criticism of the United States.

30. I asked him how come there was a revolt against Arafat a while back. He said, "It's simple. Arafat had no program for negotiations. The PLO radicals came to the fore. This has a certain logic. If there are no results one way, try another. There was criticism of Arafat because he showed no results by his peaceful approach. So the radicals proposed a turn to violence. But things are now under control and they are ready to

accept Palestinian representation of the PLO.” I agreed with him on one point. I agreed that the level of frustration was increasing. But I do not see any shift on the part of moderate address to a radical position, that one expects from countries like Libya or Syria. Most Arab leaders detest Qadhafi. And on the matter of the USSR, we do not see the Mid-East problem mainly as an East-West thing.

31. Ceausescu agreed it was not an East-West issue, but said that we are both involved. He feels there will be no solution without both super-powers helping. He said that in his mind this might not be the best of all worlds, but feels this is facing reality.

32. At this point I mentioned that the airplane incident, the KAL colors everything.⁷ I found this to be true on my trip to the Maghreb countries. He side-stepped this point and returned to his idea of drafting a resolution for the UN that would be agreeable to all. As a starting point he suggests accepting an Arab delegation with Palestinians included. He thinks this may lead to a Mid-East solution. I told him I would be very surprised if he got Israel and the Arab states on board. I said, “If you ask me if it will work, my answer is ‘no.’”

33. Ceausescu said nothing is impossible. Begin once said he would never leave the Sinai. After two days discussion in Romania, he said he was ready to talk about it. I said I wasn’t against the idea but found it very difficult to implement. President Reagan’s plan for the Mid-East resembles this idea in some respects. I agreed that sometimes it is better that the US not be the one to propose a new idea. Others could do a better job based on the reality we face in the world today.

34. Ceausescu pressed for the formulation of a working group to get started. At this point I told him that I would discuss the idea with President Reagan and he said, “Very good.”

35. Ceausescu suggested we now discuss Libya. He said that the US can have good talks with Qadhafi. “He is not so impossible. We here in Romania have good relations with him. We have a treaty of friendship.”

36. I responded vigorously saying, “If I had to characterize any relationship with any country as being ‘the pits,’ it would be our relationship with Qadhafi. Some of this strong feeling is based on Qadhafi targeting the President of the United States for assassination. Ceausescu avoided that subject and made the point that Qadhafi wants to improve relations with the US.

37. I told him we would look to the future but we are certainly not pleased with Qadhafi and added that one human right that I am

⁷ Reference is to the Soviet shootdown of Korean airliner KAL 007 on September 1. Documentation on the U.S. response is in *Foreign Relations*, 1981–1988, vol. IV, Soviet Union, February 1983–March 1985.

particularly interested in is staying alive. I also told him that we have heard from others that we respect that Qadhafi is interested in improving US-Lybian relations.

Europe-INF

38. Ceausescu then turned to the subject of Europe and he said, "I am very concerned about the world situation but particularly Europe. The KAL incident is the direct outcome of mistrust in the world today. It should not have happened. The fact that it happened is a measure of tension in the world. This tension could lead to conflict. No matter what this shoot-down was all about, we should recognize that tensions are very high. Nuclear war would cause vast destruction. Europe finds itself in between the two super-powers. So Europe is very interested in an arms agreement. The survival of man depends on it." He underlined the fact that the Soviet leaders want an agreement and he believes the American leaders feel the same. He said there were good proposals on both sides. "A decision is needed this year. There is time enough for an agreement this year. If there is no decision, negotiations must continue, but the US should delay deployment of its missiles." He says that the Soviet Union will commit itself to certain steps as negotiations go on. Compromise solutions are available. He does not think either side has gone far enough in negotiations. He requests the US to take all possible action to stop deployment and reach a negotiated solution.

39. At this point he hesitated and said that he would like to speak very confidentially. I assured him his words would be held in closest confidence. This is what he had to tell me: After Brezhnev died there was a new situation in the USSR. Andropov needs time to consolidate his position. American missiles do not change the military situation, but they would encourage certain quarters in the Soviet Union. If the US would negotiate without deployment of missiles it would improve conditions between the US and the USSR. "Reconsider this matter. Look to how things should be in the future."

40. I stopped him at this point and told him that I could give him no hope in delaying our missile deployment. Chancellor Kohl would fall. But we will stay at the negotiating table. Our proposals are flexible. "I would be misleading you if I indicated hope of not deploying. This would remove all incentive on the part of the USSR. The NATO alliance would be threatened. Impossible. I must be frank."

41. Ceausescu then said, "How can you say 'no chance'? You should never say 'no chance.' The US will enjoy more popularity if it delays." I said, "It just won't happen." He replied, "If you delay there will be increased pressure on the Soviet Union to do better in its disarmament negotiations." I reminded him that what goes in can come out. We will be ready to negotiate them out. He pointed out that the US

“should provide more time for your new partner (he meant Andropov). Like in sports. Had it not been for the death of Brezhnev, things would be much different now (he was implying that Brezhnev would have been easier to negotiate with).”

I said, “We will stay at the table. President Reagan’s zero option is best and it did not get much support from some countries.”⁸ Ceausescu said that he did endorse the zero option but now negotiations must be more flexible and we cannot overlook the French and British missiles. I agreed that we would not overlook the French and British missiles, that they would be considered somewhere. They would be in the balance and I reminded him that the Soviets continue to deploy and that any delay just makes things worse. He claimed, “If the US agreed to delay, the USSR will promise not to deploy more. British and French missiles should of included. Some feel they should be included in the strategic talks instead of the INF talks.”⁹ He went on to say that other European countries should be involved in the future, that the US and the USSR talk to each other about matters that seriously affect Europe. I explained to him that on our side all the European countries have fully coordinated on our positions. “They have had a say.” Ceausescu said that it would be better if the European countries on both sides had a chance to talk separate from the on-going talks in Geneva. In his recent talks with Genscher Ceausescu concluded that if he (Genscher) represented the US and the USSR that all problems would be solved. I asked him if the Soviets consulted with their allies. He said yes, he had just completed talks with the USSR and that some of the Soviet positions had come from him.

42. I pointed out that there was a big difference. People in the countries the Soviets talk to won’t demonstrate like the people in Western Europe. Again, he asked that we not compare systems. I told him I wasn’t comparing, but would like to point out that the Germans voted for Kohl and supported him voluntarily. He claimed that Kohl won for other reasons. Then he returned to his thought that NATO and Warsaw Pact countries should talk before the US deployed any missiles and that these talks should parallel the US and USSR talks. He said that he had said publicly that neither side has done enough.

43. “I am not a religious man, but how can anyone say that he has done everything in the world. You should leave US-USSR competition aside.” I denied that this was competition. I pointed out that the KAL

⁸ See footnote 4, Document 95. Reagan reiterated the zero-option proposal in his State of the Union address on January 25. (*Public Papers: Reagan*, 1983, Book I, p. 109) The full text of the address is printed in *Foreign Relations*, 1981–1988, vol. I, Foundation of Foreign Policy, Document 139.

⁹ Three rounds of U.S.-Soviet strategic arms reductions talks (START) were held in Geneva in 1983.

shoot-down was not caused by today's tensions. They shot down a Korean commercial flight in 1978 when tensions weren't high. He said, "OK, but try harder. Let's continue negotiations and delay deployment. What will history think?" I asked him if he remembered the ABM agreement. I pointed out to him that only when we were ready to deploy did the Soviets agree to limit ABM. He asked if our negotiation position had equal numbers. I told him "Yes, equal numbers." Then he asked why should the Soviets stop deploying until negotiations are completed and I pointed out that they have well over 300 SS-20s. We have zero. He suggested that we did not have to stop production of the missiles, just delay deployment and he added that in next year's CSCE we could put increased pressure on the Soviet Union. I told him I needed an answer. "If the Soviets have over 300 SS-20 missiles in place and we deploy the first Pershing missile in Germany, wouldn't he want us to continue to negotiate." He replied, "Here's what would happen. If you start the deployment, the USSR would start deploying SS-20s into East Germany and Czechoslovakia." I asked if the Soviets would stop negotiating and he replied, "Probably not." Then he said again that Andropov needs time and asked that I convey to President Reagan that the decision on delaying is a very serious matter. I promised him that I would, but also said there was no hope and asked that he raise his voice to get rid of all of these missiles. "Go for zero publicly over and over again." I asked him, "Do this for peace. May be impossible, but I am asking you to do it anyway." He said, "You are asking me to do something I have done. I have said zero option is the best option. I would welcome this position and have supported it, but it cannot be done now. They are not ready to destroy weapons in place. Ready to cut down, but not to zero." He then announced that next week he will start a movement against deploying missiles in Europe. He gave permission to start this program. I objected strenuously. "You are taking sides. You are leaving the Russians with over 300 and US with zero." He claimed he was asking for a balanced agreement and I told him that we need equal numbers and how can we get there without any deployment? His answer was to withdraw those that are in place and I indicated that that sounds just like the zero option. He didn't reply directly to this but said again, "We need to get started. I always back the United States. I back you so much that I am becoming scared. My Soviet friends say, "You are always asking us to be flexible. Why don't you ask the United States to be flexible." I said we are flexible. He summarized his position on INF by saying that he wanted: (1) a delay in US deployment, (2) a meeting of NATO and Warsaw Pact countries on INF, (3) using CSCE to put pressure on the Russians; (4) allowing time for Andropov to consolidate his position, and (5) find a better solution for French and British missiles.

44. I responded, "We will continue to negotiate seriously but when the date comes and there is no solution, we will deploy. But we will continue to negotiate. I will relay your message to the President, but I can tell you now that he will not acquiesce."

45. I then asked him how long a consolidation period Andropov needed. He said he should be in the job for at least a year and that would be around December. Then added, "We should give him until mid-1984." And he said again that if Brezhnev had lived we would have had an agreement by now.

Developing Countries

46. Ceausescu then turned the conversation to developing countries. He claimed that developing countries were very unhappy with the US and that they do not understand our positions. I asked him, "What would you have us do?" He replied, "(1) Cut interest rates for developing countries, (2) Come up with a comprehensive solution for the debt questions, (3) Provide more economic aid." He feels we need a working group to come up with solutions. I pointed out to him that a lot is going on. Discussed how interest rates are coming down, and that many of the questions he is raising are controlled by market conditions. His answer was "Let's not get into details now. I just want to point out that we need solutions."

47. I asked him where the USSR fitted into the North-South question. Ceausescu said that they were not very consistent. "They claim the problem is not their concern. It's just a problem for the capitalist countries." I sounded astounded and said, "You mean, helping poor people is not their concern?" and he said, "They don't see how they fit into negotiations on North-South."

48. Then he repeated his thought about needing a solution to the debt problem and suggested that maybe the UN could set up a special commission to review this problem. I pointed out to him that we work very hard on this problem every day of the week. Going to the UN could be a disaster. We could get a resolution like the US should cut interest rates to 3% for developing countries and that is a resolution that has no chance of being effective. He of course said that the special commission would be only charged with coming up with solutions that would be agreeable to all those concerned.

49. At that point Ceausescu said, "I guess we should go into dinner." And I said, "Yes, we could talk all night." And with that the meeting ended.

50. The next morning before departing for the airport their Foreign Minister, Stefan Andrei, asked to see me. He had a few other subjects that Ceausescu had asked him to raise.

Balkans

[garble—the first 3 lines of paragraph 46 are repeated here in the original], to Ceausescu. He quoted Ceausescu as saying, “In view of your interest in Turkey and Turkey’s NATO role on the flank, the plans could be limited to the European side of Turkey leaving out that part of Turkey that borders on the Soviet Iran-Iraq border.

Poland

52. The next subject concerned Poland. The Poles asked that this message be relayed to us confidentially. They would like us to ease up on the economic restrictions. Ceausescu believes that this is a very important step. It would help those Polish leaders who take a more independent stand. These are people who do not want to be tied up by the Soviets both in the short and long term.

North Korea

53. The final topic was North Korea. The North Koreans asked President Ceausescu to relay to us their desire to have a dialogue with us and to reach a solution with us on the Korean Peninsula. They seek an independent policy both with the PRC and the Soviets. They also wanted us to know that their relations with North Vietnam are worsening.

George Bush

**121. Letter From Romanian President Ceausescu to
President Reagan¹**

Bucharest, November 2, 1983

Dear Mr. President:

I appeal to you again in connection with the plans to deploy in the near future new American missiles of medium range in certain western European countries and with regard to the American-Soviet negotiations now going on in Geneva.

¹ Source: Reagan Library, Executive Secretariat, NSC Head of State File, Romania: President Ceausescu (8107462–8202662). No classification marking. Printed from a translation prepared in the Division of Language Services, Department of State. All brackets are in the original.

Deeply concerned by the prospect of an intensification of the arms race and the increasing danger of war, the Romanian people and the other European peoples, through large demonstrations that have taken place and are now developing in Europe and other continents, are demanding with ever-increasing resolution that everything be done to reach an appropriate understanding ensuring a halt to the deployment of new missiles and the withdrawal and destruction of existing ones.

I consider that it is now possible and imperative to take all measures required to reach a proper understanding in the framework of American-Soviet negotiations in Geneva.

The proposals advanced by the United States of America, as well as those presented by the Soviet Union, including those set forth by the President of the Supreme Soviet of the USSR in the interview published in *Pravda* on October 27 this year, offer a good basis for reaching an agreement in the framework of the Geneva negotiations.

The fact that both sides recognize that nuclear arms constitute a serious threat to human existence and declare in one form or another that they are in favor of halting and reducing nuclear armaments and continuing the Geneva negotiations proves that it is possible through joint efforts to reach an agreement in the American-Soviet negotiations at Geneva.

Even though not all problems will be resolved at this stage and even though some solutions will not be perfect, the essential point is to reach an understanding providing for a halt to the deployment of new American missiles and the withdrawal and destruction of Soviet missiles—all or most of them—with the other aspects to be solved in other stages, in the framework of an agreement on the general balance of forces between the two sides. In this way it might be agreed that the French and British missiles, all nuclear arms, and the means of transporting them are to be included in the general balance of forces between the two sides and be the subject of later negotiations in which France and Great Britain would participate.

In this connection I should like to emphasize that by the Treaty on the Nonproliferation of Nuclear Weapons² the parties undertook to “prevent wider dissemination of nuclear weapons” and “not to transfer to anyone” or “not to accept from anyone direct or indirect transfer of nuclear weapons or devices.” Consequently, the deployment of new missiles in certain Western and Eastern European countries actually

² See *Foreign Relations*, 1969–1976, vol. E-2, Documents on Arms Control and Nonproliferation, 1969–1972, Document 46.

means a violation of the Treaty on the Nonproliferation of Nuclear Weapons, would create an exceedingly dangerous precedent, and would stimulate other countries to take action in order to obtain deployment of such weapons on their territory. What is more, the deployment of new missiles on German territory, from where the two world conflagrations originated, would transform this territory into a strong arsenal of nuclear arms that could endanger the peace and life of the peoples on the continent.

Precisely for these reasons and in the spirit of the message conveyed to you on August 22 this year,³ I appeal again to the United States of America to do everything possible to reach an agreement leading to cessation of the deployment of new medium-range missiles or at least postponement of their deployment till the end of 1984 or the beginning of 1985 and continuation during that interval of Soviet-American negotiations, with the Soviet Union no longer deploying new missiles and—in conformity with its declarations—reducing a quantity of existing missiles.

In presenting these proposals on behalf of the Romanian people and on my own behalf, I express the conviction that you [and] the United States of America will act so that the Geneva negotiations will bring about an understanding leading to cessation of the deployment of missiles and achievement of a balance between the two parties at the lowest possible level, by a reduction—not an increase—in the nuclear arsenals on the continent. This would be in keeping with the interests and aspirations of the European peoples and the American people, would enhance peace and security in Europe and in the world and strengthen international cooperation.

With high consideration,

N. Ceausescu⁴

³ Presumably a reference to Document 118.

⁴ Printed from a translation that indicates that Ceausescu signed the original.

122. Letter From President Reagan to Romanian President Ceausescu¹

Washington, November 22, 1983

Dear Mr. President:

Thank you for your letter of November 2.² I appreciate your continuing interest in U.S. efforts to reach an equitable and verifiable arms control agreement that would reduce and ultimately eliminate longer-range INF missiles. Subsequent to my last letter,³ I outlined at the United Nations General Assembly on September 26 three new INF initiatives designed to meet expressed Soviet concerns.⁴ Unfortunately, the Soviet Union rejected these proposals soon afterward. Chairman Andropov presented new INF proposals on October 26, and although there were some positive aspects, they failed to address adequately legitimate Western security concerns. The Soviet Union in the Geneva negotiations continues to demand compensation for British and French independent nuclear forces and to insist on the maintenance of their monopoly of LRINF missiles.

As I noted in my September 12 letter, the United States and its Allies seek to preserve and strengthen peace in Europe by maintaining cooperative relations among all states and by deterring aggression. Yet, during the two years that we have negotiated in good faith with the Soviet Union in Geneva, they have deployed about 100 additional SS–20 missiles.

The primary Soviet objective in the negotiations continues to be to prevent the deployment of any U.S. LRINF missiles and to maintain a monopoly of these weapons. Since we have not been able to achieve, despite our sincere efforts, concrete results in Geneva, there is no justification for postponing planned U.S. deployments. We, of course, remain willing to cancel the entire U.S. deployment in exchange for the dismantling of all Soviet LRINF missiles. This zero/zero result would be the ideal arms control outcome.

We read with interest your comments on British and French forces. However, as you know the United States and its Allies cannot

¹ Source: Reagan Library, Paula J. Dobriansky Files, Romania—Correspondence (5). No classification marking.

² See Document 121.

³ See Document 119.

⁴ In his address to the UNGA in New York on September 26, Reagan proposed several new arms control initiatives. (*Public Papers: Reagan, 1983*, Book II, pp. 1350–1354). His speech is also printed in *Foreign Relations, 1981–1988*, vol. I, Foundations of Foreign Policy. Document 169.

accept Soviet demands that British and French forces be included in the INF negotiations. British and French forces are minimum national nuclear deterrents. Both Prime Minister Thatcher and President Mitterrand have emphasized the independent nature of these forces and have rejected any suggestion that they be included in the negotiations. The Soviet demand to be accorded the right to maintain nuclear forces as large as all other nations of the world combined is not an acceptable basis for arms control and can never lead to agreement between the United States and Soviet Union. The British, and French governments have, however, indicated their willingness to reexamine their attitude toward arms control limitations on their nuclear forces under conditions of substantially reduced U.S. and Soviet forces.

I sincerely share your concern regarding the spread of nuclear arms. We are determined to maintain a credible deterrent at the lowest possible level of nuclear forces. In this regard, the NATO Defense Ministers recently announced in Canada that we will withdraw from the NATO nuclear stockpile an additional 1,400 warheads, beyond the 1,000 warheads unilaterally withdrawn from the NATO stockpile in 1980. Moreover, the planned deployment of new U.S. LRINF missiles to Europe will not mean an increase in warhead numbers since one warhead will be withdrawn for every new missile deployed. Conversely, the Soviet Union has indicated no inclination to match NATO's reductions. In fact, the Soviet Union continues to deploy nuclear armed SS-20 missiles and has begun to deploy additional nuclear capable short-range missiles to Eastern Europe.

Let me reiterate that I will continue rigorously to pursue every reasonable means to reduce and limit nuclear weapons, including effective implementation of the Nuclear Non-Proliferation Treaty. As you rightly point out, these are issues of the greatest importance for the entire world. I deeply regret that the Soviet Union is threatening to disrupt the INF negotiations in Geneva. The United States is prepared to continue these talks as long as necessary to obtain a mutually acceptable agreement.

Sincerely,

Ronald Reagan

123. Letter From Romanian President Ceausescu and Greek Prime Minister Papandreu to President Reagan¹

December 29, 1983

Mr. President,

During the talks we held in Bucharest on 17th and 18th December of this year, we discussed the particularly dangerous situation Europe is facing today and decided to forward an appeal, concerning this matter, to you, President Ronald Reagan, and to Mr. Yuri Andropov, President of the Presidium of the Supreme Soviet of the U.S.S.R. We do this taking into account the fact that following the beginning of deployment works for the American medium-range missiles in some West-European countries, the Soviet Union interrupted the Geneva talks and announced the introduction of countermeasures by deploying missiles in two socialist countries of Europe as well as in other zones of the globe. The dangerous situation which has thus been created is the starting point of a new escalation in the nuclear arms race which will increase the danger of a new World War.

There is no doubt that such a war will be a nuclear one, the consequences of which to the peoples of Europe and the world will be catastrophic. Never in its long history, mankind has been facing such a fraught danger, which threatens the very existence of peoples and of life itself on our planet. The situation has been further aggravated since the interruption of the Geneva Soviet-American negotiations of the medium range missiles and of the Vienna negotiations concerning the reduction of forces and armaments in Central Europe.²

Under these dramatic circumstances, on behalf of the Romanian and the Greek peoples and on our own behalf, we forward this appeal to you and the United States of America, asking you to do the utmost in order to stop this dangerous trend.

We strongly believe that a number of urgent measures should be taken, which will allow for a lessening of the tension existing today and will lead to the resumption of the dialogue and the negotiations between the United States of America and the Soviet Union. To this end, all possible efforts should be urgently made towards a suitable understanding allowing the halting of the deployment of the new United States medium range missiles in Europe and at the same time the non implementation of any of the nuclear countermeasures announced by

¹ Source: Reagan Library, Paula J. Dobriansky Files, Romania-Correspondence (5). No classification marking.

² Documentation on the Vienna MBFR negotiations is scheduled for publication in *Foreign Relations, 1977–1980*, vol. V, *European Security, 1977–1983*.

the Soviet Union and the achievement, through the resumption of negotiations, of an agreement on a balanced reduction downwards to the lowest possible level and ultimately to the destruction of all medium range nuclear weapons in Europe.

We also share the view that certain additional measures have to be taken at the political level, to assist in the resumption of the dialogue, and to fill the political vacuum that exists today due to the interruption of this dialogue. As such measures we would suggest, initially, an American-Soviet meeting, at the level of Foreign Ministers at the earliest suitable time.

Furthermore, and in view of the fact that the new missiles are to be deployed on the territories of some European countries and a nuclear war in Europe will directly and diversely affect the existence of all the nations, the European countries should in our view contribute positively in the achievement of an agreement between the two parties. To this end we think it would be appropriate to convene a conference with the participation of the NATO and Warsaw Pact member countries to help in surpassing this critical moment and pave the way towards the resumption of negotiations. It would also be appropriate to examine the possibility of convening a U.S.A.-U.S.S.R summit meeting.

We are hopeful that you will understand the reasons that lead us to forward to you this appeal and that the United States of America and you personally will act in such a way as to meet the aspirations of peoples for peace, disarmament and security.

In this spirit, we express the readiness of Romania and Greece to actively contribute to the promotion of peace, disarmament and broad international co-operation.

With high consideration,

Nicolae Ceausescu
President
of the Socialist Republic of Romania

Andreas G. Papandreou
Prime Minister
*of the Hellenic Republic*³

³ Printed from a copy that bears these typed signatures.

124. Telegram From the Department of State to the Embassy in Romania¹

Washington, May 24, 1984, 0112Z

152611. Subject: Letter to President Ceausescu From President Reagan.

1. (C—Entire text.)

2. Embassy requested to deliver text of following letter from President Reagan to President Ceausescu to highest level MFA official immediately available.

3. Begin text:

Dear Mr. President:

—I have found our correspondence over the past few years useful and would like to discuss several matters of interest to both of our countries, including Romania's participation in the summer Olympic games.

—The state of U.S.-Romanian relations is good. The 1983 visits of Vice President Bush² and Secretary of Commerce Baldrige to Romania, as well as the visits of Foreign Minister Andrei and Minister Negula to the United States this year,³ are recent examples of the frequent and constructive exchanges we enjoy.

—Our bilateral trade relations have also expanded significantly this year, and we expect that expansion to continue. In this connection, I wish to inform you that shortly I will submit to Congress my determination of the extension of Romania's Most-Favored-Nation tariff status for another year. Moreover, this summer we will again be extending for three years the bilateral commercial agreement which has served the interests of both our countries.

—Our governments have consulted regularly important multilateral issues such as various problems at the United Nations, the CDE conference in Stockholm,⁴ INF, the Middle East, and Southern Africa. We have also kept your able representative in Washington, Ambassador Malitza, informed on our continuing efforts to improve relations with the new leadership of the Soviet Union. We believe it is essential to the maintenance of peace and security that we remain in close contact with

¹ Source: Reagan Library, Paula J. Dobriansky Files, Romania—Correspondence (7). Confidential; Immediate; Exdis. Drafted from a text received from White House; cleared by Combs, Niles, Dobriansky, McKinley, and Sheldon Krebs (S/S-O); approved by Burt.

² See Document 120.

³ Andrei visited Washington on February 10. Negula was in the United States from May 11 to 16.

⁴ January 1984–September 1986.

the Soviet leadership, and that the important negotiations in which we were engaged, especially on INF and START, be resumed. We welcome Romania's support for these negotiations and hope that they can be resumed soon and without preconditions.

—Regarding the Olympics we are hosting in Los Angeles this summer, I wish to inform you that Soviet concerns about the safety of their athletes and other participants are groundless.⁵ As you may know, I have personally assured the International Olympic Committee that the U.S. will live up to the Olympic charter. The Los Angeles Olympic Organizing Committee, in close coordination with local, state and federal authorities, is working with the utmost diligence to ensure that all legitimate requirements for the comfort and safety of visiting athletes are fully met. It is our hope that the Romanian Olympic Committee will concur in this and that the Romanian Olympic Team will have the opportunity to participate in the games this summer.⁶

Sincerely,

End text.

4. Embassy should advise MFA that there will be no signed original.

Shultz

⁵ July 28–August 12.

⁶ Romania participated in the 1984 summer Olympics.

125. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, June 26, 1984, 2130Z

4163. Subject: Cesusescu's Response to President Reagan's Letter of May 24.²

1. (C—Entire text.)

2. This evening (June 26) Foreign Minister Stefan Andrei summoned the DCM to the Ministry (the Ambassador being in Constanta

¹ Source: Department of State, Central Foreign Policy File, no film number. Confidential; Immediate; Nodis.

² See Document 124.

with the Commander of the Sixth Fleet) to request that the Embassy transmit the text of a letter from Ceausescu to President Reagan in response to a letter from the President dated May 24. Andrei said that Romanian Ambassador Mircea Malitza would be delivering the original signed copy to the Department upon his return to Washington early next week, but added “his President” wanted the text sent now.

3. Andrei asked that particular attention be paid to the wording—the formulation—of that portion of the letter which deals with Ceausescu’s conversations in Moscow with Chernenko concerning conditions for resuming the Geneva INF talks.

4. The Foreign Ministry’s English-language translation of the Romanian text (which we have checked against the Romanian text and adjusted as required) follows:

Quote

His Excellency

Mr. Ronald Reagan

President of the United States of America

Dear Mr. President,

I have received your message conveyed to me on 24th of May, 1984 and, for my part, I wish to emphasize the importance and usefulness of our continuing exchange of messages in recent years.

I consider, as would you, that the state of the Romanian-American relations is good. Indeed, in the spirit of understandings convened between us, exchanges of ministerial-level visits have continued, economic relations have been positively developed, and consultations between our two governments regarding the main issues of international life have intensified. I appreciate, however, that there are still many possibilities which should be exploited for expanding economic relations and, especially, for production and technical-scientific cooperation. Therefore, I consider it necessary to find ways for encouraging the American firms and companies to cooperate with Romania and to facilitate licensing agreements in the field of technology that would enable Romanian products, including those destined for export to the United States of America, to be at a higher technical level.

I avail myself of this opportunity to express my profound concern in connection with the extremely grave tension reached in the international life. The intensification of the arms race, especially nuclear arms, has led to an increase of the danger of a world war which would inevitably become a nuclear war, endangering the very conditions of life on our planet. Of especial gravity is the situation created in Europe as a consequence of the beginning of the deployment by the United States of America of medium range nuclear missiles in some West European countries and the beginning of the application of announced nuclear counter-measures by the Soviet Union.

Under these conditions, I regard with satisfaction the importance you pay to the maintaining close contacts with the leadership of the Soviet Union and to the resuming of the Soviet-American negotiations in Geneva. Indeed, the only rational alternative to this dangerous course in international life and to the policy of confrontation and armament is dialogue and negotiations.

Following the talks I have recently had in Moscow with the President of the Supreme Soviet of the USSR K. U. Chernenko, I am left with the impression that there are possibilities and that the Soviet Union desires to resume (Lit.: arrive at a resumption) the dialogue with the United States and the Soviet-American negotiations at Geneva for coming to an understanding on a suitable solution. Therefore, I consider it would be essential that the United States take an initiative that would permit overcoming the present situation. In this respect one could have in mind that the USA would stop deployment of medium range missiles in Europe and the USSR would stop applying nuclear counter-measures and, on this basis, that negotiations between the Soviet Union and the USA be resumed which would lead to the total elimination of the medium range nuclear missiles and then of all nuclear arms in Europe and in the world.

As in the past, Romania wishes to collaborate with the USA and with the other states for a successful conclusion of the conference on confidence building measures and disarmament at Stockholm, for reaching an agreement in the negotiations at Vienna, for the adopting of effective disarmament measures at the conference at Geneva, and for putting a stop to the arms race and beginning disarmament, and, first of all, nuclear disarmament.

Under present international circumstances it is necessary to act more actively for a durable and just settlement of the conflict in the Middle East. I consider that the only real solution that could bring a global settlement of this conflict should be the convening of an international conference, under the auspices of the United Nations Organization, with the participation of all interested parties, including the organization for the liberation of Palestine.

Similarly, I would like to refer to some international economic problems, and especially to the grave situation of the developing countries, as a consequence of the increase of their foreign debts and to the deepening gap between the rich and poor countries. I regard as especially important the resuming as soon as possible of the global negotiations within the United Nations Organization to solve these problems and for setting up a new international economic order, based on equality and equity, an essential condition for economic and political stability in the world.

First, I consider that there be a global and not a selective solution, as a new approach, regarding the problem of foreign debts of the

developing countries, that would assure the cancellation of these debts for the poorest countries, the reducing of an important proportion for other countries, rescheduling of debts on a long term without interest or with low, symbolic interest and providing new credits under favorable conditions for developing countries to help their efforts for economic and social development.

In this regard a special dialogue should be organized at least between the developed and the developing countries for reaching an agreement on general principles regarding dealing with the foreign debts of developing countries and, proceeding on this basis, to solve the problems for each country. In my view, the developing countries should consider providing 10–15 per cent of the total value of their exports for paying foreign debts, including interest and, in this way, to retain the necessary means for their economic development and for solving some of their social problems.

I express my conviction that we will also act in the future to expand Romanian-American relations, to promote a policy of peace, detente, disarmament and collaboration of respect for the national independence of all peoples.

Sincerely,
Nicolae Ceausescu
Unquote

5. Embassy comment: On the surface—and probably below it as well—most of the letter is vintage Ceausescu, the points having been made before in numerous speeches. Andrei, however, made a point of calling attention to the language used by Ceausescu when suggesting how INF talks might be resumed (“one could have in mind that the U.S. halt the deployment of medium range missiles . . .”). This language indeed is different than Ceausescu’s—and, for that matter, Soviet—demands that the U.S. halt INF deployment (and withdraw missiles already deployed) as a prerequisite for the resumption of INF talks and suggest other proposals might be considered. This may be merely typical Ceausescu. He could be reading more into Soviet thinking than is merited. He could be fabricating. He may also be trying to add some luster to his own credentials as a useful go-between. Nevertheless, on the chance that there may be something there we suggest that Under Secretary Armacost—who, we understand, is scheduled to meet with Romanian Ambassador Malitza July 5³ (note: MFA informed the Embassy that Malitza will be there)—explore this with Malitza thoroughly.

Funderburk

³ A memorandum of conversation for this meeting was not found.

126. Memorandum From the President's Assistant for National Security Affairs (McFarlane) to President Reagan¹

Washington, July 16, 1984

SUBJECT

Technology Sales to Romania

George Shultz has sent over the attached letter² asking us to go ahead with the sale of a Landsat ground station and of computers to Romania. These issues were considered at a meeting of the Export Administration Review Board last month.³ Many reservations about the Landsat sale were expressed, but no final decision was reached. In addition to George's views, you may wish to consider the following technical and political issues.

An interagency report concluded that the potential technology gain to the Soviet Union from the Landsat sale to Romania would be minimal if the ground station equipment were changed to make it less capable and if the Romanians provided security against unauthorized Soviet access.⁴ [4 lines not declassified] The Soviets have satellites that can take much sharper pictures on film than the LANDSAT can. They do not have a fully operational satellite system that uses electro-optical equipment to produce multi-spectral images that can be processed by computers for a variety of military uses. We do not know how much access to the Landsat station would speed up the Soviet development of a comparable system. DIA has identified development of such a system as a high priority Soviet goal. If Romania acquires Landsat technology, it is likely that the Soviets would put great pressure on Romania to transfer that technology to them.

In terms of the political factors, as NSDD 54 emphasized, our differentiation strategy gives us only marginal influence in Eastern Europe. In the long run, what keeps Romania—the most repressive state of Europe—on its present course is a commitment to national independence. And in the short run, although he may hope to be rewarded for it, Ceausescu's Olympic decision was aimed less at us than at his athletes and at his own popular standing (now lower than ever). He may even

¹ Source: Reagan Library, Donald Fortier Files, Subject File, Technology Transfer—Romania 06/26/1984–08/16/1984. Secret; Sensitive. Sent for information. Drafted by Rosen and Sestanovich. A stamped notation in the top right-hand corner of the memorandum indicates that the President saw it.

² Dated July 5; not found attached.

³ The minutes of this meeting were not found.

⁴ The interagency report, April 27, is in the Reagan Library, Kenneth DeGraffenreid Files, Subject File, Technology Transfer Intelligence Committee—Romanian LANDSAT Paper 4/24/1984–4/27/1984 (I).

balance the decision, as we are now seeing, by closer economic and other ties with the USSR. Nothing we can do will prevent overtures to Moscow, for Romania's acute economic problems lead Ceausescu to seek help from both East *and* West. Yet because our economic ties are strong—MFN, growing trade (now at the \$1 billion mark), IMF relief, etc.—we can, where security concerns require it, say no on isolated issues without lasting damage to our relationship.

We will be providing you with a complete package reviewing this issue for your decision before you leave for California.⁵

⁵ Reagan was scheduled to fly to Los Angeles on July 28 in order to attend the opening ceremony of the Olympics.

127. Memorandum From Secretary of Defense Weinberger to the President's Assistant for National Security Affairs (McFarlane)¹

Washington, July 20, 1984

SUBJECT

Exports to Romania (U)

(U) I wanted you to have my views on the three cases we discussed at the recent Export Administration Review Board meeting.

(S) There is, I think you will agree, a consensus that it is not in the national interest to proceed in the Landsat case. It is clear from the evidence that there is no viable civilian use for the system and that it is almost certain to be compromised.

(S) I cannot support the CDC-ROM coproduction proposal for 200 megabyte disc drives. Defense and CIA agree that this technology is quite important to the Warsaw Pact and, despite our best efforts, they will gain a lot from this transfer. It is also the case that in COCOM we have agreed not to transfer computer technology to the Bloc, although we are willing to sell some limited equipment to legitimate users. We cannot be the first to break ranks on a policy we offered in COCOM. Moreover, so far as I can tell, as the CDC-ROM case would require a general exception request in COCOM, there is no contract sanctity issue on this license request.

¹ Source: Reagan Library, Paula J. Dobriansky Files, Romania—Landsat (6). Secret. Above the addressee line, Weinberger wrote, "Bud."

(S) The third case is more an issue of existing policy than of substance, as the proposed transfer involves an old computer of no strategic importance. Our view on this case is absolutely consistent with National Security Decision Memorandum (NSDM) 247, which has been in effect since March 14, 1974.² That Decision Memorandum opposes the upgrading, however marginally, of Soviet Bloc computers with Western Equipment. The COCOM computer negotiations recently concluded reflect the NSDM 247 policy.

Cap

²Reference is to "U.S. Policy on the Export of Computers to Communist Countries," which was also issued as the Council on International Economic Policy Decision Memorandum 22. For the text, see *Foreign Relations*, 1969–1976, vol. E–15, Part 1, Documents on Eastern Europe, 1973–1976, Document 10.

128. Memorandum From the President's Assistant for National Security Affairs (McFarlane) to Secretary of State Shultz, Secretary of the Treasury Regan, Secretary of Defense Weinberger, Secretary of Commerce Baldrige, Secretary of Energy Hodel, Director of Central Intelligence Casey, and the President's Science Adviser and Director, Office of Science and Technology Policy (Keyworth)¹

Washington, September 5, 1984

SUBJECT

Control Data Disk Drives for Assembly in Romania (S)

In the matter of the Control Data Corporation proposal to assemble 200 megabyte disk drives in Romania, the President has approved the safeguards plan as prepared by the Department of Commerce with the following amendment:

"In addition to the ten other enumerated safeguard provisions, responsible Western representatives of Control Data will be assigned to be at the facility to ensure constant control and monitoring of the assembled and unassembled 9780 disk drive units. They will submit written reports every month to OEA concerning the fulfillment of all of the safeguard provisions." (S)

¹Source: Reagan Library, Paula J. Dobriansky Files, Romania—Landsat (8). Secret.

With this amendment, the safeguards plan and the license for the Control Data transaction are approved. This approval does not constitute approval of the sale of the assembled disk drives to Romania. (S)

FOR THE PRESIDENT:

Robert C. McFarlane

Attachment

Paper Prepared in the Department of Commerce²

Washington, undated

Proposed Safeguard Conditions for
The Export License Authorizing Assembly of
200 Megabyte Disc Drives by ROM/CDC in Romania

- 1) The technical data shall:
 - a) include nothing related to the design, manufacture, or repair of magnetic heads, servos, or magnetic surfaces, actuators; and
 - b) be limited in content and quality to that necessary and appropriate for the manufacture of 9780's, as described in CDC's applications.
- 2) This authorization relates to the export of the technical data, associated parts, and tools as described in the submitted applications.
- 3) Within 30 days following the issuance of an export license to CDC, CDC shall submit to OEA a written statement, signed by a responsible representative of ROM, and certifying that:
 - a) The technical data will be used only for the production of 9780's in Romania. These drives may be shipped to Country Groups T and V only.³
 - b) The technical data will not be transferred to a third party, or otherwise disseminated or disposed of, without written permission from OEA;
 - c) ROM's production facilities will not be moved outside the territory of Romania, and responsible Western representatives of CDC will have the right of access to ROM's production facilities during normal working hours;
 - d) Within 30 days following the end of each calendar quarter after issuance of an export license, ROM shall report in writing to CDC, for

² For Official Use Only.

³ See paragraph 4 (c). [Footnote is in the original.]

both such calendar quarter and also cumulatively since the issuance of the export license:

- i) the number of 9780's produced by ROM;
- ii) the number of 9780's transferred to Country Groups T and V;⁴
- iii) the number of 9780's remaining at ROM.

e) CDC will be promptly notified in writing of any significant change in the facts on which any export license for the technical data has been based.

4) Any 9780's produced by ROM:

a) may be transferred only to transferees in Country Groups T and V.⁵

b) shall, both before and after any transfer by ROM, remain subject to all U.S. export laws and regulations, except only as herein otherwise provided.

c) may be reexported to the PRC, but only on a case-by-case basis, and with prior approval of OEA and COCOM.

5) A responsible Western representative of CDC shall visit ROM each calendar quarter after issuance of an export license and, within 30 days following the end of such quarter, shall report in writing to OEA whether the technical data have been used for anything other than the purposes herein authorized, whether the technical data has been transferred, disseminated, or otherwise disposed of, whether ROM's production facilities have been moved outside Romania and whether the shipments made here under have been made to and received at approved destinations. From time to time a USG representative may visit ROM to examine ROM's books and records to verify that the terms and conditions of the approved licenses are being adhered to.

6) CDC shall promptly submit to OEA a copy of anything CDC receives pursuant to Condition 3)e) above, and CDC shall promptly notify OEA in writing of any significant change in the facts on which any export license for the technical data has been based, or of any significant change in the terms of any contracts or agreements upon which CDC's relationship with ROM, as described in CDC's application, has been based.

7) Within 30 days following the end of each calendar quarter after issuance of an export license, CDC shall report in writing to OEA, for both such calendar quarter and also cumulatively since the issuance of the export license:

- a) the number of 9780s produced by ROM;
- b) the number of 9780s transferred to Country Groups T and V;⁶

⁴ See paragraph 4 (c). [Footnote is in the original.]

⁵ See paragraph 4 (c). [Footnote is in the original.]

⁶ See paragraph 4 (c). [Footnote is in the original.]

- c) the number of 9780s remaining at ROM;
- d) the number and identity of parts,⁷ read/write and servo heads, and actuators exported to ROM during the quarter covered by the report, and the number and identity of parts, read/write and servo heads and actuators that were incorporated into disc drives during such quarter; and
- e) a description of that part of the technical data exported to ROM, indicating whether it was exported orally or through written documentation.

8) A list of all end-users should be submitted to OEA at the time of delivery along with the number of disc drives delivered to each end-user.

9) Parts provided by CDC, directly or indirectly, will remain under CDC control, and the quantity of parts on-site will be limited to that necessary for supporting the production of 9780's for the following six months;

10) Read/write and servo heads as well as the actuator mechanism (including velocity transducers) will be exported preassembled and tested by CDC. Technology of these items will not be exported.

⁷ "Parts" is defined as anything other than read/write heads or actuators. [Footnote is in the original.]

129. Memorandum of Conversation¹

Washington, September 27, 1984, 11:35 a.m.–12:20 p.m.

SUBJECT

Mr. McFarlane's Meeting with the Foreign Minister of Romania, Stefan Andrei (U)

PARTICIPANTS

Robert C. McFarlane, Assistant to the President for National Security Affairs
Paula Dobriansky, NSC
Thomas A. Lynch, State/Romanian Desk Officer (Notetaker)

Stefan Andrei, Foreign Minister of Romania
Mircea Malitza, Romanian Ambassador, Washington
Constantin Ghirla, Foreign Ministry, Romania

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Romania (09/05/1984–09/28/1984). Secret. The meeting took place in the West Wing of the White House.

Mr. McFarlane opened by saying that he had spoken with the President before the meeting;² the President asked him to convey his personal welcome and to mention specifically his admiration for the courage and independence of Romanian foreign policy. Mr. McFarlane said that he wished Foreign Minister Andrei could have seen how moved the President was over the entry of the Romanian team in the Olympics stadium in Los Angeles. These feelings go beyond the Olympics to examples of Romanian ideas on East-West relations. The President believes we should encourage this kind of leadership. He has hopes and ideas for substantially expanding U.S.-Romanian political and economic relations over the next four years. The President wants to get Romanian ideas on how to foster better East-West and bilateral relations, and to give his thoughts on how to generate a serious dialogue with the Soviets. (S)

Foreign Minister Andrei said he had talked with President Ceausescu before leaving Bucharest. There are no serious problems to raise in light of the confident bilateral climate. There are problems with export licenses: Romania hopes the U.S. can do something to make its export licensing policy more harmonious with its policies toward Eastern Europe. The U.S. has good licensing relationships with China—dating from the Nixon years—and Yugoslavia. Romania believes this is as it should be. The Foreign Minister expressed appreciation that President Reagan received Vice President Manea Manescu during a very busy period.³ This is symbolic of good U.S.-Romanian relations. However, Romania wants to develop relations further as suggested by President Ceausescu's June 25 letter⁴ which referred to technology and licenses. (S)

At this point, Foreign Minister Andrei said that the U.S.-Soviet relationship has special importance for determining the international climate. He saw Gromyko yesterday; Gromyko said he would work to assure detente, to further disarmament discussions, and to create an atmosphere for a Reagan-Chernenko meeting after the U.S. elections. That, Andrei said, was the message Gromyko gave him. Andrei said Gromyko was reticent about the President's UNGA speech⁵ and meeting with Secretary Shultz.⁶ Andrei observed that the Soviet

² Minutes from this meeting were not found.

³ September 25, 9:40–9:51 a.m., in the Oval Office.

⁴ See Document 125.

⁵ Reagan addressed the UN General Assembly on September 24. See *Public Papers: Reagan, 1984*, Book II, pp. 1355–1361. See also *Foreign Relations, 1981–1988*, vol. I, Foundations of Foreign Policy, Document 206.

⁶ See *Foreign Relations, 1981–1988*, vol. IV, Soviet Union, January 1983–March 1985. Documents 284 and 285.

system is cumbersome and suffers from inertia. Small boats, he said, can change direction more quickly than large ships. Changes in the U.S. course were evident at CDE in January 1984 and in statements by the President. The Soviets need encouragement in changing their course. (S)

It seemed to him that there were three elements in current U.S.-Soviet relations:

—The Soviets put considerable emphasis on non-militarization of outer space.

—There is the question of the manner in which the U.S. approaches the Soviets.

—There is the issue of strategic and INF forces, and counter-measures. Andrei gave a summary of the INF proposals contained in Ceausescu's June 25 letter, noting that the objective was elimination of medium-range missiles from Europe. The Romanian view, he said, is that a U.S.-Soviet accord is necessary but must not come at the expense of other states: he summarized the basic principles of Romanian policy including the need for sovereignty, territorial integrity, and the right to self-determination, regardless of social system. (S)

Andrei emphasized the importance of style in Romania's relationships with Eastern countries: Romania started from the premise that it was normal to participate in the Olympics. Similarly, Bucharest did not react to cancellations of the Honecker and Zhivkov visits to Bonn as cause for reanalysis of Ceausescu's visit to Bonn. Romania did not go back and wait for a green light. At this time, Andrei asked specifically what was discussed in the Shultz-Gromyko meeting. (S)

Mr. McFarlane said that the Secretary had reported the agenda was much the same as in previous meetings, with discussion of regional conflicts: Africa, Central America. There was no change on either side. A lot of time had been spent on arms control. Gromyko had taken the view that the U.S. was responsible for the current impasse. The Secretary had told him the President felt it was important to renew talks. The President would have more to say about this tomorrow.⁷ The U.S., *Mr. McFarlane* remarked, is ready to talk about space systems. The problem is priorities: there are thousands of land-based offensive systems already in existence, while space systems have not been deployed, yet. We want limits on space systems now. (S)

Mr. McFarlane then went on to say with regard to INF, we appreciate that Romania's position is not the same as the Soviet position. We continued to talk while the Soviets deployed SS-20s in significant

⁷ Reagan's radio address to the nation is printed in *Public Papers: Reagan, 1984*, Book II, pp. 1393–1394.

numbers. Then we deployed, and they stopped talks. As long as they insist on having long-term theater nuclear forces while we would have none, there would be no balance. We have reviewed our position and we have new ideas. But we cannot accept that a ten-to-one imbalance in INF is acceptable. (S)

On strategic systems, Mr. McFarlane said we have some new ideas the Soviets don't know about yet. We have tried to find a way to re-activate dialogue on space, INF, and strategic systems. (S)

Foreign Minister Andrei asked if these subjects could be linked. (S)

Mr. McFarlane replied that we would be prepared to consider addressing START and INF together. We have separate delegations now, but we would be prepared to consider it. (S)

Mr. McFarlane also commented that the President will state tomorrow that the Soviet Union is a superpower and we do not challenge that fact. He will refer to travel restrictions, trade, and other questions, and point out that if the superpowers understand their responsibilities, they should get back to the conference table. Some people have said we do not respect the Soviets or that we want superiority. That isn't so. We hope that once the President has stated these realities the Soviets will be able to meet with us. (S)

On bilateral issues, Mr. McFarlane said the President believes there is a real opportunity for expanded U.S.-Romanian trade. Frankly, he said, there is one stumbling block which we need to overcome. As we move into higher technology areas, there are naturally concerns that the technology will benefit the Soviet Union. Regardless of the realities that we understand, this perception will create impediments in Congress and the Executive Branch. Mr. McFarlane said the President had asked him to underscore his admiration for Ceausescu's visit to the FRG, and his appreciation of the leadership and courage involved. (S)

Foreign Minister Andrei indicated that with regard to licenses, Romania respects its commitments. Ambassador Malitza reported to Bucharest about the problem of developing reassurances that technology would not be diverted. Andrei said the Romanian side is ready to consider, through discussions with the Department of State, steps Romania could take to satisfy U.S. concerns about diversion. (S)

Asked about events in the Middle East, *Mr. McFarlane* asserted that the popular wisdom is that no more progress is possible, but the President intends to pursue his proposal of two years ago very forcefully. We have talked with the parties; they have many complaints, but it is in their self-interest to arrive at a compromise based on peace in exchange for territory. Mr. McFarlane said he was encouraged by the re-establishment of relations between Jordan and Egypt, and by our dialogue with Syria. He was more pessimistic about prospects for

Lebanon's finding a stable leadership. We feel progress can be made on the Syrian-Israeli side, and we will try. (S)

Foreign Minister Andrei pointed out that Romania has relations with all states in the area, and contacts with the PLO. Ceausescu talked with the many regional leaders who went to the August 23rd celebrations in Bucharest. Despite its previous support for the Camp David approach, Andrei said, Romania believes it is no longer practical to employ a step-by-step, country-by-country approach in trying to settle problems between Israel and its neighbors. Lebanon is a broader, regional problem. Romania favors an international conference on the Middle East: Ceausescu made this proposal three years before Brezhnev did. Romania believes a basic factor is that it is not possible to arrive at a Middle East accord without talks with the Soviets. As has been obvious over recent years, the USSR has an important role in Syria. Also, there is discontent—even among America's friends in the region such as Jordan and Kuwait—that U.S. policies are too closely aligned with Israel. The new Israeli government might be more capable to progress on peace issues. Romania is working to encourage Egypt's acceptance and role in the Arab world. A Palestinian solution is important: Romania has long believed there is a need for a single representative of the Palestinian people, and has dealt with the PLO. Unity of the PLO is important: terrorism, especially if reinforced by religious extremism, would result from divisions in the Palestinian movement. (S)

Mr. McFarlane said Foreign Minister Andrei's perspective reflects a longstanding and active interest in the situation. Romania's balance on Israeli emigration has given it credibility. He agreed that the new Israeli government might have more latitude if Likud and Labor could harmonize their views on West Bank issues. The Middle East is a tough problem: harder than arms control. Mr. McFarlane said he had a sense that the Saudis want an end to it. (S)

**130. Letter From Secretary of Commerce Baldrige to the
President's Assistant for National Security Affairs
(McFarlane)¹**

Washington, September 28, 1984

Dear Bud,

On Monday² I met with Romanian State Council Vice President Manescu who conveyed President Ceausescu's personal request that we approve the CDC 200 megabyte license for Romania. This license is vital to the continued success of the Control Data Corporation's (CDC) joint venture in Bucharest, which celebrates its 10th anniversary next month. Manescu said that Ceausescu views the joint venture as the prime symbol of U.S.-Romanian economic cooperation and a key element of our support for his political independence from the Soviet Union. He also said the Soviets would like to see the joint venture fail as they would use this as an example of what happens when small CEMA members try to act independently and cooperate with the West.

Manescu also raised the case directly with Acting Secretary of State Dam yesterday and alluded to it during his brief meeting with the President on Tuesday.³

In a September 5, 1984 memorandum you recommended approval subject to several conditions including the requirement that Control Data place on-site a representative to "ensure constant control and monitoring of the assembled and unassembled 9780 disc drive units."⁴

For the following reasons, on-site residency is not necessary to assure control and monitoring of the disc drives and would jeopardize the success of the venture:

- On July 12, 1984 COCOM reached agreement on a new control regime for computers. Under this agreement the CDC disc drives will be exportable to the Soviet Union under the Note 9 Administrative Exception procedure. This agreement is expected to become effective sometime in the next three months.

Placing disc drives under the Note 9 procedure signifies that their export poses limited strategic risks. Moreover, approval of Note 9

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Romania (08/12/1983-08/20/1984). Secret. A copy was sent to Shultz. A stamped notation indicates that it was received on September 28 at 1:17 p.m.

² September 24. A memorandum of conversation of this meeting was not found.

³ September 25.

⁴ See Document 128.

exports is virtually assured since member nations cannot veto a proposed export.

Since the Soviet Union will be able to legally buy these disc drives within a few months, it is unlikely that the Romanian Government will divert these drives and risk jeopardizing U.S.-Romanian relations.

- Control Data will provide the joint venture only enough parts to assemble a specified number of drives. In addition, all critical components are pre-assembled before shipment to Romania.

- The assembled drives are made only for export to the West. This can be adequately monitored by the procedures described later in this memorandum and agreed to by CDC. The strict inventory controls described below will assure that all critical parts are incorporated into finished products that will be returned to the West.

Since the Romanian Government is not likely to divert equipment with limited strategic value that can be sold legally to the Soviet Union, I strongly recommend that the license be approved with the conditions listed below. These conditions will effectively protect our national security without undermining the continued existence of the joint venture:

1. For the first six months, Control Data will furnish 100% of the piece parts. Critical components will be supplied by Control Data for the life of the contract.

2. ROM/CDC will only build units for contracts that have been signed and Control Data will not furnish parts to ROM/CDC without first having orders for the drives.

3. Only the quantity of parts necessary to satisfy the production schedule will be furnished. No critical manufacturing or design technology will be transferred. All critical components will be pre-assembled by Control Data before shipment to Romania.

4. The storage area for all components will be off limits to all but the inventory specialists and the plant management, who are financially responsible for parts storage.

5. A monthly inventory of the most critical items—magnetic heads and actuators—will be prepared.

6. All defective parts will be returned to the West.

7. All finished drives will be returned to the West approximately every three weeks in a special bonded van sent from West Germany.

8. Production will be limited to 75 units per month.

9. A Western representative of ROM/CDC will be present during the monthly inventory and during the loading and unloading of the bonded van that takes completed drives back to the West.

I feel very strongly that requiring residency will, in effect, terminate the joint venture and force Romania and other Eastern European

countries to turn exclusively to the Soviet Union for their technology needs. I understand that Vice President Bush is meeting with Manescu today at 5:00 p.m.⁵ That may be the opportune time to communicate our approval of the license with the above conditions to the Romanians.

Sincerely,

Mac

⁵ A memorandum of conversation of this meeting was not found.

131. Memorandum From Secretary of State Shultz to President Reagan¹

Washington, October 3, 1984

SUBJECT

Export License for Control Data on U.S.-Romanian Joint Venture

You will recall that in August, after two years of interagency delay and disagreement, you decided to approve the licensing of 200 megabyte disc drives for assembly by Control Data Corporation's Romanian joint venture subject to formulation by Commerce and the firm of adequate safeguard arrangements.² To date your decision has not been implemented.

Over the past week, you met with President Ceausescu's Special Envoy, Manea Manescu. Your meeting with the Romanian visitor was a gesture that was highly appreciated. The Vice President, Mac Baldrige and Ken Dam also all met with Manescu. To all three Manescu made a

¹ Source: Department of State, Executive Secretariat, Sensitive and Super Sensitive Documents, 1984-1989, Lot 92 D 52, ES Sensitive, October 1-4, 1984. Secret. This memorandum was attached to an October 2 covering memorandum from Burt to Shultz. (Ibid.) The issue, as outlined in the covering memorandum, was "whether to sign the attached memorandum for the President outlining Romanian concerns over our inability to date to provide a response on the Control Data export licensing case and to urge prompt resolution." Also according to the covering memorandum, "At your meeting with Romanian Foreign Minister Andrei on October 1, he requested that you convey to the President the deep Romanian concern. We also believe it is important for you to support Mac Baldrige's strong recommendation that the Control Data case be promptly and favorably resolved."

² See Document 128.

strong plea on President Ceausescu's behalf for a positive response on the Control Data case. Manescu said that the Romanians want a strong economic relationship with the United States in order to decrease their dependence on the Soviet Union. He noted that Romania's decision to defy the Soviets and come to the Olympics was intended as a political gesture to underscore their independent stance. It was nonetheless costly in terms of their relations with the Soviets. He said that Romania continues to pursue its independent course, citing Ceausescu's refusal to cancel his visit to Bonn after the Soviets had the East German and Bulgarian visits stopped. (I might also note that the Romanians recently released their most prominent dissident in response to our requests.) In the circumstances, Manescu said that collapse of the joint venture with Control Data for want of marketable products will create a political problem for Bucharest, and an additional rationale for the Soviets in arguing against cooperation between the United States and Eastern Europe.

In New York this week, I met with Stefan Andrei, Romania's able Foreign Minister.³ Stressing the great importance that President Ceausescu places on the survival of the Control Data joint venture, Andrei asked me to convey to you on Ceausescu's behalf their concern that after two years this case has still not been resolved. Our inability to do so has raised questions in Ceausescu's mind as to whether we have confidence in Romania as an economic partner.

To date we have not been able to convey to the Romanians your favorable decision on the Control Data case because of inter-Departmental differences over what might constitute appropriate safeguard arrangements. In a letter addressed last Friday to Bud McFarlane, Mac Baldrige urged acceptance of the safeguards arrangements his Department worked out with Control Data.⁴ He believes they adequately meet our national security concerns. He points out, in addition, that with changes in COCOM that are to be effected later this year, these articles will no longer be governed by COCOM controls and that the Soviets themselves will then be able to purchase them freely on the open market. Defense, however, continues to argue that only 24-hour, on-site supervision by a Western company representative will do. This is a condition too costly for any company to accept. Frankly, Mr. President, it is a condition so onerous that it appears designed to thwart your decision to move ahead on this Romanian case.

If we are to forestall a setback in our relations with Romania that could have far-reaching consequences for our differentiation policy throughout Eastern Europe, we need to implement your decision on the Control Data case without any further delay.

³ A memorandum of conversation of the October 1 meeting was not found.

⁴ See Document 130.

132. Memorandum From the President's Assistant for National Security Affairs (McFarlane) to President Reagan¹

Washington, October 20, 1984

SUBJECT

Secretary Shultz and Secretary Baldrige Memos on Control Data Joint Venture with Romania

Issue

What needs to be done in the matter of the proposed facility to assemble Control Data 200 megabyte disk drives in Romania?

Facts

George Shultz has written to you (Tab B)² arguing that your decision to go ahead with the assembly of Control Data 200 megabyte disk drives (memory units for computers) in Romania is being blocked because of "inter-departmental differences over what might constitute adequate safeguards."

Mac Baldrige wrote earlier (Tab C),³ urging a favorable decision on a new safeguards plan put forward by Control Data. Mac sent his letter only a few hours before George Bush met with the Romanian Vice-President.

Discussion

George's account of the reason for the delay is not strictly correct. More precisely, the transaction is not going forward because Control Data does not like the safeguards arrangement that you signed out on September 5. That decision required that "responsible Western representatives of Control Data will be assigned to be at the facility to ensure constant control and monitoring of the assembled and unassembled" disk drives.

Control Data has suggested a different plan. Control Data argues that, "the reliability of the consignee is a key factor in approving any export transaction. ROMCD is a reliable consignee." They ask for an arrangement in which a Western representative would visit the facility to participate in inventory controls on a monthly basis. This overlooks the

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Romania (08/12/1983-08/20/1984). Secret. Sent for action. A copy was sent to Bush. Rosen drafted the memorandum.

² Not found attached. See Document 131.

³ Not found attached. See Document 130.

established record of Romania's willingness to use clandestine means to acquire Western technology. Romania simply cannot be treated as an ordinary commercial partner. *[less than 3 lines not declassified]*

Control Data also argues that the cost of our safeguards is prohibitive, and would bankrupt the deal. \$30 million worth of equipment is to be transferred in this transaction. Control Data is arguing that the salaries of the individuals to monitor the facility would make the facility a losing proposition. We cannot guarantee that even the safeguards you have recommended will completely prevent technology loss; but without them, we have no confidence whatsoever that this manufacturing technology will be protected. Given the technology risks and the problems we will face with this transaction, your requirement for tough safeguards is very reasonable.

We are entitled to some skepticism about a facility that is claimed to be tremendously important but which is later claimed to be so economically marginal that it would be put out of business if a few personnel were added. In fact, we have been told by both Defense and Commerce Department representatives that Control Data is itself divided on the wisdom of this facility. And the diplomatic problems with our COCOM allies will be considerable.

Mac Baldrige's letter has produced some confusion. He wrote that 200 megabyte disk drives will soon be exportable to the Soviet Union without significant controls. That is true, but very misleading. *This* transaction involves a *manufacturing* facility, as defined by COCOM rules. Because we do not want to teach the Soviet Union how we make computers, and enable them to upgrade their entire computer industry, we have persuaded COCOM to adopt tighter controls on the export of equipment and information for the manufacturing of computers. This transaction will be a big headache in COCOM. We will be portrayed as breaking a rule that we insisted the other countries adopt. A single COCOM country could veto the license.

Recommendation

That you approve my signing the letter at Tab A⁴ to George Shultz and Mac Baldrige stating that you continue to support your September 5 decision on safeguards on the Control Data Romanian transaction.⁵

⁴ Reagan checked and initialed the "OK" option.

⁵ Not found attached.

133. Letter From Romanian President Ceausescu to President Reagan¹

Bucharest, December 1984

Dear Mr. President:

I would first like to give you my warm greetings and best wishes, and to congratulate you once again on your re-election as President of the United States of America.

Continuing our exchange of messages on bilateral relations and some international matters, which has proved to be extremely useful, I would like to impart to you my preoccupation about the very grave tension existing on the international scene. We are now in a decisive stage for mankind, at a crossroads where the question is whether to continue the arms race and especially the nuclear arms race, or to stop this dangerous course and resume policies of peace, detente, and disarmament.

In these conditions, which call for the greatest possible responsibility of heads of state and government, I consider that it is imperative for all countries to do everything possible to adopt concrete measures of disarmament, and firstly of nuclear disarmament, to stop the race toward a nuclear catastrophe and defend the supreme right of human beings to existence, life, and peace.

In this framework a special responsibility devolves upon the United States of America and the Soviet Union, which possess the preponderance of nuclear arms and other types of weapons, and directly upon you, Mr. President, and on Mr. Konstantin U. Chernenko, the President of the Presidium of the Supreme Soviet of the USSR.

That is why we welcome the January meeting of the Foreign Ministers of the United States of America and the Soviet Union.² We also believe that this meeting should create the conditions for convening a direct summit meeting between you and the President of the Presidium of the Supreme Soviet.

Romania, like all countries in the world, expects that the meeting between the Foreign Ministers of the United States of America and the Soviet Union will set the foundations for new negotiations on disarmament issues and other complex problems in the international situation.

¹ Source: Reagan Library, Paula J. Dobriansky Files, Romania—Correspondence (6). Secret. Printed from an informal translation of the letter, which was received via telegram.

² Shultz and Gromyko met in Geneva January 7–8, 1985. See *Foreign Relations*, 1981–1988, vol. IV, Soviet Union, January 1983–March 1985, Documents 356–363.

In reference to the foregoing, I would like to present to you certain Romanian views.

Without any doubt, a global approach to disarmament issues has great importance, but this does not mean that some major issues should be neglected or postponed. In this regard, I consider that the beginning of the negotiations should work from the necessity of freezing the development of nuclear arms and other types of weapons, at least while the negotiations are carried on. This would increase mutual trust between both sides and assure positive development and results for the negotiations.

Special priority in these talks should be given to halting the arms race, to moving on to disarmament and first of all nuclear disarmament, to measures for halting and reducing military expenditures, and to the renunciation of any nuclear testing.

The basic idea in taking these measures is that the realization of military balance between the two sides has to be achieved not by increasing weapons, but by reducing weapons and nuclear arms to the smallest possible level. It would be equally important to conclude an agreement on banning the militarization and other military activities in outer space, while enshrining general regulations for the utilization of outer space for peaceful purposes.

The serious situation in Europe requires that during the negotiations a total priority should be given to the halting of both the deployment of intermediate range American missiles in West European countries and to the countermeasures taken by the Soviet Union and some of the socialist countries in Europe, followed by measures conducive to turning Europe into a continent free of nuclear weapons.

The halting of deployment of the American intermediate range missiles and of the Soviet nuclear countermeasures will represent an element of confidence, and will create a better climate for progress in the talks and for concluding them with positive results.

In view of the grave situation in Europe and, bearing in mind that the intermediate range missiles are first of all aimed at the European countries, it is necessary that the countries of Europe and especially the members of both military alliances—NATO and the Warsaw Treaty—assume a greater responsibility and participate in an appropriate form in the solution of peace problems and firstly of disarmament, of nuclear disarmament, to contribute to the realization of an agreement for the elimination of intermediate range missiles and other nuclear weapons from Europe and from the world. Romania considers that unfailing efforts are necessary for successful development of the Stockholm Conference on confidence-building measures and disarmament in Europe.³

³ January 17 1984–September 19, 1986.

A successful conclusion of this conference would have great importance for detente and cooperation, for strengthening confidence and friendship among the participating countries.

We also feel that it is necessary to act more decisively in order to reach a suitable agreement at the Vienna talks for reducing military armaments and troops in Central Europe,⁴ an agreement which would have an important role in promoting a policy of peace, confidence, and cooperation on our continent.

In order to achieve a healthier international situation it is necessary to act with all strength and to intensify political and diplomatic efforts for solving only by means of negotiation all conflicts and legal disputes between states.

To that end, I consider that it is necessary to organize an international conference under the aegis of the United Nations with participation of all interested countries—including the PLO, the United States, and the Soviet Union—conducive to the establishment of a just and lasting peace in the Middle East, to securing the right to self-determination of the Palestinian people, including the creation of an independent state.

At the same time, it is necessary to intensify efforts for settlement of the situation in Southern Africa and especially for assuring Namibia's right to independence.

Romania considers that, taking into account the current situation of the world economy and the worsening of the economic situations of developing countries it is necessary, as I expressed to you in my previous messages, to take urgent and efficient measures which should lead to settlement of problems of underdevelopment and foreign debts of the developing countries, and for the establishment of a new international economic order.

I would like to emphasize the constant preoccupation of Romania that relations between states should be based on equality of rights, respect for national independence and sovereignty, noninterference in internal affairs, mutual advantage, renunciation of the use or threat of force, and the right of every country to decide freely its own path of social and economic development, without any outside intervention.

I express my hope that you personally, Mr. President, will do everything possible for the commencement and successful development of the talks for halting the arms race and for the achievement of disarmament for assuring peace and independence of all peoples.

⁴ Documentation on the U.S. policy regarding the Vienna talks is scheduled for publication in *Foreign Relations*, 1989–1992, vol. X, European Security Framework, 1984–1992.

I would like to assure you that as concerns Romania, as in the past, it will do everything to contribute, together with other countries, to the achievement of disarmament and assuring peace, security, and international cooperation, and we will support every step toward that end.

Dear Mr. President, I would also like to make a few remarks concerning prospects for the development of relations between our countries. I consider that by intensifying efforts in the spirit of the agreements we have reached by previous messages, we will be able further to increase commercial exchanges and economic cooperation in production.

In that respect, the positive settlement of the question of export licenses, as well as the granting of most-favored nation status for Romania on a permanent basis or at least for several years would give impetus and stability to our economic relations.

I am confident that in the future as well we will act together for the development of the bilateral relations between our countries, for the extension of our cooperation in the international field, for a policy of peace and cooperation, of disarmament and respect for the national independence of all peoples.

With very best wishes,

Nicolae Ceausescu⁵

⁵ The translation bears this typed signature.

134. Letter From President Reagan to Romanian President Ceausescu¹

Washington, January 24, 1985

Dear Mr. President:

I appreciate your letters of June 25² and December 15,³ and would like to share my thinking about current U.S.-Soviet relations, the Middle East, and the bilateral relationship between our two countries.

¹ Source: Reagan Library, Paula J. Dobriansky Files, Romania—Correspondence (7). No classification marking.

² See Document 125.

³ See Document 133.

I am gratified that the Geneva discussions established the format and objectives for forthcoming negotiations, and that the Soviet Union has agreed to resume the dialogue on nuclear arms issues.⁴ We are deeply interested in making rapid progress toward the total elimination of nuclear weapons and believe that substantial reciprocal reductions would serve the interests of the United States, the Soviet Union, and the entire world.

I am optimistic that important progress can be made even though profound differences remain. I look to 1985 as a year for dialogue leading to better U.S.-Soviet relations. In addition to seeking early progress in the new arms negotiations, we will continue to pursue dialogue with the Soviets on regional problems, human rights, and bilateral issues. With a constructive approach on the Soviets' part, I am hopeful that a more stable and productive U.S.-Soviet relationship will emerge.

Tough issues, like space and other defensive weapons, will have to be resolved. We are prepared to discuss our Strategic Defense Initiative (SDI) and the broader question of strategic defense. But it must be understood that the SDI is a research effort to determine whether it will be possible for both countries to move away from a nuclear relationship based on the threat of mutual annihilation. No steps beyond research have been decided, nor could they be for several years. In any case, to restrict research would be neither practical nor verifiable, even if it were desirable. In the near term, priority must be given to radically reducing offensive nuclear weapons.

We are prepared to go beyond where we left off in the last round of Strategic Arms Reduction Talks (START) in exploring mutually acceptable approaches to reducing strategic arms. We are also ready to consider new approaches to reductions in intermediate-range nuclear forces (INF). I appreciate your advice but frankly, I do not believe that a halt to U.S. deployments and Soviet "countermeasures" is a balanced or viable approach. U.S. intermediate-range missiles are being deployed to offset the enormous—and growing—force of Soviet SS-20 missiles. Any agreement must be based on reductions to equal global levels in this class of systems.

As a practical matter, I feel that progress in the three groups which were agreed upon at Geneva need not be linked. If an understanding is reached in one or two areas and both sides agree it is in their interest, the agreement should be implemented.

Regarding the Middle East, we remain committed to working with the parties to achieve a peaceful settlement between Israel and its

⁴ See footnote 2, Document 133. The talks established the format for the U.S.-Soviet Nuclear and Space Arms negotiations that began in Geneva in March 1985. For documentation, see *Foreign Relations*, 1981–1988, vol. V, Soviet Union, March 1985–October 1986.

neighbors. I understand that you will see Prime Minister Peres in late February. I want you to know that we believe an essential next step in moving the peace process forward is the commencement of direct negotiations between Israel and Jordan—rather than an international conference—and that efforts by all countries interested in the search for peace should be directed toward that goal. I believe that the positions in my September 1, 1982, Middle East peace initiative,⁵ which is based on Security Council resolution 242 and fully consistent with the Camp David framework, continue to be realistic and workable and could point the way to an equitable settlement. However, these positions do not have to be accepted in advance of negotiations. We would expect the parties to bring their own positions to the bargaining table.

As I told Vice President Manescu last September,⁶ I sincerely appreciated Romania's important contribution to the Los Angeles Olympics and the Olympic movement. I believe our bilateral relations are good, are based on common interests, and continue to mature. U.S. officials will continue actively to consult with Romanian colleagues on bilateral issues and in multilateral fora. I know you are aware of the importance of human rights issues in our perception of the bilateral relationship, and we will continue privately to raise specific human rights concerns with Romanian officials.

You wrote to me about the desirability of our approving export licenses for Romania. As you know, the area of technology transfer is a sensitive one, because advanced technology is one of our greatest strategic assets. My administration has approved the great majority of export license applications for Romania. We have not found solutions to some cases in which we are aware of your personal interest. I want to assure you, however, that I personally have given considerable attention to these cases, and we will continue to seek case-by-case approval of export licenses for Romania consistent with national security considerations.

With best wishes.

Sincerely,

Ronald Reagan

⁵ See *Public Papers: Reagan, 1982*, Book II, pp. 1093–1097. The address is also printed in *Foreign Relations, 1981–1988*, vol. I, Foundations of Foreign Policy, Document 116.

⁶ See *UN Yearbook*, 1967, pp. 245–258.

135. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, March 9, 1985, 1912Z

1365. Subject: Letter From Ceausescu to President Reagan Regarding U.S.-Soviet Arms Negotiations and the Middle East.

1. (C—Entire text.)

2. Summary: Early this afternoon (March 9) Foreign Minister Stefan Andrei handed the Ambassador a letter from President Ceausescu to President Reagan concerning the forthcoming U.S.-Soviet arms talks at Geneva and the Middle Eastern situation with the request that it be sent at once. Ceausescu urged—as he has in the past—that U.S. INF deployments in Western Europe and Soviet countermeasures be halted or frozen during negotiations. He also again called for halting every action directed toward the militarization of space. Ceausescu wrote that his first priority regarding the Geneva talks had to be the arriving of an acceptable agreement regarding nuclear arms on the continent of Europe; and he again called for the participation of European countries, especially those of the Warsaw Pact and NATO, to actively contribute to the success of the Soviet-American negotiations.

3. Where Ceausescu broke new ground, however, was concerning the Middle East. After hailing the recent Jordanian-Palestinian agreement² as “positive” and again calling for an international conference to achieve a global solution to the Middle Eastern problem he made a strong pitch for the participation of Syria in such a conference and in all other activities concerning a Middle Eastern settlement—a participation which he described as “indispensable.” Ceausescu also proposed that the UN Secretary General be empowered to enter into contact with the “two parties” and to organize “indirect” negotiations between them.

4. After presenting the letter to the Ambassador and reviewing its contents with him, Foreign Minister Andrei made a strong appeal on behalf of his President for the United States to adopt a “constructive” position regarding the import of Romanian steel—i.e. to give

¹ Source: Reagan Library, Paula J. Dobriansky Files, Romania—Cables (4). Confidential; Niact Immediate; Exdis.

² On February 12, it was reported that King Hussein and Yasser Arafat had agreed on a “framework for common action” to settle the Palestinian issue. (Christopher Dickey, “Hussein-Arafat Reported In Agreement on Action Plan,” *Washington Post*, February 12, 1985, p. A17.) See documentation scheduled for publication in *Foreign Relations*, 1981–1988, vol. XIX, Arab-Israeli Dispute.

preferential treatment to Romania regarding the import of cold steel plate in current voluntary restriction agreement talks. End summary.

5. This afternoon (March 9) Foreign Minister Stefan Andrei summoned the Ambassador to the Ministry to hand him a letter from President Ceausescu to President Reagan with a request that it be sent at once. He did not state whether a similar letter was being sent to the Soviet leadership.

6. At the conclusion of his description of the letter's contents, Andrei made a strong pitch on behalf of Ceausescu for the United States to grant preferential treatment to Romania regarding cold steel plate imports. He referred to his discussions with Secretary Baldrige and Vice President Bush and their declared intention to ensure the expansion of Romanian exports to the U.S. He noted that his government was aware of the measures taken by the U.S. to regulate steel imports, but said that Washington should make a special effort to understand Romania's particular situation.

7. Andrei personally requested that Secretary Shultz look into this matter on his behalf and give (political) attention to it in context of the development of good relations between the U.S. and Romania. He added that it was necessary for the U.S. to reduce armaments and not imports of steel from Romania.

8. An Embassy translation of the text of the letter from President Ceausescu to President Reagan follows. (The original in the Romanian language will be sent by classified pouch March 12 to EUR/EEY.)

9. Begin text:

"Esteemed Mr. President:

"In the context of the established exchange of opinions between us and noting existing problems of international life, I want to give you my thoughts regarding some aspects of world situations.

"We now find ourselves at a decisive moment for the future evolution of international life and the way events will develop this year will depend very much on whether one will succeed in halting the present dangerous course or mankind will continue to direct itself toward a world war, toward a nuclear catastrophe.

"I value highly the January meetings between the Foreign Ministers of the USA and the Soviet Union and the understandings regarding the beginning of American-Soviet negotiations on March 12 this year.³ To be sure, the beginning of negotiations does not mean the changing of the course of international events nor the solution of serious nuclear armaments problems.

³ See footnote 4, Document 134.

"The peoples of our countries, and also all the peoples of the world, expect the negotiations between the USA and the Soviet Union to lead to understandings which ensure the halting of the nuclear arms race, the prevention of the militarization of space, and the beginning of practical measures for nuclear disarmament.

"I especially appreciate your and the Soviet leaders' declarations that both parties are ready to go to radical measures for reducing nuclear armaments.

"Because it is possible that the negotiations could last a long time, I consider that it is necessary that nuclear armaments be halted or frozen during the period of the negotiations, and primarily the production of new nuclear arms and the deployment of American medium-range nuclear rockets in some Western European countries and the application of Soviet nuclear countermeasures, as well as every action for the militarization of cosmic space. Such a measure would be saluted by all European states and by all the world's peoples.

"Even the beginning of such measures at the beginning of Soviet-American negotiations would lead to the increase of mutual trust, would be a proof of the will of both participating parties to the negotiations to arrive at a suitable accord, would constitute an expression of the desire and will of putting an end to the nuclear arms race and of beginning the reduction of nuclear arsenals and of the other armaments, and would positively influence the result of the Geneva negotiations.

"One cannot conceive of the development of negotiations and the continuation at the same time of the nuclear arms race. Similarly, how will it be possible to advance toward identifying solutions if production and deployment of new arms will continue, the very things which would cause a change in the basis for beginning the negotiations.

"The halting of the expansion and the beginning of the reduction of strategic arms and the stopping of every action directed toward the militarization of cosmic space has, to be sure, a special importance for the effort of halting the nuclear arms race. The extension of the arms race into space will lead to the intensification of the arms race in general and will increase the danger of a nuclear war. But, because intermediate-range nuclear arms continue to be deployed in Europe, they represent an immediate problem of major importance for the people of the continent.

"Therefore, I consider that in the framework of the Geneva negotiations the problems regarding the deployment of American intermediate-range nuclear rockets in some Western European countries and of Soviet countermeasures would have to have priority to arrive at the achievement of an appropriate understanding which would assure the withdrawal of existing nuclear rockets on the continent and the freeing of Europe of every form of nuclear arms.

“Since the problems which are (make) the subject of the Soviet-American negotiations concern the life, the existence, and the security of all peoples, I consider that it is necessary for the USA and the USSR also to agree to create conditions for all states also to have an active role and to contribute to the successful conclusion of the Geneva negotiations.

“Mindful of the grave situation existing in Europe because of the large quantities of nuclear arms and other weapons of mass destruction, I consider that it is necessary that European countries demonstrate more initiative and participate in an appropriate way in the negotiations between the USSR and the USA regarding disarmament. Especially I consider that it is necessary for countries in the Warsaw Pact and NATO to meet and actively contribute to the success of the Soviet-American negotiations.

“It is of special importance that parallel to the negotiations between the Soviet Union and the United States that the activity of the conference for disarmament at Geneva, the conference for trust and disarmament at Stockholm, the negotiations at Vienna regarding the reduction of armaments and armed effectives in Central Europe, and efforts in other international conferences concerning disarmament should be intensified, in order to arrive at appropriate agreements which would positively influence the development and the success of the Soviet-American negotiations.

“The strengthening of international peace and security requires the solving of conditions of war and conflict in the different regions of the world. Romania has declared and declares itself firmly for the solution on a political path, through negotiations, of all contentious situations between states.

“In this spirit, I consider that at present it is necessary to intensify diplomatic activity to achieve a lasting and just peace in the Middle East.

“I appreciate that the recent Jordanian-Palestinian agreement is a positive factor toward a political solution in the Middle East. Now it is necessary to make further efforts for a political solution in the Middle East through the organization of an international conference in the framework of the U.N., with the participation of all interested parties and of the Palestine Liberation Organization and of the U.S. and USSR. It is necessary to act to arrive at an agreement regarding the organization of this conference, at which Syria too would necessarily participate. I consider that every initiative would have to have in view the active participation of Syria. I am firmly convinced that Syria cannot be left out of a part in the discussions and the solution of the situation in the Middle East, at a time when its engagement and active participation would give a real perspective for arriving at a global solution in the Middle East.

“For the preparation of this international conference it would be possible to consider that the Secretary General of the U.N. would be empowered to enter into contact with the two parties—as he acted in the Cyprus problem—and to organize indirect (Embassy note: repeat indirect) negotiations between the two parties.

“These were some considerations which I wanted to share with you regarding the forthcoming Soviet-American negotiations and the present situation in the Middle East.

“On this occasion I want to refer generally to Romanian-American bilateral relations. I express my trust that in the spirit of earlier established understandings we will act to expand commercial exchanges and cooperation in production, to intensify relations in the area of science and technology, education, culture and other areas.

“I am convinced that the development of bilateral Romanian-American relations and the intensifying of our cooperation on the international level correspond to the interests of the two nations, and to policies of peace, security and international collaboration.

“With friendship,

“Nicolae Ceausescu” End text.

Funderburk

136. Message From the Chairman of the Joint Chiefs of Staff (Vessey) to Secretary of Defense Weinberger¹

Washington, April 1, 1985, 1535Z

6523. Subject: Meeting with President Ceausescu (U).

1. (C) Ambassador Funderburk and I met with President Ceausescu on 30 Mar for about an hour. There were no surprises in Ceausescu's themes, and he appeared reasonably candid and willing to listen. The range of topics was similar to that of earlier meetings with Minister of Defense Olteanu and Foreign Minister Andrei—arms reductions, elimination of mistrust among nations, particularly between the United States and Soviet Union, defensive nature of Romania and its goal to

¹ Source: Reagan Library, Paula J. Dobriansky Files, Romania—Correspondence (7). Secret. Sent for information to the Department of State, Chief of Staff of the Army, Chief of Naval Operations, Chief of Staff of the Air Force, Commandant of the Marine Corps, the Embassy in Bucharest, U.S. National Military Representative for SHAPE, and the NSC. Printed from a copy that was received in the White House Situation Room.

remain independent, state of US-Romanian bilateral relations, and the militarization of space.

2. (C) After a brief discussion of my itinerary, his reelection,² and my talks with his Ministers, I conveyed President Reagan's greetings to Ceausescu, and expressed appreciation on behalf of the President for Ceausescu's letters of early March.³

3. (C) From the outset, Ceausescu stressed Romania's independence and the dedication of the armed forces to the maintenance of its sovereignty—a task which was defensive in nature. He pointed out that his country's policies were directed toward the preservation of peace. I noted that our objective was preservation of peace for the world, and liberty for our people and allies.

4. (S) Ceausescu went to considerable length in laying out his views on disarmament. He urged that we and the Soviets make accommodations that would make nuclear war impossible. He noted that he was a soldier himself and that military men should be the first to cry out against nuclear warfare. He emphasized that disarmament and peace were fundamental problems of our time. I agreed that the danger of nuclear war was a critical issue and said that Americans don't want nuclear war—or any other war. I pointed out that when we signed the ABM Treaty with the Soviets⁴ we thought the next step would be drastic reductions in offensive weapons systems, but I noted that such reductions hadn't occurred and that Soviet capabilities had grown considerably, particularly ICBM capabilities. I reiterated what I had told his Ministers—that the United States has built a force which makes clear that we have no plans or intentions to attack anyone, but that we want to make sure that any potential enemy knows that if he attacks us, his attack will not succeed.

5. (S) With respect to arms reductions, Ceausescu said that the Soviets do want to reduce their weapons and Gorbachev would like to reach an understanding that will permit a sizeable reduction by both sides. Ceausescu reiterated Soviet views on a moratorium to help reduce mistrust and serve as a first step toward a general agreement on arms reduction. I indicated that I was pleased to hear that the Soviets want to reach an arms reduction agreement. I told him that nations of the NATO alliance were concerned about the Soviet offer of a moratorium.⁵ I pointed out that the Soviets have rushed to deploy 414 INF missiles, while NATO has deployed only a handful. I added

² Ceausescu was reelected in March.

³ See Document 135.

⁴ See *Foreign Relations*, 1969–1976, vol. XIV, Soviet Union, October 1971–May 1972, Document 282.

⁵ See Document 134.

that the Soviets had just completed modernizing their ICBM force, while the United States had only started to modernize the ICBMs of its nuclear deterrent. I stressed that we seek equal security between ourselves and the Soviets, and that on the face of it, the moratorium suggested by the Soviets appeared to jeopardize the security of NATO and the United States. I told Ceausescu that we would take every Soviet offer for serious negotiations in good faith, and expressed the hope that we and the Soviets could reach an agreement. As a final note, I said the President had appointed expert negotiators and given good guidance to them for reaching an agreement in the interest of peace.

6. (S) Ceausescu agreed with me that mistrust among nations was the major deterrent to peace. He said that there must be more trust between the Soviets and United States in addressing arms reduction proposals. I told Ceausescu that we would look seriously at every proposal, but suggested that every time an opportunity arises for progress, the Soviets give us some reason to be distrustful. I said that Radio Moscow was playing up the death of our liaison mission officer as a great spy incident, rather than facing the matter in an honest way. I ran through for him the litany of incidents against our liaison mission personnel and our restraint against misdeeds by theirs. Ceausescu commented that such incidents are regrettable, but should not be seen as major issues in the overall scheme of things. I went on to highlight other areas where Soviet deeds had led to distrust, e.g., Afghanistan and Kampuchea. I agreed with Ceausescu that we shouldn't allow ourselves to become distracted from major issues concerning peace, but made clear that Soviet actions in the world affect the background in which we conduct negotiations.

7. (S) Ceausescu spent a good deal of time addressing the need to prevent the militarization of space. Drawing on reports of antinuclear scientists, he commented that war in space could lead to the destruction of planets and life on Earth. With some reflection of humor, he said that "the stars should remain what they are so lovers can enjoy them." I summarized current Soviet military activities in space and mentioned the considerable Soviet research underway in laser and particle beam weapons. I drew his attention to earlier speeches by President Reagan and Chernenko in which both agreed that attacks of Earth from space were a danger to mankind. I then outlined the objectives and characteristics of our SDI, and stressed President Reagan's desire that our research seek non-nuclear means to defend against ICBMs carrying nuclear weapons.

8. (C) Ceausescu noted that our bilateral relations were good, but could be better. He suggested that my visit was a positive development in the relationship, but outlined two areas in which progress would help strengthen it—industrial cooperation and general economic interaction. He raised the control data where the Soviets had penetrated

nations and turned that technology to their advantage. I assured him we would examine every application carefully and try to find mutually beneficial solutions, consistent with our security concerns.

9. (U) This message has been coordinated with Amb Funderburk.

137. Paper Prepared in the Bureau of Intelligence and Research¹

No. 1143–AR

Washington, July 31, 1985

(U) ROMANIA: TOUGH CHOICES AHEAD

(C) *Summary*

The Ceausescu regime faces many tough choices, most of them arising from the necessity of shoring up a badly faltering economy, battered by a devastatingly cold winter and besieged by hard currency debts. The US Congress soon will consider renewing Romania's most-favored-nation status and will be looking closely at the regime's questionable human rights record during its deliberations. To gain MFN renewal, Ceausescu may be compelled to give his citizens greater freedom, at the risk of losing control of his regime.

The Soviets meanwhile may use Romania's growing economic dependency upon Moscow as a means of forcing Bucharest to toe the bloc line more dutifully. Should Ceausescu be compelled to be less independent of the Soviets in foreign policy matters, he risks losing the little respect his countrymen accord him and what little legitimacy his regime has in their eyes. But to reject the US and Soviet demands and forgo their economic help may mean pushing his country into bankruptcy.

Finally, the Romanians may have to make a decision in Ceausescu's absence—about who will succeed him. Ceausescu is rumored to be seriously ill; deciding who will succeed him promises to produce a nasty struggle.

* * *

Domestic Affairs

(C) *Severe Winter Weather.* This year the Romanian people suffered through their most miserable winter since World War II: rivers frozen,

¹ Source: Reagan Library, Paula J. Dobriansky Files, Romania—Cables (5). Secret. Drafted by Edwin Booth; approved by Mautner.

power plants closed, and food shortages worse than ever. The government as usual responded with draconian measures: banning the use of private cars, terminating construction projects, furloughing workers without pay, and drastically reducing electric power to plants and homes alike. Relief came only with the warmer weather.

(C) The disastrous winter only emphasized the steady downward trend of the Romanian economy over the past several years. Yet there is no indication that Ceausescu intends to deviate from his allegiance to the centrally planned economy or attempt those economic reforms pursued successfully by Hungary and, to a lesser extent, Bulgaria.

(C) *Ceausescu, a Man for All Seasons*. Nicolae Ceausescu, age 67, was elected to his fourth five-year term as General Secretary during the 13th Party Congress last November. His propagandists churned out the requisite personality cult prose for the occasion—including a biography entitled *A Man for History, A Man for Eternity*. The fulsome accolades have had little impact: Most Romanians resent the dreary, repressive regime and are increasingly dissatisfied with the steadily declining standard of living.

(S) Although Ceausescu is rumored to have serious health problems (prostate-related), he gives no sign of being willing to surrender power, nor has any likely successor surfaced. Over the years, Ceausescu systematically has demoted, rotated in and out of offices, or forced into retirement virtually anyone who might have challenged his rule.

(C) His son Nicu was elevated to a candidate membership in the ruling Political Executive Committee at the last party congress, raising speculation he is being groomed as a successor. Whether this would take place is problematic; the Ceausescu family cult is unpopular with party and populace alike even though there appears to be no organized opposition.

Foreign Affairs

(U) *Opposition* . . . The Romanian communist party issued its "declaration of independence" from the USSR in 1964. In 1984, the government refused to follow the Soviet lead in boycotting the Los Angeles Olympic games and was the only Warsaw Pact country to participate. In the intervening years, Bucharest has charted a relatively independent foreign policy course while it has remained within the Warsaw Pact and the Council for Mutual Economic Assistance. Deviating significantly from positions adopted by the Soviet Union, Romania:

- established diplomatic relations with the FRG (1967) without coordinating with other Pact members;

- refused to break diplomatic relations with Israel in the wake of the 1967 war;

- refused to participate in the 1968 Pact invasion of Czechoslovakia;
- endorsed the Camp David accords and the Egypt-Israel peace treaty;
- refused to join the rest of the Pact in condemning China; and
- endorsed Western amendments at the Madrid CSCE (Conference on Security and Cooperation in Europe) meeting.

(C) Recently, Ceausescu reportedly obstructed and delayed the Warsaw Treaty renewal proceedings by advocating a much more limited extension period than the original 20 plus 10 years.

(U) . . . *or Facade?* Critics of the regime charge that Romania is by no means independent of Soviet control. They maintain that given Ceausescu's orthodoxy at home and the stability of his regime, the Kremlin regards his foreign policy aberrations as relatively innocuous. According to these critics, it serves Soviet purposes to allow Ceausescu to play the world statesman—it bolsters his standing at home and placates Romanian nationalistic sentiments without perceptible damage to Soviet interests.

(U) However one interprets the foreign policy interplay between the Soviets and the Romanians, the growing economic problems in both these countries might well determine the evolution of their relationship. In particular, Romania's faltering economy, its weak financial standing with the West, and its desperate need for energy supplies may intensify economic dependence upon Moscow. That in turn could presage greater political dependency.

Human Rights

(U) Romania's human rights record was heavily attacked at the recently concluded CSCE Human Rights Experts Meeting in Ottawa. That same record was criticized in the US press and in the Congress during the hearings in June on the renewal of Romania's MFN trading status.

(C) Although the regime steadfastly defends its behavior, it occasionally has been responsive to criticisms about particular human rights and dissident cases, primarily because of the potential foreign policy consequences of failure to respond. Currently, that incentive is especially potent.

(C) The Romanian economy is tauter than ever and extremely vulnerable to shock, be it from a bad harvest or sharply declining terms of trade. Romania's exports to the United States in 1984 totaled \$897 million. Without MFN status the value of these exports could fall considerably, and the resultant loss of hard currency could worsen Romania's debt-payment capacity.

(C) Bucharest is well aware that congressional approval of its MFN status hinges in large measure on the evidence of Romania's

human rights record. Thus its usual heavy hand with dissidents and human rights activists has been somewhat restrained in recent months. Passports finally were issued to dissident writer Dorin Tudoran and to dissident priest Father Calciu, both just before Congress resumed MFN deliberations on July 23.

(C) *Ceausescu's Choices*

If the Ceausescu regime is to survive it needs help from both East and West, especially the US and the USSR. It will be under pressure from the US Congress to lessen its domestic repressiveness in exchange for MFN approval. But if Ceausescu chooses to allow his people more freedom he may jeopardize his hold on his regime.

The Soviets, for their part, probably will insist that Ceausescu follow bloc policies more strictly—in exchange for a new trade and aid package which the regime desperately needs and in line with the efforts of Gorbachev to tighten controls over his Warsaw Pact allies. If Ceausescu chooses to go along with Soviet demands—and the sad state of the Romanian economy almost compels him to comply with even these tough new Soviet trade terms—then he must give up some of his independence in foreign policy matters. But over the years it has been Ceausescu's occasional deviation from the Soviet foreign policy line which has commanded the respect of his countrymen and, to them, has given his regime at least some legitimacy.

The help Ceausescu needs from the US and the USSR to save his country's failing economy will be personally costly; he simultaneously could lose both control and legitimacy. But if Ceausescu chooses to reject these US and Soviet demands, he risks bankrupting his country.

138. Telegram From the Department of State to the Embassy in Romania¹

Washington, August 12, 1985, 2201Z

247833. Subject: Presidential Correspondence: Reply to Letter From Romanian President Ceausescu (S/S 8523478).

¹ Source: Department of State, Central Foreign Policy File, D850573-0818. Confidential; Priority. Drafted by Lang; cleared by Kuchel, McKinley, Pearson, and Timothy Collins (S/S-S); approved by Palmer.

1. C—Entire text.

2. The Romanian Embassy in Washington has delivered to the Department a letter to the President from Romanian President Ceausescu. Unofficial GOR translation is as follows:

Begin text.

Dear Mr. President,

Starting from the present stage of the Romanian-American relations and from the desire to give a new impetus to the ties between our countries and peoples, I have the special pleasure to address to you and to Mrs. Nancy Reagan, on my part and on the part of my spouse Elena Ceausescu, the invitation to make an official visit to the Socialist Republic of Romania, at a date to be established with one accord.

I take this opportunity to express the satisfaction at the ascendant course of the Romanian-American relations, which have developed steady, in the spirit of the understandings reached through the exchange of messages established between us.

I am convinced that your visit to Romania, the conversations and understandings, at which we will reach together, will contribute to the development of the bilateral Romanian-American relations, to the intensification of the cooperation of our countries on the international arena, to the wellbeing of the Romanian and American peoples, of the policy of peace, disarmament, collaboration and international security.

Finally, I would like to convey to you my warm greeting and the best wishes for health and success.

With the best sentiments,

Nicolae Ceausescu

His Excellency

Ronald Reagan

The President of the United States of America

The White House

Washington, D.C.

End text.

3. The White House requests that Charge present the following reply to appropriate Romanian authorities ASAP: Begin text.

Dear Mr. President:

I appreciate very much your kind invitation to make an official visit to Romania. The Government of the United States has valued opportunities to consult with your Government on both bilateral and international issues, and we look forward to further meetings.

Although my travel schedule is uncertain at this time, please be assured that I will keep your invitation in mind.

Sincerely,

Ronald Reagan

His Excellency

Nicolae Ceausescu,

President of the Socialist Republic of Romania

Bucharest

End text.

Shultz

139. Letter From President Reagan to Romanian President Ceausescu¹

Washington, December 6, 1985

Dear Mr. President

I value your messages of recent months and the views you gave to Ambassador Zimmermann November 22 about my Geneva meeting with General Secretary Gorbachev and the future course of U.S.-Soviet relations.²

As Ambassador Zimmermann indicated to you, I believe that the Geneva meeting made an important contribution to putting U.S.-Soviet relations on a more stable and constructive basis. Holding of further meetings, as agreed, in Washington and Moscow in 1986³ and 1987⁴ will help to focus both sides' attention on the need for progress on the most difficult outstanding issues—arms control, regional issues, human

¹ Source: Reagan Library, Paula J. Dobriansky Files, Romania—Correspondence (8). No classification marking. Shultz delivered the letter during his December 15 meeting with Ceausescu. See Document 140.

² Warren Zimmermann. Telegram 7783 from Bucharest, November 23, reported on the meeting. (Department of State, Central Foreign Policy File, D850843-0412) Reagan and Gorbachev met in Geneva November 19–21. See *Foreign Relations*, 1981–1988, vol. V, Soviet Union, Mark 1985–October 1986, Documents 150–159.

³ The Washington Summit took place in December 1987. See *Foreign Relations*, 1981–1988, vol. VI, Soviet Union, October 1986–January 1989, Documents 107–115.

⁴ The Moscow Summit took place in May 1988. See *Foreign Relations*, 1981–1988, vol. VI, Soviet Union, October 1986–January 1989, Documents 155–164.

rights, and bilateral concerns. In particular, we hope that the ongoing nuclear and space talks (NST) in Geneva will lead to deep reductions in strategic and intermediate nuclear forces to much lower, equal levels in such a way as to strengthen stability and reduce chances of conflict. The atmosphere at Geneva was candid and animated, and disagreements were put into clearer and more constructive focus. The process has a long way to go, and I will appreciate your advice and impressions in the days ahead.

I want to assure you, as Vice President Bush told your Foreign Minister on September 30, that we are interested in broadening and enhancing the U.S.-Romanian relationship. There have been a number of constructive developments: General Vessey's March 1985 visit to Romania created substantial progress in relations between the U.S. and Romanian Armed Forces, and General Olteanu's planned visit to the U.S. early next year offers further promise. Secretary Shultz will visit Bucharest December 15 with a view toward strengthening our relations through further discussion of bilateral and international issues.

I appreciate your personal role in the resolution of several human rights cases, particularly that of Father Calciu, which were of importance to us. Your government's agreement in June to new, facilitative procedures governing the processing of permanent departures from Romania to the United States was also a positive step, although unfortunately we have not yet reached agreement on the final written form of this understanding. Resolution of the Fodor case, about which I understand and appreciate your views, would have an important positive impact within our political system.

Mr. President, appreciation for Romania's sovereignty is a basic element of U.S. policy toward your country. Despite the differences between our systems, we have managed, over 20 years, to build up an important relationship based on common interests and mutual respect. Bilateral dialogue about human rights has been an important element in seeking to transcend systemic differences and prevent them from impeding progress in our relations. I want to confide in you my own unease about the bilateral stresses which have been created by circumstances resulting in U.S. public and Congressional concerns over human rights issues in Romania. I feel it important that further serious efforts be made to break the momentum of these stresses. An agreement concerning the importation and distribution of Bibles and other religious materials, as well as the easing of certain administrative measures directed against unrecognized religious groups, would be an important step in this direction. Secretary Shultz will be raising these matters in Bucharest.

Secretary Shultz will also be presenting ideas for developing bilateral relations in other areas. Particularly in light of recent terrorist

outrages, we would welcome detailed expert-level exchanges with Romanian officials on the suppression of terrorism as well as exchanges of views on other important international questions such as the Middle East. We would plan to continue to exchange views with your government, along lines of Ambassador Zimmermann's visits, on major developments in U.S.-Soviet relations.

With best wishes,

Sincerely,

Ronald Reagan

140. Telegram From Secretary of State Shultz to the White House and the Department of State¹

Budapest, December 16, 1985, 0852Z

Secto 28075. Subject: Memorandum for the President.

Memorandum

For: The President

From: George P. Shultz

Subject: My Meeting With Ceausescu.

Dealing with Romania means dealing with Ceausescu. The three-and-a-half hour meeting I had with him on Sunday² dominated my brief visit to Bucharest. Covering the full range of issues, it was an especially frank and candid discussion—at times even sharp.

I began by telling Ceausescu that our relationship had both strong and weak points. The applause that greeted the Romanian team's entry into Los Angeles Olympic Stadium last year showed the appreciation we feel for the unique positions Romania takes at times. Human rights concerns, however, weigh heavily on the relationship. Romania's record in this area is mixed. Despite problems with individual cases, emigration (including that of Jews) continues in sizeable numbers. But, I told Ceausescu, Romania's harsh treatment of its evangelical Christians concerns us deeply. There were a number of things he could consider doing to alleviate this situation. These include arranging for

¹ Source: Reagan Library, George Shultz Papers, Official Memoranda (12/14/1985–12/15/1985). Secret; Immediate; Nodis. Shultz visited Bucharest on December 15.

² December 15.

the legal importation and distribution of Bibles, permitting all faiths to construct houses of worship, and lifting sanctions against unrecognized denominations.

Ceausescu responded by first expressing appreciation for your letter which I had delivered to him.³ He asked me to tell you of his desire to deepen our relations in a constructive way. He was unyielding, however, on my proposals to expand religious freedoms. He insisted the Romanian Orthodox Church was the national church under the law, it is in charge of religious publications, and to sum it up in my own words, neither Ceausescu nor the Orthodox want competition. Ceausescu returned again and again to the theme that he could brook no interference in his country's internal affairs. Romania's independence he said, cannot be subjected to linkage.

Our extensive review of East-West and regional issues was useful in giving Ceausescu our views and of interest in hearing him out. He reiterated his view that the Soviets should leave Afghanistan and the Vietnamese get out of Cambodia. He responded positively when I suggested we find ways to cooperate on terrorism. Although I found little deviation from Soviet positions in his statements on arms control, he did say it was his view the Soviets wanted negotiated arms control agreements. He also expressed interest in making progress at the Stockholm (CDE) Conference, and we agreed it is time to get cracking.

It is difficult to tell whether there is any give in Ceausescu's rigid position on religious issues. Ceausescu has not been above reversing himself on issues of "principle" in the past. We agreed that these issues are best handled quietly. And he indicated that his Foreign Minister would work with Ambassador Kirk to see if some solutions could be found. It was hard going, but if we can get some progress, the investment will be worth it.

Shultz

³ See Document 139.

141. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, April 2, 1986, 1144Z

2332. Subject: MFN Renewal for Romania.

1. (S—Entire text.)

2. Summary: Romania has been unresponsive to our demarches on emigration and human rights. The regime is not becoming any less repressive. There are some signs—and more rumors—of slightly closer Romanian cooperation with the bloc. It gets more and more difficult to prevent Congress from vetoing MFN extension. In each of the fields of interest to the U.S., however—diversity within the bloc, emigration, human rights, economics—it seems to us the U.S. will be worse off without MFN than it is with it. We should continue to use the pre-MFN period to push very hard on emigration and human rights but, even if there is little progress by the time of our MFN determination, we feel MFN is in the U.S. interest and should be recommended. End summary.

3. Diversity:

—The Ceausescu-Gorbachev meeting at the Soviet Party Congress was “frank” and “friendly,” not “comradely” or “warm.”

—Ceausescu’s statement at the Congress stressed the importance of independent paths for each nation and even said a U.S.-Soviet arms agreement should be reached “on the basis of the proposals of both sides.”

—The Romanians voted against the U.S. on only three of what the U.S. has determined to be the ten most important votes in the 1985 UNGA. The Soviets voted against us on eight.

—The Romanians continue to differ from other Warsaw Pact countries on, for example, Afghanistan, Vietnam, recognition of Israel, conventional force reduction, defense budgets.

—Romanian combat units do not participate in Warsaw Pact ground force maneuvers, nor do the Romanians allow such maneuvers on their soil.

—Over 48 percent of Romania’s trade is still outside CEMA.

4. The Romanians pursue this relatively independent policy largely for their own reasons. Its effect on overall Soviet strength is not large. However, it does handicap Soviet consolidation of an East

¹ Source: Reagan Library, Paula J. Dobriansky Files, Romania—EE Memoranda (10). Secret; Exdis.

European bloc. As such, it is in our interest. MFN is a dramatic symbol of our recognition of Romania's relative independence. It encourages such independence for Romania and for other East European states. Withdrawal of MFN for Romania—following withdrawal of MFN for Poland—would suggest that our differentiation policy is limited to Hungary alone.

5. Emigration: MFN helps.

—Some 7,000 persons left Romania for the FRG, Israel and the U.S. in the first half of FY 1986.

—This contrasts with some 8,800 in the first half of FY 1985. The number of Romanians leaving for the U.S. in particular has declined drastically this year, in part due to the fact the U.S. has terminated the TCP refugee program.

—Even the 865 departures for the U.S. in the first half of FY 1986 are twice as many as 407 departures for the entire calendar year of 1974, the last year before MFN.

—Within the past year we have concluded an agreement on emigration processing which significantly reduces hardship for emigrants.

6. Human rights: The Romanian record on human rights is bad, and we should not be put in the position of trying to defend it. MFN has had only little effect on human rights in any country; in Romania it has brought better treatment of the Jewish community and of some Protestants, and has each year gotten a few human rights prisoners amnestied. Denial of MFN, while a satisfyingly dramatic indication of our displeasure with Ceausescu's internal policy, would worsen human rights in Romania, not improve them.

7. Economics: The idea of MFN for communist countries, predating Jackson-Vanik, was to add to the long-term attraction of economic links to the West. MFN was not designed for short-term political leverage. It is the long-term attraction which remains strong.

8. Conclusion: From all the above we conclude that despite our current, serious problems with the Romanian Government, MFN is in our interest and the President should recommend extending it.

9. We hope these arguments will dissuade Congress from cancelling MFN. Even if Congress does cancel MFN, a record of administration support would be a basis for continued dialogue with the Ceausescu regime and its successors.

Kirk

142. Memorandum From Secretary of State Shultz to President Reagan¹

Washington, May 21, 1986

SUBJECT

Determination to Extend Jackson-Vanik Waiver Authority

The Jackson-Vanik general waiver authority and the separate waivers for Romania, Hungary, and the People's Republic of China (PRC) will expire on July 3 unless, by June 3, you transmit to Congress a determination to extend this waiver authority. The waivers for Romania, Hungary, and the PRC and the related trade agreements establishing nondiscriminatory trade treatment continue to be important elements in our overall relations with Eastern Europe and the PRC.

Section 402 of the Trade Act of 1974 prohibits the granting of most-favored nation ("MFN") treatment, the granting of government financing or credits, or the conclusion of trade agreements, with any non-market economy country which imposes restrictions on emigration. The Jackson-Vanik Amendment authorizes the President to waive these prohibitions if he determines that waivers will promote the objective of freer emigration from the country concerned and if he receives appropriate assurances from that country. The Trade Act requires that you transmit to Congress each year a determination that the authority for these waivers be continued. Under Section 402 (d) (5) of the Trade Act, a determination concerning extension of the waiver authority must be transmitted to Congress by June 3. If not, the existing waivers for Hungary, the PRC, and Romania and your authority to extend MFN to those countries will lapse on July 3, and basic elements of our bilateral trade agreements will be placed in jeopardy.

MFN treatment and the bilateral trade agreements are very important components of our overall bilateral relationships with Hungary, the PRC, and Romania. A termination of MFN eligibility would seriously set back our relations without any corresponding benefits for us. Failure to renew MFN would deprive us of an effective instrument which we have used to promote freer emigration. It would also set back our efforts to ensure equitable treatment for U.S. companies in these markets and to protect our firms' industrial property rights. Loss of MFN would lead to a very significant drop in levels of bilateral trade and would result in these countries' treating U.S. firms as suppliers of last resort, with significant damage to our export sales.

¹ Source: Reagan Library, Paula J. Dobriansky Files, Country File, Romania—MFN (Most Favored Nation) EE (9). Confidential.

Under the terms of the Jackson-Vanik Amendment, no Congressional action is necessary to make the extensions effective. The one-house veto provision formerly applicable under the statute is constitutionally invalid as a result of the Supreme Court's 1983 decision in *Chadha*. We have assured the Congress, however, that we will continue to observe the statute's requirements for Presidential determination and reporting.

Our consultations with Congress indicate there is little opposition to continued MFN for Hungary and the PRC. Continuation of Romanian MFN has become politically controversial, and will face strong opposition from some quarters on the Hill this summer.

Romanian MFN has continued to produce impressive emigration performance, the criterion for continuation of MFN established by the Jackson-Vanik Amendment. In ten years of Romanian MFN, we have facilitated the departures of over 160,000 people to the FRG, U.S., and Israel. In 1985, more than 17,000 Romanians departed legally for these three countries, and Romanian emigration this year is likely to approach that figure. As for many years, this flow continues to exceed the total legal emigration from the Soviet Union, Bulgaria, Czechoslovakia, Hungary, and Poland combined. We have also used MFN informally, and with limited success, in promoting forward movement on Romanian human rights and religious issues.

In addition to the emigration criteria for MFN under the Jackson-Vanik Amendment, some members of Congress have introduced legislation to suspend or withdraw Romanian MFN based on the country's policy and practices on religious liberties. Romania's record on these issues is repugnant, and we continue to press strongly in particular for an end to abuses of the country's small Protestant minorities such as church demolitions and denial of free distribution of Bibles. It should be noted, however, that Romania's general attitude toward religion compares favorably with that of the Soviet Union. Romania is experiencing a major religious revival which our influence has helped to sustain. Despite concerted efforts by the authorities, including bulldozing of a half-dozen fundamentalist Protestant church buildings in recent years, discrimination against smaller denominations, and prohibitions against the distribution of Bibles, American influence is being felt. The Romanians have looked the other way as religious groups receive millions of dollars annually in Western material support, and Baptist seminarians are trained underground.

The granting of MFN status has given U.S. companies the ability to sell over \$2 billion in U.S. goods since 1975. Trade with the U.S. and other Western countries has helped Romania to maintain a greater degree of economic independence from the Soviet Union.

The West German and Israeli Governments have advised us of their support for extension of MFN to Romania.

For the above reasons, I have concluded that U.S. interests are best served by continued granting of MFN to Romania.

To keep maximum pressure on the Romanians to improve their performance, I recommend two further steps. First, I suggest that the report which accompanies your determination to continue Romanian MFN for another year contain a strong statement of our concerns on religious rights issues. Second, I recommend that you send a private letter to President Ceausescu (Attachment 4)² which describes the risk to a carefully balanced policy benefitting Romania which his unresponsiveness to our concerns on religious rights has created and warns that our policy, which makes possible the extension of MFN to Romania, may not be sustainable in the absence of the GOR's taking meaningful steps to address our concerns.

RECOMMENDATIONS:

—That you execute the attached Determination, approve the attached Extension of Waiver Authority, and transmit both documents to Congress by June 3.³

—That you approve the attached letter to Romanian President Ceausescu.

² Printed as Document 144.

³ All attached but not printed.

143. Memorandum From the President's Assistant for National Security Affairs (Poindexter) to President Reagan¹

Washington, May 31, 1986

SUBJECT

Determination to Extend Jackson-Vanik Authority

Issue

Should MFN status for Romania, Hungary and the People's Republic of China (PRC) be extended for 1986?

¹ Source: Reagan Library, Paula J. Dobriansky Files, Country File, Romania—MFN (Most Favored Nation) EE (9). Confidential. Sent for action. Sent through the White House Executive Clerk. A notation is stamped at the top of the memorandum: "President sgd per WH Executive Clerk." It is dated in an unknown hand, "3 June 86."

Facts

The Trade Act of 1974 prohibits the granting of MFN treatment to any nonmarket economy country which restricts emigration. The Jackson-Vanik Amendment authorizes you to *waive these prohibitions by June 3*, if you determine that a waiver will foster freer emigration and if you receive appropriate assurances from the country concerned.

Discussion

Secretary Shultz forwarded you a memorandum (Tab C)² which recommends that MFN be extended to Hungary, Romania and the PRC for 1986. MFN has been an effective instrument in monitoring and promoting freer emigration in these countries. Moreover, their emigration records for the last year have been satisfactory. Both Hungary and the PRC have established acceptable emigration practices which largely comply with the terms of the Jackson-Vanik Amendment. Although significant human rights problems exist in Romania, its emigration performance is satisfactory. In 1985, more than 17,000 Romanians departed for the US, Israel and West Germany.

As State's memorandum notes, Congressional opposition to MFN renewal is anticipated. Some Congressmen have expressed concern about Romania's overall human rights record and have urged the Administration to suspend or withdraw Romanian MFN based on the country's human rights practices—not a legal criterion of the Jackson-Vanik Amendment.

In order to pressure the Romanians to improve their performance and to be responsive to Congressional concerns, your report to Congress (Tab A)³ contains a strong statement of our human rights concerns and the steps we have urged the Romanians to take. The report instructs Secretary Shultz to report periodically to you and to Congress on Romania's MFN performance. Also, at Tab C⁴ is a letter from you to President Ceausescu which warns that our current MFN policy may not be sustainable in the absence of Romania taking meaningful steps to respond to our human rights concerns. The speechwriters have cleared the text. OMB concurs.

Recommendations

That you sign the transmittal message at Tab A, the Presidential Determination at Tab B,⁵ and the letter to President Ceausescu at Tab C.⁶

² Printed as Document 142.

³ Attached but not printed.

⁴ Printed as Document 144.

⁵ Attached but not printed.

⁶ Neither the "OK" option nor the "No" option were selected, but the Presidential Determination and the message transmitting the report, all dated June 3, are printed in *Public Papers: Reagan, 1986*, Book I, pp. 714–716.

144. Letter From President Reagan to Romanian President Ceausescu¹

Washington, June 3, 1986

Dear Mr. President:

As you know, I am required by United States law to forward to the Congress by June 3 of each year a determination concerning continuation of Most-Favored-Nation (MFN) treatment for Romania. After considerable deliberation, which revealed strong congressional opposition and reservations within my own Administration, I have today signed a report to the Congress containing my determination to continue Romanian MFN for 1986–87.

This was a difficult decision for me. It will not be easy for the Administration to defend it in the Congress. In my December 6 letter,² I wrote of the heartfelt concerns of large numbers of the American people regarding observance of religious freedom in Romania. I cannot accept, as you replied in your January 7 letter,³ that these concerns are artificial or unfounded. I personally share them. At my request, Secretary Shultz presented to you on December 15⁴ proposals regarding Bibles and treatment of unrecognized religious groups that we believe are well within your discretionary power to accommodate. Our representatives have pursued these points in numerous conversations in Bucharest and Washington.

As I said in my December 6 letter, our interest has not been to undermine Romanian sovereignty or intervene in Romanian internal affairs, but to uphold the commitments that our two Governments have made to address basic human rights issues. Together with the United States Congress and public, I seek to allay serious concerns that threaten the careful balance in relations between our two countries. Your Government's unwillingness to accommodate these concerns has placed at risk our policy, which benefits Romania substantially. I have decided that once again my Administration will seek to argue the case for continued Romanian MFN before the Congress, recognizing that we are under a severe handicap in doing so. Without meaningful steps on the part of your Government to

¹ Source: Reagan Library, Paula J. Dobriansky Files, Romania—EE MFN (9). No classification marking.

² See Document 139.

³ Not found.

⁴ See Document 140.

address our concerns, however, there is no guarantee that we will be persuasive.

With best wishes,
Sincerely,

Ronald Reagan

**145. Letter From Romanian President Ceausescu to
President Reagan¹**

Bucharest, September 18, 1986

Dear Mr. President,

In the spirit of the good Romanian-American relations of the exchange of messages between us on various bilateral and international matters, I would like to draw your attention to a highly important question concerning the need to halt the arms race and proceed to concrete and effective measures of disarmament as soon as possible.

The Romanian people, just like the other peoples of the world, is deeply concerned about the continuation of the arms race at a fast pace and the dangerous course of events towards confrontation and war.

Giving expression to our concern and in consensus with the entire people's will, the 11,000 participants in the recent Congress of the Working People of the Socialist Republic of Romania decided to call upon all the European states, the USA and Canada to adopt measures of reducing arms, troops and military expenditures by 5 per cent until the end of this year, even before an appropriate agreement is reached in this field.

The Congress has decided that Romania should proceed to a unilateral 5 per cent arms, troops and military expenditures reduction by the end of this year.

The Congress has fully agreed that this measure be submitted to the entire people for approval in a referendum to be held in the fourth quarter of this year.

¹ Source: Reagan Library, Paula J. Dobriansky Files, Chron October 1986 (3). No classification marking. Printed from an unofficial translation.

As you know, the Appeal of the participating States in the Warsaw Treaty, adopted at their Meeting in June 1986,² addressed to all the NATO member States, to all European States, calls for a 25 per cent troops and conventional arms reduction by the end of this decade.

Considering the need to pass on to real disarmament measures in a short time, as well as the fact that the European countries, just like other peoples, should assume a greater responsibility and act firmly for the achievement of disarmament and détente, we would welcome with great satisfaction if the United States of America, the other NATO member States, all European countries proceeded to a unilateral reduction by at least 5 per cent of their troops, weapons and military expenditures by the end of this year, even before an appropriate agreement is reached in this field.

I think that, considering the world balance of forces, such unilateral measures do not jeopardize the security of any states, their defensive capacity, but, on the contrary, they favour passing on to effective negotiations on disarmament, as an expression of the respective states' will to firmly act in this direction.

Taking into account the present stage of negotiations on disarmament, as well as the prospect of the new American-Soviet high level dialogue, I appreciate that should the United States of America adopt a unilateral measure to reduce by 5 per cent the troops, arms and military expenditures this very year, it would play an important role in giving an impetus to the negotiations and enjoy a strong response all over the world.

I express my hope that we will further work together on major international issues and, first of all, on disarmament and the elimination of the nuclear threat, for easing international tension, for security, independence and progress of all nations, for understanding and peace.

With the most distinguished sentiments,

Nicolae Ceausescu³

² For the text of the appeal, issued in Budapest on June II, see *Documents on Disarmament, 1986*, pp. 341–345.

³ Printed from a translation that bears this typed signature.

146. Telegram From Secretary of State Shultz to the Department of State and the Embassy in Romania¹

New York, October 3, 1986, 0424Z

Secto 18070. Subject: Secretary's Bilateral With Romanian Foreign Minister Totu, 10/1/85.

1. Secret—Entire text

2. Summary. The Secretary met for fifteen minutes October 1 with Romanian Foreign Minister Ioan Totu. The Secretary congratulated Totu on his recent appointment.² Both agreed that bilateral relations are healthy. The Secretary took note of recent Romanian commitments on human rights issues of interest to the U.S. The Foreign Minister conveyed a message from President Ceausescu to President Reagan, noted the importance of economic component of the bilateral relationship, and described the progress Romania is making in reducing its external debt. End summary.

3. The Secretary congratulated the recently appointed Foreign Minister on the assumption of his new portfolio. He said that he had had good relations with Totu's two immediate predecessors with whom he had had a number of productive meetings. The Secretary described bilateral relations as healthy which makes it possible to develop them in a productive manner despite strains on individual issues. Noting that MFN and human rights issues had been the subject of a number of recent discussions between Romanian and U.S. officials, the Secretary stated he had been happy to learn of recent Romanian decisions to permit the printing of Protestant Bibles and to preserve three buildings of the Jewish community in Bucharest. He expressed the hope that the Romanians would adhere to these commitments because they are important to our bilateral relationship. The Secretary stressed that he made this point not to interfere in Romania's internal affairs but to take note of positive developments which are occurring.

4. Responding to the Secretary, Totu expressed his appreciation for the opportunity to have a meeting and observed that he had the honor to bring personal greetings from President Ceausescu to President Reagan and best wishes for success to the American people. He stated that while he is new to the foreign affairs area, he has had the opportunity in the past to follow certain aspects of our bilateral relationship. Totu

¹ Source: Reagan Library, George Shultz Papers, Memoranda of Conversations of Secretary Shultz (1986) (09/05/1986–11/26/1986). Secret; Immediate; Exdis. Also sent to the Mission to the United Nations. Shultz was in New York for the UN General Assembly.

² Totu became Romanian Foreign Minister in August 1986.

described bilateral relations as good, and he noted prospects for the future are even better. Totu observed that Romania gives priority to the economic aspect of the bilateral relationship, and expressed appreciation for administration efforts designed to ensure the continuation of MFN treatment for Romania.

5. Regarding MFN, the Minister pointed out that the need for renewal of MFN on an annual basis is a source of dissatisfaction for Romania. This process, he noted, leads to unhelpful and artificial discussions. In this context, the Minister stressed that Romania will remain faithful to commitments it has undertaken.

6. Totu observed that President Ceausescu had recently sent a message to President Reagan describing disarmament steps which Romania is taking.³ He said he was confident that in time Ceausescu would receive an answer. The Secretary replied that the contents of the letter are being carefully studied.

7. Turning to Romania's economic problems, Totu said the country's hard currency debt has been reduced to dollars 5.8 million through the efforts of the entire population. Debt obligations will peak in 1987, and Romania will need to make a major export effort to meet them. Totu regretted that many people are minimizing the efforts the GOR is making to control the level of its hard currency debt.

8. In the context of the debt question, Totu said the GOR has a good relationship with the commercial banks which approach their dealings with Romania in a flexible manner. He noted that the GOR has found a better understanding for its debt problems from the banks than from the IMF, which has been quite rigid. According to the Minister, the irony of the situation is that Romania is a member of the IMF.

9. Totu described Romania's relations with the USSR as normal. He said that the GOR will continue to pursue its independent policies, since there is no need to change. He stressed that Romania will continue to be an active participant in international affairs, a course which is dictated by the country's prestige.

Shultz

³ See Document 145.

147. Letter From President Reagan to Romanian President Ceausescu¹

Washington, October 29, 1986

Dear Mr. President:

I am writing in response to your letter of September 18² in which you set forth Romanian views on arms control matters and your Government's intention to reduce unilaterally military expenditures by the end of this year. I welcome your thoughts on these important issues.

My Government and the American people join in your desire to build a safer world. My recent talks in Reykjavik with General Secretary Gorbachev made significant progress in many areas of arms reduction and international security.³ The American Government is now intensely engaged in a broad effort to consolidate and build upon the gains registered in Iceland. However, the Soviet Union's insistence that any and all progress in arms reduction be tied to limitations on the Strategic Defense Initiative is an unfortunate roadblock. It represents retrogression from the General Secretary's agreement at the Geneva Summit to move forward in areas of common ground.⁴ In this regard, we appreciate your support of a step-by-step approach which does not unnecessarily tie an agreement on intermediate nuclear forces to our strategic defense research program.

With respect to the issues of defense budgets and conventional forces in Europe, to which your September 18 letter refers, the United States continues to be in the forefront of efforts at the United Nations to develop a system of standardized reporting of national military budgets. Romania's recent contribution of military data to the United Nations reporting system is most welcome.

Our two Governments have worked hard to move forward in this area, but progress has been hindered by the lack of cooperation from key nations, including the Soviet Union. We continue to believe a reporting system, designed to create an accurate and meaningful data base, would tremendously improve understanding of defense spending throughout the world. Actual reduction of military expenditures is an attractive and laudable concept. Accomplishing this goal, however, while preserving stability and international security will require

¹ Source: Reagan Library, Paula J. Dobriansky Files, Romania—Correspondence (10). No classification marking.

² See Document 145.

³ Documentation on the Reykjavik Summit is printed in *Foreign Relations, 1981–1988*, vol. V, Soviet Union, March 1985–October 1986, Documents 301–309.

⁴ See footnote 2, Document 139.

more openness on the part of many nations concerning their military spending.

Regarding the June 11 "Budapest" Appeal,⁵ dealing with proposed reductions in troops and armaments in the whole of Europe, I draw your attention to the NATO Ministers' Halifax Statement of May 30.⁶ That document reaffirms a commitment to the goal of peace, freedom and security for the peoples of Europe, from the Atlantic to the Urals. It declares anew NATO's objective to strengthen stability and security in the whole of Europe. The formula presented includes increased openness and the establishment of a verifiable, comprehensive and stable balance of conventional forces at lower levels.

To achieve their objective, NATO Ministers have mandated a high-level task force on conventional arms control. The task force has been instructed not only to build on the Western proposals at the Stockholm Conference on Disarmament in Europe, and the Mutual and Balanced Force Reductions negotiations in Vienna. It is also to take account of Eastern statements expressing readiness to pursue conventional force reductions from the Atlantic to the Urals. A final report will be submitted to Ministers at their next meeting in December. Its ultimate aim is pointing the way toward radically improved East-West relations in which more confidence, greater openness and increased security will benefit all.

We welcome this dialogue between our nations and look forward to working with you at the United Nations, the Vienna Conference on Security and Cooperation in Europe Follow-Up Meeting⁷ and wherever the crucial issues of peace, freedom and security are put on the table.

Sincerely,

Ronald Reagan

⁵ See footnote 2, Document 145.

⁶ For the text of the Halifax statement, see Department of State *Bulletin*, August 1986, p. 53.

⁷ November 4, 1986–January 19, 1989.

148. Telegram From the Embassy in the United Kingdom to the Department of State¹

London, November 15, 1986, 2054Z

24792/Depto 50026. For the Secretary from Whitehead. Subject: My Visit to Bucharest November 14–16, 1986.

1. Secret—Entire text

2. My two days in Bucharest were rather cold and bleak. On a walk through the market, an old woman waited in line to buy a chicken. It was ten o'clock, and she'd been in line for two hours. The chicken truck had not yet arrived, but it was expected soon because it usually came on Friday. The woman's dilemma was that if she stayed in line and the chickens did not come she would miss out on what was happening on the fish line. The fish truck had come, and fish were being sold down the street; one kind of fish, one fish to a customer, as long as they lasted. There were lines everywhere, not only for chicken and fish, but for meat and gasoline and bread. A poorly-made, style-less pair of shoes costs one week's pay. The people seem resigned to a dreary fate.

3. At least Romania proves our policy of differentiation: it is certainly different from Hungary and Yugoslavia. Ceausescu continues a policy of misguided government spending on heavy industry, public building and housing at the expense of the civilian economy. The people have lost the will to fight back. Human rights by our standards do not exist. No one is allowed to leave (except for Jews, who are allowed to go to Israel and have mostly done so), there are no real elections, no free press, no right to criticize and the internal police are everywhere.

4. But for all of these terrible restrictions, Ceausescu publicly and with commendable courage disagrees with the Soviets and sides with us on a number of important issues. He opposes the Soviet occupation of Afghanistan, and tells them that they should withdraw their troops. He tells them that they should make the Vietnamese get out of Cambodia. He has exchanged Ambassadors with Israel. He believes that we and the Soviets should conclude an agreement on getting INF weapons out of Europe without waiting for more ambitious objectives; he said he told this to Gorbachev again earlier this week in Moscow.

¹ Source: Department of State, Central Foreign Policy File, N860011–0138. Secret; Immediate; Nodis.

5. My meeting with Ceausescu went for three full hours.² I also had two hours with Foreign Minister Totu, where we had a good exchange on a number of points. As in Budapest and Belgrade, I proposed operational meetings on terrorism, regularly scheduled twice a year get-togethers on regional issues and a revived effort to increase our trade and investment opportunities. I also briefed them on your Vienna meetings, for which they were grateful.³ They know they cannot rely entirely on Soviet messages. As elsewhere, my initiatives were received with enthusiasm. There is no question that the three countries I visited are each in their own way very eager for a closer, more meaningful relationship with us. They know they are tied to the Soviets geographically and can never escape that, and Hungary and Romania have no realistic hope of getting out from under the Warsaw Pact. Economically, their trade with the Soviets is about four times as large as it is with us, but Moscow's is shrinking and ours is growing and should grow more. Emotionally, there is no question that they would like to move toward a more neutral position; closer ties to us would help give them that opportunity.

6. It will not be easy to develop more trade or more investment opportunities with Romania. They are unrealistic in wanting a multi-year MFN agreement. They protest our steel quota, but have no plans to fabricate the kind of parts which would be exempt from it. They have only one joint venture with a U.S. company, a computer printing assembly operation with Control Data, and they don't seem to be taking much initiative in seeking others. Yet the present trade is very small (just over \$1 billion in 1985), so there are some opportunities.

7. My trip confirmed my feeling that the Warsaw Pact countries and Yugoslavia are not simply subservient vassals of the Soviets, but rather countries with rich heritages who try to get as much independence as is available to them, and would welcome and take advantage of any opportunities we could provide to move away from Soviet domination. Unless you have doubts or questions about this, I'll continue to work quietly in this direction, including a trip to Poland, Czechoslovakia, Bulgaria and East Germany in late January or early February.

8. I am sorry I was away for what must have been a very tough week for you.

Seitz

²Telegram 8304 from Bucharest, November 15, transmitted Whitehead's report of his meeting with Ceausescu. (Department of State, Central Foreign Policy File, D860873-0733)

³Shultz was in Vienna November 4-6 to attend the opening of the CSCE follow-up meeting.

149. Information Memorandum From the Acting Assistant Secretary of State for European and Canadian Affairs (Simons) and the Acting Assistant Secretary of State for Economic and Business Affairs (Lamb) to the Deputy Secretary of State (Whitehead)¹

Washington, December 12, 1986

SUBJECT

Romania to Lose GSP Benefits

Romania's status as a beneficiary country under the U.S. Generalized System of Preferences (GSP) program will be terminated early next year. An interagency recommendation to this effect will soon go to the President; his decision will be announced in the Federal Register by January 5.

When informed of this prospect, the GOR told Ambassador Kirk that the decision would be seen as a political act contrary to the spirit of your Bucharest discussions,² and that it would damage bilateral relations. Officials have hinted that Romania would respond.

Romania has had GSP since the program's inception in 1975. Unlike Most Favored Nation status, which is the normal basis of trade among nations, GSP is an advantage that we and other industrialized countries grant to many "developing" countries to enable them to diversify their exports. Based on 1985 figures, we estimate that about \$58 million in trade would be affected by Romania's loss of GSP.

In 1984, Congress amended the law governing the GSP program, making eligibility for GSP benefits contingent upon a country's actions in affording internationally recognized workers' rights to its workers. As required (and spurred by complaints by the AFL/CIO and others about practices in a dozen countries, including Romania), an interagency group has been reviewing the status of all beneficiaries under the new GSP legislation. Most of the countries which do not meet the new workers' rights criterion will still be able to preserve GSP benefits by demonstrating that they are "taking steps" to improve the situation. Given the nature of the regime in Romania, there is no way the GOR

¹ Source: Department of State, Records of the Deputy Secretary's Office, 1982–1993, Lot 95 D 334, Romania. Confidential. Drafted on December 5 by Schlamm; cleared by John Pitts (EUR/EEY), Lang, Wenick, Leonard Lange (EB/OT/ODC), David Gossack (EB/ODC), and Elliott Hurwitz (E). Schlamm initialed for all of the clearing officials. A stamped notation at the top of the memorandum reads, "J.C.W. has seen, Dec 15, 1986." Another stamped notation indicates that it was received on December 12 at 4:26 p.m.

² See Document 148.

can convincingly show that it is moving toward Western standards of rights for workers. While application of the workers' rights provision may be waived in the national economic interest, the interagency group agreed that there is insufficient basis for such an action.³

³ Whitehead wrote beneath the final paragraph, "In my view, this is a bad decision and goes against our overall interests. Is it too late? Can it be reviewed? JCW." In a December 15 note to Whitehead, David Weiss wrote, "Per your question as to whether the GSP issue can be reviewed, see my memo to you (attached). Essentially, it has already been reviewed once, and we'd be likely to lose again in any further review. DW." (Department of State, Records of the Deputy Secretary's Office, 1982–1993, Lot 95 D 334, Romania) Weiss's memorandum is attached but not printed.

150. Telegram From the Embassy in Romania to the Department of Commerce¹

Bucharest, January 13, 1987, 1408Z

252. Subject: Romanian Ministry of Foreign Trade's Response to Withdrawal of GSP Benefits. Ref: A. 86 State 401397² B. State 476³ C. Bucharest 91.⁴

1. (C) Summary. On January 10, SCO was called in to the Ministry of Foreign Trade (MFT), where he was handed a letter from MFT Ilie Vaduva to Secretary Malcolm Baldrige on USC's decision regarding GSP. The letter asked for the Secretary's assistance in retaining GSP benefits for Romania. It does not mention or defend worker rights in Romania, but claims that GSP eligibility should be determined by Romania's developing country status and provisions of the U.S.-Romanian trade agreement. A MFT official commented that termination of GSP benefits will force

¹ Source: Department of State, Records of the Deputy Secretary's Office, 1982–1993, Lot 95 D 334, Romania. Confidential; Immediate. Sent Immediate for information to the Department of State.

² Telegram 401397 to Bucharest, December 31, 1986, conveyed Reagan's decision that Romania was no longer eligible for GSP. (Department of State, Central Foreign Policy File, no film number)

³ Telegram 476 to Bucharest, January 1, provided the results of the GSP general review. (Department of State, Central Foreign Policy File, D870004–0517)

⁴ In telegram 91 from Bucharest, January 7, the Embassy relayed the Ministry of Foreign Trade's argument that the GSP decision was made based on a misunderstanding of workers' rights in Romania. (Department of State, Central Foreign Policy File, D870015–0980)

Romania to reduce U.S. imports. The official claimed that Romanian imports of U.S. goods had grown “dramatically” during 1986, but this trend will not continue if GSR were withdrawn. Concerning the upcoming session of the Joint American-Romanian Economic Commission (JEC), the official conveyed GOR’s views that the U.S. delegation would be chaired by Secretary Baldrige instead of Under Secretary Bruce Smart. This would demonstrate the high level of the session and the importance given by the USG to support and expand bilateral trade. The official added that if chairmanship of the JEC U.S. delegation was not at the highest level, the demonstrated lack of interest would affect bilateral trade negatively. MFT also asked for USDOC’s confirmation of the proposed dates of March 18–19 for the JEC session. Recommendation: A letter from Secretary Baldrige (by telegram), endorsing Under Secretary Smart and the proposed dates, and showing personal interest in bilateral trade, would help if sent promptly. End summary.

2. (U) On Saturday, January 10, SCO was called in to MFT where he met with Director for North America Ion Chioveanu and U.S. Desk Officers Valeriu Ruset and Vladimir Ciobanasu. Chioveanu presented SCO with a letter from MFT Vaduva to Secretary Baldrige on withdrawal of GSP benefits from Romania. Chioveanu said Ambassador Gavrilescu had been instructed to present a similar message to Secretary Baldrige during the week of January 12.⁵

3. (U) Following is the letter’s unofficial translation provided by MFT. The original was pouched to USDOC.

Begin text.

Quote

Bucharest, January 9, 1987

His Excellency

Mr. Malcolm Baldrige

Secretary of Commerce of the United States of America

Excellency,

I fully appreciate your efforts towards promoting the expansion of economic relations between Romania and the United States. This is why I am writing you again in connection with the intention of the American authorities to exclude Romania from the list of GSP eligible countries, under the scheme of the United States. As a result, Romania would be practically the only developing country to be deleted from a list that comprises 140 developing countries and territories enjoying preferential treatment. This would be in contradiction not only with

⁵Not found.

the understandings in force between our two countries, concerning the expansion of our bilateral relations and international cooperation, but also with the statements made by a number of personalities representing the American administration with respect to the expansion of relations between the two countries.

Romania's exclusion from that list would be an act of discrimination tantamount to non-recognition of Romania's developing country status, which would be contrary to the provisions of the Romanian-American trade agreement of April 2, 1975 (Art. 1.3) and to the fundamental UNCTAD principles which call for non-reciprocity and non-discrimination in the extension of tariff preferences.

It is my firm belief that the reason for this exclusion reveals a regrettable interpretation of the Romanian realities. At the same time, it raises many questions in connection with the capacity of the United States to further encourage the development of Romania-United States economic relations irrespective of the differences between the political and social systems in our two countries.

You will agree with me that from this point of view, Romania's exclusion would represent a serious setback from the efforts we have so far made, on both sides, in order to ensure the necessary conditions for the expansion of Romanian-American economic relations.

Under these circumstances, one may expect that the achievement of our common goal, a total trade volume of 2 billion dollars in the shortest possible time, and the growth of Romanian imports from the United States, which, in keeping with the provisions of our understandings, can be achieved only if Romanian exports can grow accordingly, will be adversely affected. It is my conviction that such a measure will be detrimental to the business climate that should prevail between the two countries, if these goals are to be accomplished. Note. Post correction. Translation of the last sentence should read as follows: I am convinced that this measure will not help create the appropriate conditions and most favorable climate required by the business communities of our two countries for accomplishing these objectives. End correction.

In this connection we would appreciate if you would use your influence as Secretary of Commerce with the White House and Congress, and Chairman for the American side in the Romanian-American Joint Commission, so that Romania would continue to be included on the list of GSP beneficiary countries. Note. Post correction. Translation of this sentence should read as follows: In this connection, we would appreciate it if as Secretary of Commerce and Chairman of the American side of the Romanian-American Joint Commission, you would use your influence with the White House and Congress so that Romania would continue to be included in the list of GSP beneficiary countries. End correction.

I am positive that your intervention, which I do hope will be very successful, will be consistent with your untiring efforts towards the steady promotion of Romanian-American economic relations, in the mutual benefit of our two countries.

Sincerely,

Ilie Vaduva

/S/

Unquote

End text.

4. (C) Comment. It is worth noting that the letter does not mention or defend worker rights in Romania. Instead, the GOR has taken a different tack, by claiming that GSP eligibility should be determined by Romania's developing country status and provisions of the 1975 U.S.-Romanian trade agreement. The agreement's article 1.3 mentioned in the letter stated only that "Romania, as a developing country, could be eligible for treatment accorded to developing countries". A participant in the 1975 negotiations, currently in Bucharest, recalls that the U.S. side explained at the time that the U.S. could make no binding commitment on GSP, a unilateral program for which eligibility was established by law. We could not be surprised, however, that GOR should recall our intention to include Romania in GSP. End comment.

5. (C) After reading the letter to SCO, Chioveanu said that President Reagan's decision to terminate Romania's GSP benefits must have been prompted by a new witch-hunt against communist countries. He added that the GOR felt insulted to be put at the same level with Nicaragua for determining GSP eligibility. Nicaragua and Romania were so different as nations that for the GOR it was unthinkable that they would be placed "in the same bag". Furthermore, Romania and the U.S. were supposed to have a special relationship.

6. (C) Chioveanu urged SCO to expedite transmittal of the message to USDOC, so that Secretary Baldrige may be able to act and assist Romania in retaining GSP. The Secretary has always been supportive of positive U.S.-Romanian trade relations and should again demonstrate his goodwill in this case. The GOR views termination of GSP as a hostile act which could affect bilateral trade relations in general. Politics and different social systems should not interfere in our relationship, added Chioveanu.

7. (C) Using guidelines in Refs A and B, SCO replied that the President's decision on Romania's GSP eligibility was based on worker rights requirements of U.S. laws. He elaborated on the reasons which led to USG's decision and reminded Chioveanu of their meeting on January 6, when the factors leading to the President's decision were

discussed in great detail (Ref C). He stressed that it had been an inter-agency recommendation and USDOC was not the sole agency involved in this process.

8. (C) Chioveanu told us that since USDOC was responsible for foreign trade, it was the appropriate agency to safeguard GOR's commercial interests in our bilateral trade relations. He added that termination of GSP will cause a reduction in Romanian exports to the U.S. since some Romanian goods will become less competitive on the U.S. market. Consequently, Romanian earnings from exports to the U.S. will decrease, thus forcing Romania to reduce U.S. imports. A case in point, said Chioveanu, was the recent offer of Noble Trading/Drummond Co. to sell 250,000 tons of coking coal to FTO Metal Export Import (see septel).⁶

9. (C) SCO responded that no linkage exists between termination of GSP and a slow-down in Romanian imports from the U.S. Should the GOR choose to connect U.S. imports to continuation of GSP benefits, this will create a very unfavorable climate in our bilateral trade relations, especially for the upcoming JEC session to be held in Bucharest. It would also have serious repercussions during congressional hearings later this year on extending Romania's MFN status. He added that now, with the low value of the U.S. dollar, U.S. goods and services were very competitive and it would be to the GOR's advantage to import U.S. products such as coal and agricultural commodities. It would mean good business sense for the GOR to go ahead with the Noble Trading Drummond coal transaction.

10. (C) Chioveanu responded that Romanian imports from the U.S. could only grow in relationship to increased Romanian exports to the U.S. He said that Romanian imports of U.S. goods has grown "dramatically" during 1986, but if GSP benefits are terminated, this trend will not continue.

11. (C) SCO replied that Romanian exports to the U.S. surpassed imports at a ratio of three to one. In 1985, Romanian exports to the U.S. totalled 951 million dollars, while U.S. exports to Romania amounted only to 208 million dollars. In 1986, Romanian imports of U.S. goods increased during the first quarter and reached 182 million dollars by July, but during January-July Romanian exports to the U.S. already totalled 524 million dollars and by the end of the year may have reached 1985 levels. Thus Romanian exports to the U.S. are way ahead of imports, and the GOR has sufficient dollars generated from exports to the U.S. to finance increased imports of U.S. goods. As far as Chioveanu's claim of

⁶ Telegram 8025 from Bucharest, November 4, 1986, outlined the terms of the contract for coking coal. (Department of State, Central Foreign Policy File, D860840-0118)

increased Romanian imports of U.S. goods is concerned, U.S. statistics reflect only a modest increase. SCO would be glad to exchange trade statistics with MFT, a proposal he has made many times in the past, but without results. Chioveanu said GOR trade statistics will be provided only during the JEC session.

12. (C) Concerning JEC, Chioveanu added, the GOR was aware that Under Secretary Smart would lead the U.S. Delegation. With all due respect to Smart, said Chioveanu, the GOR still would like for Secretary Baldrige to chair the U.S. Delegation. This would demonstrate the high level of the session and the importance given by the USG to support and expand bilateral trade. In fact, the GOR hoped that both the Secretary and Under Secretary would attend the JEC session. Chioveanu added that that he had also raised this issue with USDOC officials during his recent trip to Washington.

13. (C) SCO responded that Under Secretary Smart's leading the U.S. Delegation had no relationship to the interest shown by the USG in the JEC. This interest remains high. Secretary Baldrige does not like to travel. That is the reason for his not heading the delegation. Chioveanu retorted that this is inaccurate, during the past year the Secretary had traveled to Moscow, Punta del Este, and Beijing. So why not Bucharest? Especially now, since Romania was threatened with losing GSP benefits, it would be appropriate for the Secretary to attend JEC to show USG's high level of interest in maintaining and increasing U.S.-Romanian trade and economic relations. He added that if chairmanship if the JEC U.S. Delegation was not at the highest level, it would demonstrate USG's lack of interest in Romania and, consequently, bilateral trade could be affected in a negative way.

14. (S) Chioveanu then asked that USDOC confirm soonest whether it agrees with the dates of March 18–19 proposed by MFT for the JEC session. SCO promised that he would forward without delay MFT Vaduva's message and Chioveanu's request.

Clarke

151. Telegram From the Department of State to the Embassies in Romania, Hungary, and Czechoslovakia¹

Washington, May 7, 1987, 2015Z

138929. Subject: CSCE Commission Hearing/Hungarian Minorities.
Ref: State 134330.²

1. DAS Thomas Simons testified, May 5, at CSCE Commission hearing, chaired by Congressman Steny Hoyer,³ on the Hungarian minorities in Romania and Czechoslovakia. At Hoyer's request, Simons read his entire opening statement (text provided reftel). Appearing with Simons on a panel of witnesses were Geza Szocs, ethnic Hungarian poet and human rights activist, George Schopflin, London School of Economics, and Robert Robertson, Occidental Petroleum. In addition to Hoyer, Commission members in attendance for the opening of the session were: Senator DeConcini⁴ and Congressmen Edward Feighan⁵ and Chris Smith.⁶ Congressman Lantos,⁷ not a Commission member, also participated. Commissioners' questions focused exclusively on the situation in Romania.

2. Hoyer opened the hearing with a statement noting that the Commission had received reports of increasing repression of the Hungarian minority in Romania. He also said he had learned of several anti-Hungarian incidents—such as vandalism of Hungarian cultural monuments—which had taken place in Slovakia in recent months. He said that he shared the “pessimism” of many of his colleagues in the Congress on the Romanian situation, and that when he has raised the Hungarian minority issue with Romanian officials, they inevitably have responded with charges of irredentism and chauvinism. He said that it has been nearly impossible to engage the Romanians' attention on the specific concerns of the Hungarian minority. Hoyer noted that

¹ Source: Department of State, Records from Ambassador Thomas W. Simons, Jr., Lot 03 D 256, Chron, May 1987. Unclassified; Immediate. Sent Priority for information to Munich. Drafted by Schlamm; cleared by Robert Perito (EUR/EEY); approved by Simons.

² Telegram 134330 to Bucharest, Budapest, and Belgrade, May 4, contained the text of Simons's statement at the CSCE Commission hearing on the treatment of Hungarian minorities in Romania and Czechoslovakia. (Department of State, Central Foreign Policy File, D870343-0488)

³ Steny Hoyer (D-MD).

⁴ Dennis DeConcini (D-AZ).

⁵ Edward Feighan (D-OH).

⁶ Christopher Smith (R-NJ).

⁷ Tom Lantos (D-CA).

he and other Commission members were planning to visit Romania in August or September.

2. In the question period, Hoyer stated that the Commission had no intention of dealing with the matter of territorial boundaries; this was beyond its charter. But the Commission was concerned, he said, about the exercise of individual human rights regardless of national boundaries. He pointed to the April 30 House vote to suspend Romanian MFN for six months as a significant, bipartisan expression of the Congress' concern that our policy of seeking influence with Romania through the MFN relationship had lost its utility and no longer was producing satisfactory results. He continued that he personally had voted against the Wolf Amendment⁸ (the Commission did not take a position on it), explaining that he was reluctant to undercut the annual Jackson-Vanik review process. However, he maintained that the House vote sent a clear message to the GOR that substantial action on our human rights concerns is necessary if our bilateral economic relationship is to continue.

3. Simons, in response to Hoyer's question about "cultural genocide" in Romania, said that he was not persuaded that total assimilation is the actual policy of the Romanian leadership. He noted that, as in the U.S., the assimilation of minorities to a large degree was an inevitable side effect of development, regardless of the national leadership's intentions. However, he said that he was satisfied that local authorities in Transylvania were indeed engaged in practices that suggested a policy of assimilation, and that we objected to this. He added that at the lower levels of the social and economic scale, it was possible for individuals to remain within a minority culture but that those seeking mobility and advancement faced a genuine danger of losing their ethnic identity.

4. Simons said that the situation of the entire Romanian population was deteriorating as a result of the government's drive for industrialization and rapid retirement of external debts, and that our reports suggest that the Hungarian minority bears a disproportionate share of the burden. But he maintained that with regard to a national policy of systematic discrimination against the Hungarian minority, the evidence was mixed.

⁸The Wolf Amendment (H. Amdt. 64) to the House revision of the Omnibus Trade and Competitiveness bill (H.R. 3) would suspend Romania's MFN status and provide for a review every 6 months. Following the review, the President could reinstate MFN status if he determined and certified to Congress that Romania had made significant progress in granting freedom to emigrate and other political and religious freedoms. The House of Representatives approved the amendment.

5. Hoyer asked about the administration's upcoming decision on Romanian MFN renewal, and how Simons would respond to those who advocate a suspension of MFN. Simons replied that there was a full range of views within the administration on Romanian MFN, and he did not want to predict the President's decision. He said we had opposed the Wolf Amendment because it interfered with the orderly review/renewal process set up under Jackson-Vanik. Simons continued that since 1975, all administrations had determined that, despite Romania's poor human rights record, the MFN relationship was worthwhile because it provided leverage to make incremental improvements in conditions there. He went on to cite our use of MFN as a tool to stimulate emigration, the release of political prisoners and religious activists and other actions such as assurances re the preservation/replacement of church buildings and the printing of Protestant Bibles. He added that for over a decade, the MFN relationship had produced results but that the question this year, as in previous years, was whether it was producing enough.

6. Hoyer asked about the adverse effects of suspending MFN. Simons replied that either suspension or termination of MFN would result in a severe decline of U.S. influence on Romania with respect to a broad range of human rights issues; that the GOR would no longer be open to a dialogue on these matters, and that emigration to the U.S. would dwindle down to practically nothing. (He noted it was unclear what the effect would be on emigration to the FRG and Israel). Our capacity to work to improve conditions in Romania would be severely impaired, he said.

7. The other panelists all made brief statements. Szocs, a former editor of "Ellenpontok" who emigrated last August and is now living in Switzerland, detailed the GOR's policy of "denationalization and forced assimilation." He said the Romanian population looked to the United States as the guardian of democracy and freedom and was "disillusioned and demoralized whenever it is constrained to witness any recognition or support granted by the United States to the very dictatorship which oppresses them."

8. London School of Economics Lecturer Schopflin gave a brief historical overview of the Hungarian minorities. He said it is still an open question whether the Romanian and Slovak leaderships were aiming unequivocally at "ethnic homogenization," as both needed the minority as "a way of underpinning their nationalist credentials." Any post-Ceausescu government, he said, "will need support wherever it can find it, at home or abroad," and this meant "finding accommodation with as many social groups as possible and this includes the Hungarian minority."

9. Schopflin also said that the “Hungarian Government uses the minority issue to mobilize support at home, as a way of distracting attention from a deteriorating economic situation and, more broadly, deflecting attention from Hungary’s greatest national problem: subordination to the Soviet Union. In the short term, much of the Hungarian’s national identity has come to be identified with the Romanian question. The minority in Slovakia has an analogous though less salient role to play:” Gorbachev, he said, appeared to have little patience for nationality questions, viewing them as distractions from the real task of ensuring that the USSR and its allies maintain their position in the world. Hence, Gorbachev is perfectly capable of putting pressure on Ceausescu to moderate his anti-Hungarian policies in order to defuse tensions.

10. Robertson, who said he was appearing on behalf of American Businesses for International Trade (ABIT), an organization of U.S. firms that do business with Romania, told of his recent travels in Romania. He said he saw no pattern of discrimination against ethnic Hungarians and maintained that MFN leverage was paying off in a better Romanian track record on human and religious rights. During the question period, he pointed out that, in March, he had had an opportunity to raise several specific human rights issues directly with Ceausescu, and that such access would be lost if MFN were withdrawn.

11. Full statements of panelists have been pouched to addressee posts.⁹

Wallis

⁹Not found.

152. Telegram From the Embassy in Hungary to the Department of State¹

Budapest, May 8, 1987, 1001Z

4262. Subject: An Account of Restrictions on Ethnic Hungarians In Transylvania, and the GOH Stand. Ref: (A) Budapest 2508;² (B) Budapest 2625.³

1. Confidential—Entire text.

Begin Summary

2. Far fewer passports are being issued this year for Romanians to travel to Hungary, Hungarian-language volumes sent officially to Romania were not getting through at all at the beginning of the year, and the GOR has demanded an apology from the Hungarian Party's Central Committee for "public slanders," according to the well-connected International Exchanges librarian at the National Library, who regularly receives Romanian Magyars requesting Hungarian publications.

End Summary

Limits on Travel

3. Last summer approximately 100 Romanians per month stopped by the International Exchanges Office of the National Library here. This winter 2–3 per week came in. The latest numbers of winter and spring visitors are significantly lower than the corresponding figures for the previous year. This is because Romanians are being denied passports, according to International Exchanges librarian Jozsef Vekerdi of the National Szechenyi Library (protect). Currently Romanians can only get passports to visit relatives, not for business travel.

A retired professor of ethnography at Cluj/Kolozsvar University, Jozsef Farago (protect), for example, still does research but cannot obtain a passport for the West. He has to inform to the Securitate on his friend and colleague at the Hungarian Library in order to obtain even a passport for Hungary.

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Hungary—Substance 1987 (1). Confidential. Sent for information to Eastern European posts, Vienna, and the mission to NATO.

² Telegram 2508 from Budapest, March 19, provided a synopsis of incidents of discrimination against ethnic Hungarians living in Romania that had been covered in the Hungarian press of Transylvania. (Department of State, Central Foreign Policy File, D870217–0284)

³ Telegram 2625 from Budapest, March 23, reported that Ceausescu had allegedly sent a letter to Kadar about the ethnic Hungarian minority in Romania. (Department of State, Central Foreign Policy File, D870224–0717)

Most Magyar nationals in Romania do not feel they can complain to the Hungarian Consulate in Cluj-Napoca/Kolozsvár because it is widely known that everyone entering is photographed from across the street. However, we understand there is a library in the Consulate which is used nonetheless.

According to a well-connected Hungarian source, Bucharest is still trying to force Hungary to close its Consulate in Cluj/Kolozsvár, on the grounds that Romania has closed its corresponding mission in Debrecen.

Limits on Hungarian Language Materials

4. The Szechenyi National Library Exchange Office regularly sends 10,000 books per year to Romania. From January to mid-March of this year, no packages were received. But starting in mid-March, after GOH officials began to speak out on the minority issue, books began to arrive again in Romania. No journals or periodicals (however innocuous) are getting through, though, even as part of this official government-to-government exchange. As we reported earlier (Budapest 2508), in February the GOR banned all Hungarian publication subscriptions.

Source Comment:

5. The GOR seemed to be acting like a barking puppy in this respect. Since this is the first occasion when the GOH has stood up publicly and said something, it took Bucharest by surprise, and they acted like a puppy making a lot of noise but backing away out of fear.

End Comment

Note on GOH Attitude:

6. The exchange librarian a year ago asked the party here for authorization to continue his program of sending Hungarian publications abroad. He was told not only to continue, but to increase it.

End Note

Private GOR Reprimand and Demand for Apology

7. We had an earlier report (Budapest 2625) of a letter Ceausescu sent to Kadar in March about the minority issue. Now we have heard that a party-to-party letter sent at the same time (and perhaps in fact the document that prompted the earlier report) accused the HSWP of slandering Romania, and demanded an apology. We hear that the GOH Central Committee was aghast, and then sent a reply rejecting the charges.

Palmer

153. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, June 2, 1987, 0635Z

4355. Subject: Romanian Reactions to U.S. Policy on Hungarian Minority in Romania. Ref: State 134330 (Notal).²

1. C—Entire text

2. Summary: A regular Romanian contact has given us views that clearly originated from official sources on U.S. policy toward the Hungarian minority, keyed to specific points in DAS Simons' May 5 congressional testimony. His main points were that the issue is solely an internal one, and that U.S. linkage of the issue to MFN would be completely unacceptable. End summary.

3. Following a luncheon conversation on a variety of subjects May 18, Romania Libera writer Nicolae Lupu gave DCM a prepared commentary on DAS Thomas Simons' statement to the CSCE Commission hearing on Hungarian minorities on May 5 (Ref). Lupu had brought along an annotated copy of the text, and although he cited no specific governmental or party authority, it was clear that he was conveying an authorized yet technically "unofficial" position. Lupu has retired from his editorial and managerial responsibilities at Romania Libera, but continues to contribute commentaries on foreign affairs to the newspaper.

4. Lupu began by saying that there were a number of points in the Simons testimony with which Romania had no quarrel. He said they appreciated U.S. Government statements that the Hungarian minority issue is not a territorial question. They appreciated that the USG did not wish to interfere, and saw no advantage in doing so. They fully agreed that the matter was a very sensitive one for those involved.

5. Romanians also appreciated the thought that questions of the history of Transylvania were also not questions for U.S. policy, Lupu said. But he saw numerous problems arising even in addressing historical questions. DCM interjected that he thought Romania should welcome Simons' comments, brief as they were, on the errors in historical facts which were being bandied around Congress, some even reflected in draft resolutions. DCM said that the Foreign Ministry had often pressed the U.S. Government to make clear statements in response to

¹ Source: Department of State, Records from Ambassador Thomas W. Simons, Jr., Lot 03 D 256, Chron, May 1987. Confidential. Sent for information to Budapest, Prague, Vienna, Munich, and Moscow (by pouch).

² See footnote 2, Document 151.

factual errors about Romanian conditions and policies generally, and in this case the State Department was being helpful to the debate. Certainly there were pitfalls in addressing a historical subject, without making a policy issue of it, but in this case some members of Congress had already made the history of Transylvania a part of the issue. DCM said he was sure that the Department would not allow itself to be drawn into a running debate about history.

6. What Romania did not agree with, Lupu continued, was Simons' statement that the minority question in Transylvania was a matter for the two governments (Hungary and Romania) to resolve between them. Romania felt strongly that it was alone responsible for dealing with the question.

7. Lupu emphasized that there was no way in which Romania would accept a linkage between the minority issue and MFN. He realized that U.S. policy included concern for human rights, but he saw a great danger to U.S.-Romanian relations in discussing the Hungarian question in Transylvania in conjunction with debates on MFN.

8. Romania disagreed that the Hungarian minority question was one of fundamental human rights, Lupu continued. Denying that any repression of Hungarians could be documented, he disagreed with the phrase in the testimony that minority groups had suffered disproportionately in Romania. Access to Hungarian language in schools was declining for natural and budgetary reasons, not discrimination, he said, disagreeing with DCM's stated impression that reductions in Hungarian classes were disproportionate. Romania would never accept that there was a problem specific to the Hungarians in Romania, because the problems are the same for everybody. Lupu reminded DCM of an earlier conversation in which he had discussed the sacrifices being imposed throughout the country, insisting that the cultural costs to Hungarians were not disproportionate.

9. Lupu professed not to understand why the U.S. expected Romania to agree to joint Embassy Budapest/Bucharest trips in Transylvania. This could set a precedent for joint Soviet/Hungarian trips there, which Romania would never accept. When he asked rhetorically how the Soviets would react to joint travel in the USSR, DCM pointed out that Embassy Bucharest had sent a Romanian speaking officer with a Moscow EmbOff on a joint trip in Soviet Moldavia (December 1985). The trip had been very valuable for a balanced understanding of the situation of Romanian speakers there; one conclusion had been that religious life on the Romanian side of the border was healthier than in the USSR.

10. DCM recalled that Lupu had questioned an RFE report of Ambassador Palmer's remarks to the World Jewish Congress in Budapest on the minority issue. DCM said he had checked with Embassy Budapest and was convinced that Ambassador Palmer's comments, which also supported MFN for Romania, were completely consistent with other Department statements on the issue. Lupu backpedalled quickly, saying he was sure Ambassador Palmer knew the situation well. Lupu then grumbled that RFE had reported comments from different sources on the subject at the same time and perhaps thus had given a more negative impression of USG views.

11. At the end of the meeting Lupu returned to the point he considered most important: U.S.-Romanian bilateral relations must remain separate from the Hungarian minority question. The U.S. should avoid encouraging tendencies which would undermine Romania's independence and integrity. He urged that the U.S. Government be very careful not to slip into a damaging downward spiral in relations over this issue.

12. Comment. Apparently GOR preferred to pass on these specific reactions through an unofficial channel, thereby emphasizing their hope that the Hungarian minority issue not burden our bilateral relationship. The views are, of course, consistent with those of Foreign Ministry and other officials. The one seeming divergence—about the desirability of USG comments on the history of Transylvania—probably just reflects general GOR hypersensitivity on this issue in place of the more nuanced understanding of the U.S. political system we usually get from our MFA counterparts. Lupu has long had a special interest in U.S.-Romanian relations and we have found him to be very consistent in conveying GOR views, with little or no personal interpretation. This time he did not even pretend that the views were his own. End comment.

Clarke

154. Telegram From the Department of State to the Embassy in Romania¹

Washington, June 3, 1987, 1543Z

169512. Subject: MFN Renewal: Simons/Gavrilescu Meeting.

1. Confidential—Entire text.

2. EUR DAS Thomas Simons called in Romanian Ambassador Nicolae Gavrilescu, June 2, to advise him that the President had decided to renew Romania's MFN status for another year and had transmitted the MFN waiver determination to the Congress. Simons gave Gavrilescu the text of the White House announcement of the decision and a copy of the President's report to the Congress, and urged that the Ambassador and the GOR study them carefully.²

3. Simons said the MFN decision had been very difficult for the administration. He said that we had just gone through what probably was the most intensive review of the issue since we began the MFN relationship with Romania over a decade ago. He pointed out that the White House announcement mentioned that all the options for dealing with the issue had been considered, and Simons stressed that this was accurate. He confirmed that the possibility of MFN suspension was looked at seriously, but that in the end, after a searching examination, we had opted for renewal as the most beneficial course for both countries. Now, he continued, we face a very tough job over the next three months defending the decision before the Congress.

4. Simons noted that for a long time we have been telling the Romanians that we needed to work together on problems on a year-round basis. Yet again this year, all was left for the last moments. The "goods" (marfa) were once again saved up and dumped on the American market late to push MFN over the barricade again. Only recently, he said, had there been enough Romanian movement to enable us to make a positive decision on renewal. Simons said GOR actions fed the perception in the U.S. that Romania cynically attempted to manipulate the MFN renewal process each year. This general impression of GOR cynicism quite aside from individual issues, is itself now part of the problem. What was needed, he said, was a steady pattern of GOR

¹ Source: Department of State, Records from Ambassador Thomas W. Simons, Jr., Lot 03 D 256, Chron, May 1987. Confidential; Immediate. Sent Priority for information to the delegation to the CSCE; sent for information to Budapest. Drafted by Schlamm; cleared by Wenick and Lang; approved by Simons.

² See *Public Papers: Reagan, 1987*, Book I, pp. 600–603.

actions responsive to U.S. concerns throughout the year, rather than hoarding all actions until the MFN "season."

5. Gavrilescu thanked Simons for the copies of the announcement and the report and said he would review them before commenting specifically. He said he appreciated the administration's good judgment in going ahead with renewal which would be beneficial for bilateral relations. He said that it was not in either countries interest to "go through a divorce." Gavrilescu acknowledged that the next few months might see a tough struggle in the Congress, but he said the outcome would depend "more on others than on us." He said he believed that there were many strong elements in the U.S.-Romanian relationship which gave him hope for the future.

6. Simons responded that he also wanted to be optimistic about bilateral relations in the years ahead. He said that we believed good relations benefitted both countries. We recognized that trade was an important element of our overall relationship and that MFN was the key to trade development. Thus we worked hard to preserve MFN. However, he continued, the administration fully shared the concerns expressed in the Congress and the public over the human rights situation in Romania. He said it was a mistake for the GOR to think that concern over Romanian human rights policies and practices was limited to a few ill-intentioned individuals or groups. The concern was genuine and widespread, and evident even among those who worked to better bilateral relations.

7. Moreover, Simons said, there is a general difficulty caused by the overall state of the country as program to repay foreign debt continues. GOR itself recognizes difficulties—DepFonMin Solomonescu had referred to "crisis" in Ambassador Kirk's initial call, and this is thus GOR rather than U.S. description—so it is not interference in Romania's internal affairs to point to it and mention hardship it causes. He urged Gavrilescu to study Commerce DepSec Brown's presentation at the April Joint Economic Commission meeting in Bucharest, which expressed USG view that debt repayment program has made so much progress that GOR can well afford to adopt a more growth-oriented economic strategy calling for imports as well as exports. Simons said his comments on these points were informal and not a demarche, but said his own impression was that many specific issues that arise in our relations are particular expressions of this general problem.

8. Finally, objecting to Gavrilescu's comment, Simons stated that continuance of MFN did not/not depend primarily on "others." He stressed that the GOR needs to take the kinds of actions on emigration and other human rights issues that would meet U.S. concerns. Gavrilescu said he understood action by both sides is required.

9. Comment: Gavrilesco and notetaker Dumitru seemed genuinely relieved by decision. Simons' comments were intended to eliminate natural temptation to slip back after period of justified anxiety into nonchalance.

Shultz

155. Paper Prepared in the Bureau of Intelligence and Research¹

No. 91

Washington, June 5, 1987

(U) Romania in Transition: A Test of Gorbachev's Policy

Major Findings

Anti-regime activity in Romania increased this past winter as economic conditions worsened. In keeping with its time-honored Stalinist methods, the regime responded with austerity and repression. With no relief in sight for the long-suffering Romanian population, popular discontent is likely to continue and intensify.

The current situation evolves from President Nicolae Ceausescu's personal method of rule. Over the past two decades Ceausescu, exploiting Romanian nationalism and anti-Soviet sentiment, has sought to carve out a degree of independence from Moscow. He has greatly expanded the latitude permitted a Soviet bloc country by remaining a member of the Warsaw Pact while pursuing policies separate from and sometimes contrary to that alliance. He also over a long period has maintained extensive ties with noncommunist states. At the same time, to perpetuate his dictatorial rule, he has brooked no outside interference in Romania's internal affairs, directing his insular mindset toward both the East and the West.

With foreign debt accumulating over an extended period as a result of forced industrialization based on large hard-currency imports, the regime turned to creditors in the West for debt relief but interpreted their terms for settlement as interference in Romania's internal affairs. In particular, Ceausescu opposed conditions set by the International Monetary Fund (IMF) for supervision of debt rescheduling, opting

¹ Source: Reagan Library, Rudolf Perina Files, Subject Files, Romania—Substance 1987 (1). Confidential; NoForN. Drafted by Isabel Kulski (INR); approved by E. Raymond Platig (INR). All brackets and ellipses are in the original.

instead for rapid repayment of the debt by increasing exports, with consequent heavy costs to the domestic consumer.

Turning eastward has its limits. The USSR for years has given East European regimes indirect subsidies by selling raw materials at prices below those on the world market while purchasing manufactured goods at higher than world market prices, receiving in return "socialist allegiance." Although one of the lesser beneficiaries of this policy, Romania has counted on some form of Soviet assistance, especially accelerated deliveries of energy in times of stress. The Soviets, however, are pressing all their allies for accelerated exports of higher quality industrial goods, as Gorbachev did during his recent visit to Romania.

All this comes at a time when the drive for economic reform in the Soviet Union is spilling over into Eastern Europe. Gorbachev's experimentation with decentralization—more decisionmaking authority devolving to local enterprises, and calls for direct contacts at the plant level with both communist and capitalist countries—has an unsettling effect in countries like Romania where such measures would mean a loosening of political central control. As long as Ceausescu is at the helm, he will insist on limiting outside influences, which might fuel popular dissent; but his successors may be less able to do so.

Although Gorbachev professes a policy of diversity and separate roads for East European countries, the Soviets have always viewed social upheaval on their borders as a threat to their security. History shows that they are impelled to act in such situations. In the event of serious unrest in Romania—or elsewhere in Eastern Europe—the Soviets would exhaust other options, such as infusions of economic aid to quiet the population, before resorting to direct intervention and the use of force.

Social upheaval in this region would not benefit the US, whose interests are best served by pursuing a policy of differentiation which encourages market-oriented developments and fosters more liberal political trends. With regard to Romania, however, given the linkage in US law between trade liberalization and human rights performance, the US administration's options are limited. Efforts to encourage a broader dialogue with Ceausescu now to improve bilateral relations, despite abhorrence of his methods of rule, could lay the groundwork for a more viable relationship with his successors.

* * *

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The Romanian population during the last two winters experienced hardships probably unprecedented since the immediate postwar period. Popular dissent and acts of protest against the regime reportedly were expressed far more openly than ever before. With economic

conditions steadily deteriorating, the regime responded with strong political repression rather than change its economic strategy to alleviate the lot of the population.

This paper focuses on two questions: Given the current situation, what is the outlook for stability in Romania in the immediate period and in a more extended timeframe beyond Ceausescu's tenure? What problems/opportunities are the Soviets likely to confront in dealing with the evolving situation? These questions are placed within the larger framework of Romania's position between East and West and its self-styled independent role within the Warsaw Pact alliance.

Popular Dissent and Regime Response

Rarely in its 20-year history has the Ceausescu regime faced open defiance of its authority. Occasional strikes and worker protests occurred over the past decade, but never any sustained acts of anti-regime hostility. On the whole, the regime's main worry seemed to be worker absenteeism, which worsened when many factories demanded that workers put in longer hours with no improvement in working and living conditions. Beginning last autumn, however, public dissent became more overt, manifesting itself in various ways:

- the appearance of leaflets in the capital urging the public to hoard food, stay at home, and wait for the “wicked” regime to collapse;
- strikes in factories protesting food and other consumer shortages;
- deepening despondency in rural areas as well as the cities over shortages of basic foodstuffs and fuels;
- extension of military control (already over the energy sector since 1985) to heavy-industry plants in a number of cities; uniformed soldiers now monitor production and workers;
- suspected sabotage, such as the reported explosion at an oil refinery on January 26, Ceausescu's birthday; and
- electricity shortages that, to add irony to austerity, have imposed limits on television broadcasts to two hours a day, which are taken up mostly with Ceausescu speeches calling for greater sacrifices rather than promising relief from those already made.

Unlike the Soviet Union, there is no glimmer of openness or “glasnost” in Romania. These events have not appeared in Romanian media, though they have been widely reported in the Western press. But for a population traditionally known for its docile acceptance of authority and of hardships of life under socialism, such acts—scattered and unorganized as these seem to be—may signify a deep malaise that has not yet run its course.

Seeing this discontent as a threat, the regime has responded in its own reflexive way by keeping the lid on all forms of public dissent. Its main concern has been to keep deteriorating morale from hurting

worker productivity, and its main solution has been a steady increase in coercion, a heightened appeal to Romanian nationalism, and exhortations to work harder. Apart from special food supplies for coal miners and workers in some large plants, the regime has not offered the public any positive incentives.

Rigidly orthodox communist methods of rule have enabled the regime to maintain such practices even though in most other East European states authoritarian methods have been diluted over the years. The Romanian Communist Party is the guiding authority in the country; and the party, government, and internal security apparatus tolerate no opposition. Under the dynastic system of rule established by Ceausescu, he and his close cohorts and family members have entrenched themselves in controlling positions throughout the entire ruling apparatus. He has given a new meaning to the "cult of personality" concept, buying off loyalties in the military, the police, and wherever else his purposes are served.

All forms of mass media are tightly controlled; association and assembly are allowed only for officially approved purposes; labor unions are integrated with and controlled by party and state; the practice of religion is circumscribed by the government; and freedom of conscience is seriously limited in a society conditioned to believing that police informants are everywhere.

Minority Issue a Complicating Factor

Romanian popular dissidence is not confined to causes stemming from economic privation. Many manifestations of dissidence (leaflets, strikes, etc.) have appeared in Transylvania, where the country's largest minority—Hungarians—is concentrated. The Hungarian issue has roots deep in history, but its immediate antecedents stem from the World War I peace settlement, wherein a part of Transylvania with a substantial Hungarian population was awarded to Romania. The recent sharp exchange of polemics between Hungary and Romania over the Hungarian minority issue is an unusual phenomenon among "fraternal" socialist countries.

The Romanian regime refutes Hungarian complaints of discrimination and claims to guarantee the same rights to these citizens (almost 10 percent of a population of 21.5 million) as to the rest of the Romanian population. In fact, however, the government does discriminate in culture, education, and other areas and basically seeks to assimilate the Hungarian minority. Although the government through budget allocations has supported a large institutional structure of Hungarian schools, publications, and cultural institutions, there is evidence of a systematic government effort in recent years to erode this support. Probably Romanians of Hungarian nationality are no worse off economically than the rest of the population, but they are able to contrast their depressed

condition with that of their compatriots across the border in Hungary who live in better circumstances.

Regime sensitivity to the issue is indicated by a greater internal security presence in Transylvania; by careful monitoring of Hungarian cultural, educational, press, and other activities; and by the public attention the regime pays to the problem. Ceausescu has made it the focus of a number of recent speeches, defending the government's record and accusing Budapest of taking up the Hungarian minority's cause and interfering in Romanian affairs. Ceausescu feels confident he has the backing of the entire population outside Transylvania on the issue, one which he uses to deflect some public resentment of his rule.

The regime's treatment of its small Jewish minority is also a source of deep inquietude. In recent months incidents involving demolition of a unique synagogue and a Jewish old-age home—despite earlier government pledges to the contrary—have aroused Romanian Jews as well as human rights activists abroad. The Jewish community has also been disturbed by recent Romanian press attempts to show that a 1941 pogrom in Iasi, Romania, in which many thousands died, was an event of only minor significance and one for which Romanian authorities bore no responsibility. Other minority groups—ethnic Germans, Protestant sects—have their own specific grievances against the regime and are additional sources of dissidence.

Balancing Between East and West

The minority issue aside, economic problems are the preeminent cause of the current civil unrest in Romania. But the policies that have brought them about are essentially political and peculiar to Ceausescu's personal style of rule. Under his leadership, Romania has occupied a unique position among Warsaw Pact countries. Political skill and innovativeness have allowed him for more than two decades to remain a member of a communist political/military/economic alliance yet conduct policies separate from and sometimes contrary to that alliance. In the process, he has greatly expanded the latitude for independence permitted a Soviet bloc country.

Examples are well known: Ceausescu has refused to allow Warsaw Pact troop maneuvers on Romanian soil, abstained from joining the Pact in such historic acts as the 1968 invasion of Czechoslovakia, and frequently disrupted the unity Moscow has sought within the Pact by refusing to join in various declarations and actions vis-a-vis other communist states (e.g., not taking sides in the Sino-Soviet dispute of the 1960s). He even balked when the Pact came up for renewal in 1985, preventing any major change in its political/military thrust. It may be noted, though, that for all Ceausescu's differences with his Eastern

allies, he has never challenged Soviet hegemony in Eastern Europe by threatening to leave the Pact as Hungary actually did in 1956.

In relations with the noncommunist world, Ceausescu has been even more independent, viewing himself as having inherited Tito's mantle as a leader of the Third World: He has maintained extensive trade and political ties with noncommunist countries, kept Romania's ties with Israel when Moscow broke with it, and often taken positions in international forums which are at variance with the Soviet Union. He has not, however, seriously confronted Moscow in important security areas; in recent times he has generally gone along with major Soviet arms control policies (which, to be sure, have moved in directions he favors); or if he has been critical, he has balanced any criticism with fault-finding of Western positions.

In the Western view, Ceausescu is a maverick although it has been more his Stalinist internal policies than his international posture that have made him stand out in recent years. (Most other Warsaw Pact countries have also gradually developed independent openings to the West.) In the Soviet view, Ceausescu in some respects has been an exemplary communist ruler: He has never allowed dissent to develop to the point where the Soviets could see a situation of instability on their borders as a threat to them, as happened in Poland. And he has remained faithful to orthodox communist doctrine—until recently, at least, an undoubted virtue in Soviet eyes. The Soviets have tolerated Ceausescu not only because he has kept his deviance within acceptable bounds but also because he has refrained from establishing too-close ties with the West.

Thus, for two decades Ceausescu has managed to balance external forces skillfully enough to obtain economic aid from both East and West while he has prevented either from exacting a high political price for its assistance; particularly, he has prevented interference in Romanian internal affairs. He has managed to keep foreign policy distinct from internal concerns, which he has always considered an area of his own exclusive purview. Any attempts to infringe on this special preserve have always been rejected, even at heavy economic cost. The question now arises, is the country approaching a point where this delicate balance will no longer work, and in what direction will Romania move—if it must—from this position?

Genesis of Economic Malaise

Romania's present problems stem from Ceausescu's effort to transform the country into a modern industrial power through rapid industrialization based on costly imports of Western machinery and equipment. His strategy has differed from that of other East European countries where fear of popular discontent has impelled regimes in

varying degrees to give greater priority to consumer concerns and less to investment. Bucharest has given lower priority to the consumer sector, insisting instead on preserving its industrialization program through high levels of investment despite halting economic growth and lagging exports.

With industrialization, Romania, formerly an exporter of oil and natural gas, rapidly became dependent on energy imports. At the same time, the regime made the classic error of neglecting agriculture. Small investments in agriculture led to limited gains in output and increased imports of feedstuffs. Hard currency outlays for agricultural items, along with a decline in earnings from agricultural exports, turned Romania's balance in agricultural trade to a deficit position.

The net result of these policies was a relatively large foreign debt; how to meet it has become the regime's main concern in formulating its economic policy. After the 1979 oil price shock, Bucharest began financing its foreign debt with hard-currency credits: By 1981 its debt had mounted to some \$10 billion, nearly three times the 1977 level. Relying on short-term borrowing, the Romanians ran into serious problems when Western banks began to withdraw credit lines from Eastern Europe in the early 1980s in the face of the Polish debt crisis.

"Interference" From the West

Romania was the first East European country to turn to the West in search of a solution to economic stabilization problems. It joined the World Bank (IBRD) and the IMF in 1972, at a time when the USSR opposed membership in these UN-affiliated organizations for fear of US dominance of their policies, the statistical disclosure requirements, and the obligations of IMF members to work toward elimination of trade and payments restrictions.

Romania's motives in seeking membership were straightforward: It could improve its creditworthiness in the eyes of the international financial community and gain access to standby credits. To this end, in 1981 Romania negotiated a three-year standing credit and stabilization program with the IMF in the hope of reassuring Western bankers that Romania was bringing its balance-of-payments problems under control. Its effort failed. With unpaid obligations mounting, and arrears in violation of the IMF charter, Romania's drawings under the IMF standby agreement were suspended. The IMF did persuade Bucharest to negotiate rescheduling agreements with its creditors, but it also called for the regime to furnish fuller statistical data, to take action on prices and on exchange and interest rates, and to undertake certain other reform measures.

Sensitive to anything that would lessen his control over the economy, Ceausescu rejected the IMF requests as interference in Romania's

internal affairs. By 1984, with the last year of the IMF standby arrangements canceled, Romania decided to avoid new borrowings and reschedulings and to pay off its foreign debt by the end of the 1980s. (Ceausescu has given no indication since then that he will go back to the IMF, and in fact on numerous occasions has denounced it for imposing economic conditions on would-be borrowers.)

To get rid of the foreign debt, the regime then counted on a rapid growth of exports, mainly from sales of machinery, to generate hard currency. This required increasing industrial investment which in turn meant that the regime would have to resort to further cuts in consumer welfare. This strategy did not work: The hoped-for strong economic growth and improved trade performance did not follow. Nevertheless, Ceausescu has insisted on continuing his drive to eliminate the debt and sustain investment, and as a consequence the outlook for improved living standards remains bleak. In turn, the prospect for civil unrest continues, along with regime efforts through the security apparatus to maintain tight control.

Uneasy Relations With the East

Predictably, Bucharest's inability to solve problems with Western creditors impelled it to try to improve its economic standing vis-a-vis the Soviet Union and the other East European countries. The Soviet Union historically has sold raw materials to the East Europeans at prices below those on the world market and purchased from them manufactured goods at higher than world market prices. Its unfavorable terms of trade with Eastern Europe in effect are implicit subsidies for which the Soviet Union receives the intangible benefits of "socialist allegiance."

These subsidies were relatively small in the 1970s (around \$1 billion per annum), rose to about \$18 billion in the early 1980s, then declined to around \$12 billion currently. They also fluctuated widely in value because of the wavering price of Soviet oil. And they varied in amount from country to country, with Romania apparently receiving the smallest share, corresponding, according to some analysts, to its relative strategic and political importance to the USSR and to Ceausescu's resistance to participation in joint Council for Mutual Economic Assistance (CEMA) projects. Whatever its share, Romania to an important degree has relied on this form of indirect aid from the Soviet Union. Recent statistics on Soviet-Romanian trade may indicate an intensification of this trend, even though they give only a fraction of the picture.

The net result of Romania's drive to pay down its Western debt and reduce its reliance on foreign resources in general has been that the East has supplied a greater share of Romania's imports than the West.

Soviet-Romanian trade increased nearly 25 percent in 1986 over 1985, in large part because of a rise in Soviet energy, raw materials, and machinery exports, according to recent embassy reporting. The Soviets agreed to pay higher prices for Romanian goods, but the Romanians had to pay for some Soviet imports with foodstuffs, meat, and agricultural commodities, all in short supply in Romania. And the Soviets, citing their own difficulties with the severe 1986–87 winter, only reluctantly agreed to accelerate energy deliveries.

The question arises whether the Soviet Union, pressed for hard currency itself, might contemplate eventually cutting back on its exports of fuels and raw materials to Romania in order to sell more to the West. It could use the money earned to buy Western machinery and equipment which would be technically more advanced and of higher quality than it typically can get from Romania. A leveling-off of Soviet-Romanian trade from the large increase last year, or Soviet insistence on barter of additional quantities of crude oil for good-quality merchandise which in turn could be marketed in the West, would point in this direction. (Ceausescu in a recent speech admitted that production delays and poor quality had cost Romania “tens of millions” of dollars in hard-currency exports already this year.) The Soviets may be questioning whether closer economic cooperation with Romania warrants diminishing their own energy and raw materials resources.

Cooperation in other economic areas appears uneven. Although details are lacking, the Soviets have hoped for greater cooperation in joint-venture production in Romania, but the Romanian response apparently has been noncommittal. The Soviets claim to have signed joint-venture agreements with all CEMA countries except Romania, which has held that no agreement is needed because a 1971 law allows for such ventures on a 51 percent Romanian/49 percent foreign ownership basis. Even though such cooperation would appear to benefit the Romanians more than the Soviets, the Romanians impose such restrictions as limited access of foreign technicians to plant facilities, which generally discourages the participation of all foreigners, Soviets included.

The Impact of Soviet Reforms

During his May 25–27 visit, Gorbachev expounded on his policy of more cooperation and openness—at a time when there is growing uncertainty about the potential impact the whole panorama of Soviet changes will have on the individual East European countries and on the region as a whole. His stance on economic matters has raised serious doubts in many quarters about how far the Soviets will be willing to allow diversity to go. This question may be especially significant for Romania, both now and in the period of transition to a new leadership.

Like most other East European leaders, Ceausescu has been in power long enough to have vivid memories of the upheavals that Khrushchev's de-Stalinization and economic reform programs caused in East European countries. Most regime leaders have been strongly identified with the Brezhnev era and are entrenched in their own ways of running their countries. Radical change usually has brought turmoil. It would be unrealistic to expect the leaders universally to welcome major Soviet reforms; to do so, for some of them at least, would be to undercut many of their own longstanding policies. In the past, even where significant reforms were initiated, they generally were cautious and moderate.

Until now, Gorbachev has not introduced any entirely new policies bearing directly on Eastern Europe and has been content to pursue the separate-roads thesis. Although his reforms in the Soviet Union may bring fundamental changes in time, Gorbachev proclaims them to be well within the bounds of socialism. And he has not called for radical changes in Eastern Europe; instead, he has acknowledged that the Soviet Union is learning from the examples of its allies. But the lagging East European economies have brought the need for change into the open. Caught between this need and the dangers inherent in it, the Soviets run the risk of unraveling what they want to strengthen in Eastern Europe.

For their part, East European leaders are wary. Those in favor of reforming their own political/economic structures are using the Soviet reforms to sanctify their programs and to argue that reform throughout the socialist world is inevitable. Others seem to believe that the Soviet Union's impulse to present itself as the economic model for the East waned in the Brezhnev years. They imply that in any event they already are out in front of the Soviet Union in such areas as decentralization and multiple electoral candidates and thus have little to learn from the Soviets. In reality, though, these regimes fear it will be necessary to alter their economies by relaxing central controls and permitting a freer market approach.

Ceausescu is one of those who points to "reforms" already in place to give the impression that it is the Soviet Union, not Eastern Europe, that lags in this area. He pointed out in a recent speech, for example, that Romania already had worker self-management and self-financing; that conditions were created as far back as 1975 for setting up joint companies with capitalist, socialist, and developing countries; and that "socialist democracy" was strong in Romania. "We not only formulated the thesis of building socialism with the people and for the people, but also acted to . . . ensure conscious participation by all our people in fulfilling our development programs." In his remarks during Gorbachev's visit, he showed no inclination to become more accommodating to Gorbachev's desire for reform.

Ceausescu has reason to be apprehensive about what is going on in the Soviet Union, for although he has pursued a detente-style policy abroad, he alone among the East European leaders has managed to cling for so long to Stalinist methods of rule at home. He has brooked almost no leadership debate and repeatedly has purged pro-Soviet officials. Moreover, he has virtually stated that he is out of sympathy with Gorbachev's reform program. In speeches he has gone so far as to call attempts at restructuring and democratization "illusions" and "delusions." He has said, for example, that "no one can conceive of a revolutionary party saying that it will let enterprises or economic sectors manage themselves," an obvious reference to the Soviet call for greater autonomy for enterprises. And "there is no way of speaking about socialist perfection and [at the same time] about so-called market socialism and free competition. . . . One cannot speak of a socialist economy and not assume the socialist ownership of the means of production as its basis."

Anything that would give rise to even a suspicion of tampering with such a basic Marxist tenet as socialist ownership of the means of production, or of undermining the party's leading role by attacking corruption within it, would constitute revisionism if not something worse for an old-style communist like Ceausescu. The correct road to socialism should not be strayed from even for promises of temporary relief: "Under no circumstances do we encourage ways that can lead to the strengthening of any forms of capitalist ownership—even small ones." And, "Life and experience have shown the party's leading and decisive role in all areas of activity." This kind of barely veiled criticism of Moscow, whether or not well founded, is bound sooner or later to have repercussions. It puts Ceausescu in the same category as those in the Soviet Union that Gorbachev has attacked as opponents of reform and is removing from the party ranks.

The dominant element in Soviet policy toward the region up to now has been CEMA's program for technological development. The Soviets want higher quality goods from their allies and hope that greater cooperation within CEMA will close the technological gap with the West. Soviet Premier Ryzhkov at the CEMA session last November proclaimed that the entire socialist system, not just the USSR, had to undergo restructuring and accelerated development. The program he outlined called for "radical changes" in CEMA which would involve genuine restructuring—an overhaul of the planning system, changes in members' currency and monetary systems, and a reform of the body's organizational structure. The long-term agreements the USSR signed with individual CEMA members at that time point in these directions.

The Soviets evidently believe that one of the best ways to improve CEMA operations is to bypass its members' unwieldy centralized bureaucracies and implement direct links between enterprises and Western firms. As with the Soviet reforms, this would involve stronger coordination of plans at the macro-level, along with more independence in decisionmaking and operations at lower levels, including experiments with Western-style labor management techniques. Any Soviet attempt to restructure national bureaucracies to accept this new concept implies greater Soviet involvement in individual members' economic projects. Given his dismay over Western (IMF) "interference," Ceausescu is not likely to be in a hurry to commit himself to this kind of Eastern meddling, should the Soviets push for it.

While it is too early to assess the extent to which the Soviets will impose their reform ideas on CEMA, the Romanians already are resisting. Romanian Foreign Minister Totu recently told a Western visitor that his country was under pressure at every level to go along with changes that would encourage a greater division of labor to allow more Soviet exports of manufactured goods to CEMA countries and less of raw materials and gas. The Romanians, said Totu, were holding out against these changes. Such resistance, while not new or surprising, contributes to an atmosphere of differences with Moscow which in turn could contribute to instability in the area.

So far the Soviets have not betrayed any great concern that their reform policies are causing anguish in Eastern Europe, and they have not taken any action to rein in Ceausescu. Soviet media have acknowledged differences by refuting Western press accounts predicting that, as in the past, reforms will spell genuine trouble for the Soviet Union. According to Fedor Burlatskiy, an influential and reform-minded commentator (thought to be an unofficial adviser to Gorbachev), whereas Moscow previously viewed domestic affairs of other socialist countries to be its legitimate concern, a more laissez-faire policy now reigns. "If Ceausescu wants to be a dictator, fine, let him. Of course, we may not approve such actions, but we will not criticize them," he said, noting at the same time that criticism of domestic developments in socialist countries would continue.

Transition Scenarios

Whatever its proclaimed policy, Moscow must be at least as attentive as the West to the possibility of greater instability in Eastern Europe growing out of its reform strategies there and what Gorbachev has called the "revolution of expectations" within the Soviet Union. Romania can expect further economic deterioration accompanied by continued and even intensified popular discontent as long as it pursues its policy

of paying off foreign obligations at the price of domestic austerity. (The current five-year plan, for example, allocates nearly all growth up to 1990 to investment and exports rather than to the consumer area.) Given the momentum for reform in the Soviet Union, the resistance to change on the part of some East European leaders, and the likelihood of regime transitions in the not-too-distant future in some or all East European countries, the stage could be set for a period of political turmoil throughout the region. What happens in the other countries will certainly affect Romania, where political repression may no longer be an adequate tool to contain popular discontent. How the forces play themselves out will depend significantly on whether Ceausescu remains on the scene.

While Ceausescu Lasts: More of Same. Communist leaders do not retire; they either die in office or are forced out. Ceausescu is not likely to be an exception. Analysts generally agree that, despite possible health problems, he will hang on to power to the end. And as long as he does, he will be able to control the situation inside the country. His internal security apparatus is likely to remain responsive enough to his direction to maintain stability in the face of civil unrest even if it becomes intensified or more widespread. He used troops to put down a miners' strike a decade ago, and there is no reason to suppose that he would not do so again. Under such circumstances, prospects for the rise of a popular movement such as Solidarity seem remote in Romania, where labor is under tight party control (Ceausescu is chairman of the national labor organization).

A Transition to Ceausescu's Coterie: Additional Cause for Unrest. The main element of uncertainty here is Ceausescu's longevity. He apparently could experience a health crisis at any time; on the other hand, he could last much longer. Ceausescu's practice of nepotism and cronyism has been described as having kept socialism in one family. Analysts generally agree that whether he dies or becomes incapacitated, a regime headed by Mrs. Ceausescu will take power at least briefly. Her regime, or one made up of Nicolae's coterie that followed it, might attempt to carry on his tradition of communist autocracy, orthodoxy, and resistance to outside interference if for no other reason than to establish its authority.

Beyond the Ceausescu Era: A Race Between Reform and Upheaval. A regime made up of Ceausescu's circle might eventually give way to a more pragmatic leader or group. A new generation of technocrats more in tune with the times might try to maintain Romania's balance between East and West but be more flexible in dealing with both. If it were able to ameliorate economic conditions and quiet public discontent, a prolonged honeymoon between the regime and the population could ensue.

But a new regime struggling to establish itself might not be able to make a smooth transition, and the situation could deteriorate into wider and possibly violent forms of popular unrest. The discontent of the Hungarian minority could intensify as economic conditions got worse. Ethnic Hungarians are more likely to protest actively than ethnic Romanians living under the same conditions, and an incident involving the Hungarians might be the spark that set off public violence. Official repression under any regime, whether that of Ceausescu or his successors, would likely be harsh and would be rationalized by arguments about foreign agitation or moves aimed at detaching Transylvania from Romania. Such a situation could get out of hand.

Soviet Options

No matter what form the transition takes, or for that matter if there is an indefinite continuation of Ceausescu's style of rule, Moscow is likely to face new problems in dealing with Romania, as with other regimes in the region. What Gorbachev wants in Eastern Europe may be ambiguous at this time, but what he does not want is clear: He does not want another Hungary, Czechoslovakia, or Poland—that is, any kind of internal ferment or instability that would undermine communist party authority and thus require force or even threat of the use of force on Moscow's part. Such a development could put a brake on Gorbachev's domestic program and intensify opposition in the party and the bureaucracy.

The Soviets have learned something about the costs of intervention in the 30-some years since Khrushchev's invasion of Hungary and the 20 years since Brezhnev's invasion of Czechoslovakia. But turmoil in a border country has always been viewed by Moscow as a danger; and even though the Soviets avoided direct intervention in Poland, their invasion of Afghanistan demonstrated once again the Soviet will to act in the face of border-country instability. Romania would be no exception should events there get out of hand. But while direct military intervention is a credible sanction, it is one the Soviets would be anxious to avoid, and Moscow would exhaust its other options first.

Analysts generally hold to the view that if Romania should face serious internal strife, Moscow would immediately offer more economic aid but in return would demand a more cooperative attitude on Bucharest's part in the Warsaw Pact and CEMA—in effect a significant shift of its orientation eastward. This argument may have been true in the past, when Moscow was intent on keeping as tight a rein as possible over its East European allies. But given Gorbachev's own policies of greater political flexibility and broadened economic contact with the West, the Soviets might not see a continuation of Romania's balancing role between East and West as necessarily against their

own interests. Thus, they might concentrate on the economic situation, expecting greater exertions on Romania's part to put its house in order—and perhaps a direct voice in instituting reforms—as the price for their largesse.

Although Gorbachev has not shown any particular warmth for Ceausescu's leadership, he could continue to live with a regime that pursued more pragmatic economic policies so long as it did not allow them to become an opening to unacceptable Western influence in Romanian affairs—that is, influence that would weaken Romania's place in the Warsaw Pact and wean it away from the Soviet sphere. That kind of alienation would have to be dealt with: It could have repercussions not only in Eastern Europe but also against Gorbachev himself inside the Soviet Union. While it may not become directly involved in the succession, Moscow will watch it closely and of course will try to influence any successor regime in Bucharest to adopt more rational economic policies than Ceausescu has. A regime committed to more rational economic policies might regain Western financial support.

The field of energy is one example of both the extent and the limits of Soviet leverage. According to 1986 data, the Romanians are involved in 157 new development projects in the USSR, among them the gigantic Yamburg gas pipeline, a project far more ambitious than the current Urengoy-Pomari-Uzhgorod and Friendship lines which supply Soviet gas to Eastern Europe in exchange for exports to the Soviet Union. This new energy bridge is being lauded by the Soviets as promising a reliable source of natural gas to the East Europeans which will help them significantly in solving their energy problems. "What does it mean," a Soviet commentator asked, "for a country deprived of rich energy resources to build its future economy with absolute confidence on a long-term basis because it relies on gas from Siberia?" The answer was "friendship and cooperation," but it is apparent that this cooperation will give Moscow an important source of leverage that could be particularly useful in times of crisis.

Implications for the US

Romania's unique position of balance between East and West has given the US scope to pursue its policy of differentiation, a policy which rejects the view that the East European states form a monolithic bloc led by the Soviet Union. In the case of Romania, this policy has served US interests by encouraging market-oriented developments there and by fostering at least some movement in the area of emigration, if not human rights in general. Although US options, like the Soviet Union's, are limited in dealing with the current Romanian situation and in planning for the future, there is some room for maneuver and further exploration.

More Destabilization. A continuation of Romania's refusal to change policies sufficiently to comply with IMF requests and thereby gain substantial relief from the West could lead to worse economic conditions in the country, with greater social instability and more widespread opposition to the regime. Any potential US attempt to support such opposition in order to promote democratic change would be unlikely to succeed while Ceausescu was still at the helm.

Destabilization would be likely to lead to greater repression rather than to democratization, as the history of Eastern Europe amply shows. The need to establish law and order and its own authority might impel even a more pragmatic successor regime to go slow in liberalizing social policy, at least initially. Without conceding that Eastern Europe is irreversibly a part of the Soviet sphere, one may thus conclude that encouragement of destabilization is not in the US interest. It has never been US policy. In the current situation, other approaches might be more profitably pursued.

Encouraging Stability Through the IMF. Based on the hard currency debt alone, it can be argued that the US has a long-term interest in fostering stability and healthier economies—not to be confused with the status quo—in Eastern Europe. In Romania in particular, the US would have an interest in preventing the economic situation from deteriorating to the point where it could lead to domestic upheaval. By using what leverage it has to encourage economic stability, the US has achieved at least a modicum of influence there.

Given the IMF's past pivotal role in Romania's international financial standing, the question is raised whether IMF policies have been reasonable. Some experts posit the view that the conventional IMF prescription of domestic austerity to correct external imbalance does not suit Romania, whose consumer sector is already severely strained. A more innovative approach on the part of the IMF would be required if Romania were to reapply for debt rescheduling, or if it were to take on a new debt burden after paying off its current indebtedness.

A comparison of the Romanian and Hungarian experiences is relevant. Both countries cut imports and shifted investment priorities; but Hungary, in contrast to Romania, while instituting an austerity program, went about it more moderately and did undertake economic reforms. Given Ceausescu's demonstrated refusal to acknowledge that political stability is directly tied to economic performance, the "lesson" may be more relevant for his successors than for him.

Flexibility in Bilateral Relations. One of the ways the US has encouraged Romania's independence vis-a-vis the East was by granting it most-favored-nation (MFN) trade status more than a decade ago—and later the Generalized System of Preference (GSP). By linking

MFN and GSP to another key aspect of US policy—Romanian performance on questions of emigration and human rights—the US has made MFN/GSP a political rather than strictly economic policy, requiring that it be withdrawn (as GSP recently was) when political conditions dictated.

Some observers of the Romanian scene argue that this linkage should be less rigid and that US policy should not be driven by human rights considerations. But grounded as the system now is in law (Jackson-Vanik amendment to the Trade Act of 1974), there would appear to be leverage primarily in influencing specific human rights cases which the US might choose to emphasize.

From the Romanian point of view as expressed by Ceausescu recently to a Western visitor, MFN is not the cornerstone of the relationship. Relations were good before MFN, which is used by “certain groups in the US as a way to try to impose their will on Romania.” According to Ceausescu, however, “the US Senate is not the Senate of Rome, and Romania will continue its independent policy.” In the Romanians’ view, economic benefits are the most significant human right. First and foremost, they say, are citizens’ rights to the essentials of life: food, shelter, employment, and economic security; lesser standards of performance should be tolerated in order to achieve progress toward this primary goal. Rejection of US views may be to some extent a tactic or possibly the result of misunderstanding of US motives. In any event, there would seem to be room for further dialogue here.

One such forum for dialogue was the 1986 “Human Contacts Meeting” in which the participating member states of the Conference on Security and Cooperation in Europe (CSCE) met in Bern, Switzerland, to discuss “the development of contacts among persons, institutions and organizations.” Issues addressed included trade union contacts, contacts among members of religious faiths and national minorities, freedom of movement, and development of tourism and exchanges. Although no consensus document emerged, a sustained, low-key, and effective review was conducted of Eastern compliance, including that of Romania, with CSCE commitments; and participants discussed many ideas for easing if not resolving some of the problems in this area.

Ceausescu has indicated he wants a continuing dialogue with the US and a broader political-economic relationship including more cooperative ventures and exchanges in as many areas as possible. He has shown some flexibility on the emigration issue, stating recently that he would allow Romania to be used as a transfer point for Jewish emigration from the Soviet Union to Israel and promising the necessary security precautions.

Romania's success in balancing between East and West has been a feature not only of its own policies but also of a degree of toleration on the part of both the US and the USSR. As is evident, pressure from either direction can tip the balance to some degree. Ceausescu will not allow too much of a shift, but his successors may opt differently. It would seem to be in the US interest to use what influence it has to lay the groundwork now for a better relationship with a future regime which might become more responsive to US policy concerns even though it continued balancing between East and West.

156. Telegram From the Department of State to the Embassies in Romania and Hungary¹

Washington, June 17, 1987, 0027Z

185293. Subject: Solomonescu Visit: Hungarian Minority Issue.

1. Confidential—Entire text.

2. Following meetings with the Acting Secretary² and Assistant Secretary Ridgway (septels),³ a lunch for Romanian Deputy Foreign Minister Solomonescu hosted by DAS Thomas Simons on June 15 provided an opportunity for further discussion of the Hungarian minority issue.

3. Ambassador Besteliu took the lead for the Romanian side. He stressed the sensitivity for the GOR of the minority issue and complained that some U.S. officials appeared to be "taking sides" against Romania. Simons, along with National Security Council Staff Member Nelson Ledsky, took issue with Besteliu's comments and explained the various pressures being brought to bear on the administration on this issue by well-organized ethnic Hungarian groups in this country, as well as by more broadly based human rights organizations.

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Romania—Bilateral 1987 (1). Confidential; Immediate. Sent Priority for information to Vienna for the delegation to the CSCE.

² Telegram 186656 to Bucharest and Budapest, June 18, provided an overview of Solomonescu's meeting with Whitehead concerning bilateral relations. (Department of State, Central Foreign Policy File, D870480-0199)

³ Telegram 186261 to Bucharest and Budapest, June 17, described the in-depth discussion of bilateral relations between Ridgway and Solomonescu. (Department of State, Central Foreign Policy File, D870479-0459)

4. Simons said that we have been making the same points with both the Romanian and Hungarian Governments and in public testimony that:

—The U.S. does not regard the Hungarian minority issue as a territorial question.

—We will not get involved in debates over which side has the best historical claim to Transylvania.

—But that aside from this, there are questions of basic human rights involved in the minority issue that are the legitimate concern of the U.S.

Simons said that various parties may not be happy with this formulation, but that it is the position which best serves U.S. interests. Besteliu responded that the GOR had no problem with this position, but he urged that it be made the basis of a public declaration by the Department of State. Simons demurred, noting that he had made these points in open testimony before the CSCE Commission on May 5,⁴ and that there would be other opportunities to do so again in upcoming MFN hearings this summer.

5. Simons said the Hungarian minority issue would not go away, and that the GOR needed to work with us in dealing with it. The U.S., he said, wanted to be constructive. Acknowledging that it would be difficult, he said that at this time there was nothing more useful the GOR could do than to ease the pressures on the Hungarian minority. He cited the cases of Borbely, Buzas and Pal as instances where the GOR could take action.

Armacost

⁴ See Document 151.

157. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, June 17, 1987, 1351Z

4900. Subject: Possible Threat to Great Synagogue in Bucharest.

1. (C—Entire text)

2. Summary: Bucharest Mayor has informed Chief Rabbi Rosen that demolition of Great Synagogue is envisaged. Rosen has protested strongly. He urges that matter be kept absolutely confidential while efforts are made to reverse this idea. Israeli Ambassador is seeking instructions to make strong confidential démarche to GOR. I would like such instructions also. All concerned feel absolute confidentiality is essential while a determined governmental effort is made to turn this around. End summary.

3. Romanian Chief Rabbi Rosen informed us he was told by Bucharest Mayor June 10 that demolition of the Great Synagogue was envisaged² as part of Bucharest urban reconstruction plan (no date given).³ Rosen protested strongly, citing synagogue's historic significance, promises given by Ceausescu and others last year that it would not repeat not be demolished, and adverse effect of any such action in the U.S., including on MFN. He put same arguments in June 15 letter to Ceausescu, adding that such action, together with his advanced age and ill health, would force him "to withdraw to his university activity in Israel."

4. Rosen informed Israeli and American Ambassadors, as well as visiting Joint⁴ official Goldman, of this development and gave them copies of his letter. He asked that no publicity be given to this matter at this time, and requested that no one in the U.S. outside the government be informed. He has not repeat not informed visiting B'nai B'rith ex-Chairman Spitzer, though he has asked Spitzer to stress, in his expected late June meeting with Ceausescu, the importance of the

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Romania—Bilateral 1987 (1). Confidential; Immediate; Exdis. Sent for information to Tel Aviv. An unknown hand wrote a note to Ridgway at the top of the telegram in the margin: "R. MFN—This would be last straw. We will be going out with demarche telling Romanians if they do this, that will be the end of MFN. Ceausescu personally promised Ambassador Walters (Bucharest 6011 14 Aug 86) that 3 remaining synagogues would be preserved." Telegram 6011 from Bucharest, August 15, 1986, reported on the Walters and Ceausescu meeting. (Department of State, Central Foreign Policy File, D860625-0485)

² An unknown hand underlined "was envisaged."

³ An unknown hand underlined "no date given."

⁴ Reference is to the American Jewish Joint Distribution Committee.

assurances on destruction of Jewish buildings given by Ceausescu last year. Rosen wants to wait to see if his reaction will cause demolition idea to be dropped.

5. Israeli Ambassador and I also feel that confidential efforts to forestall this action are the best course at this time. Public knowledge of GOR idea would lead to an action-reaction cycle that would doom the synagogue, as well as larger U.S. interests. Govrin is suggesting to his Foreign Ministry that, if Rosen (now in Israel), the source of the information, has no objection, Govrin be instructed to make a strong confidential demarche. I said I would ask for similar instruction from Washington.

Kirk

**158. Telegram From the Department of State to the
Embassy in Romania¹**

Washington, June 20, 1987, 0731Z

189841. Subject: Possible Threat to Great Synagogue in Bucharest: Assistant Secretary Ridgway's Meetings With Romanian Ambassador. Ref: A) State 188469;² B) Bucharest 4900.³

1. Confidential—Entire text.

2. EUR A/S Ridgway called in Romanian Ambassador Gavrilescu June 18 to express USG's strong concern at having learned that demolition of Bucharest's Great Synagogue may still be under consideration.

3. After delivering a demarche based upon the talking points contained in Ref. A, Para. 3, Ambassador Ridgway stressed to Gavrilescu her personal shock that demolition of this historic building could still be under consideration. She said that she had been among those who had testified to the Congress last year about the Romanian Government's commitment to preserve the Great Synagogue, the Choral Synagogue, and the building housing the Jewish museum. Her personal assurance

¹Source: Reagan Library, Rudolf Perina Files, Subject File, Romania—Bilateral 1987 (2). Confidential; Immediate; Exdis. An unknown hand wrote at the top of the telegram, "R—see para 8."

²Telegram 188469 to Bucharest, sent June 19, transmitted talking points for the demarche that the Ambassador was to make to the Foreign Ministry. (Reagan Library, Rudolf Perina Files, Subject File Romania—Bilateral 1987 (1))

³See Document 157.

had been given. As a result, if any question remained about this issue, she would be unwilling to testify in favor of MFN renewal unless she were expressly ordered to do so.

4. Ambassador Ridgway emphasized the urgent need for the GOR to reiterate to the Romanian Chief Rabbi its commitment not to demolish these buildings, and to confirm to the USG that it had done so. In view of the uncertainty that has been created, a mere denial of intention to demolish would not suffice. In conclusion, Ambassador Ridgway observed that it had been very hard to obtain congressional approval for Romanian MFN in 1986, in part because of the demolition of the "Spanish" synagogue and subsequent refusal of the American Jewish community to testify for MFN renewal. That situation had been bad enough; if similar uncertainties now arise because of the demolition issue, this year's task would be impossible.

5. Gavrilesco replied that he had heard nothing about any change in GOR policy regarding the Great Synagogue. He promised to report Ambassador Ridgway's demarche to Bucharest.

6. Ambassador Gavrilesco paid a return call on Ambassador Ridgway at his request on the afternoon of June 19 to report that the Romanian MFA had authorized him to inform the Department that there is no truth to claims that the GOR planned to demolish the Great Synagogue. Bucharest city authorities had conveyed this information to an official of the Jewish community earlier June 19 in the absence of Rabbi Rosen, who is in Israel. Gavrilesco suggested that the whole matter was the result of a misunderstanding on the part of the Rabbi.

7. When asked specifically by Ambassador Ridgway whether the GOR had, in accordance with our demarche of June 18, provided assurances to a Jewish community official that the Great Synagogue and the two other historic buildings would not be demolished, Gavrilesco responded affirmatively. Ambassador Ridgway then asked whether Gavrilesco could confirm these same assurances to the USG, which he said he could. Ambassador Ridgway suggested it would be helpful if the MFA could provide the name of the Jewish community leader to whom the assurances had been given.

8. Gavrilesco then turned to the upcoming congressional hearings on Romania's MFN status. Ambassador Ridgway indicated that we expected as many as five different sets of hearings in the weeks ahead.⁴ The first hearing will be on June 24 before the Subcommittee on Human Rights and International Organizations of the House

⁴ An unknown hand drew two lines beside this sentence in the right-hand margin and wrote, "Gus Yatron (D-PA); according to State is a strong human rights advocate but intelligent in his approach compared to some others. Schifter slated to testify but Bill Ferrand may go. If he does Tom Simons will go with."

Foreign Affairs Committee which is particularly interested in the human rights situation in Romania. Ambassador Ridgway indicated that the Subcommittee on Europe and the Middle East is also considering hearings. Further hearings will probably be held by the committees with jurisdiction over the MFN renewal issue.

Armcast

159. Telegram From the Embassy in Romania to the Department of State and the Embassy in Israel¹

Bucharest, June 20, 1987, 0805Z

4987. Subject: GOR Repeats Guarantee To Preserve Jewish Buildings. Ref: A) Bucharest 4967 (Notal),² B) State 188469,³ C) Bucharest 4900.⁴

1. (Confidential—Entire text)

2. Summary: Deputy Foreign Minister Solomonescu told the Ambassador June 19 that the GOR continued to guarantee the three major Jewish buildings in Bucharest (the Choral Synagogue, Great Synagogue, and Jewish museum) will not be demolished. No decision⁵ to demolish them had ever been made, she continued, and reports to the contrary “did not correspond with reality.” Embassy Tel Aviv: please inform Rabbi Rosen as soon as possible. End summary.

3. The Ambassador went to the Foreign Ministry to meet with Mrs. Solomonescu late on June 19 to deliver talking points Ref B. Mrs. Solomonescu opened meeting by stating she had received a report from Ambassador Gavrilescu of his June 18 meeting with Assistant Secretary Ridgway. She understood that the Embassy had reported that Romanian authorities had decided to demolish the Great Synagogue, Choral Synagogue, and Jewish museum.⁶

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Romania—Substance 1987 (2). Confidential; Immediate; Exdis. An unknown hand wrote at the top of the telegram: “R. (arrived on 24 June only after we asked [illegible] for cable.)”

² Telegram 4967 from Bucharest, June 19, described the demolition of a Romanian Orthodox church in Bucharest. (Department of State, Central Foreign Policy File, D870485–0878)

³ See footnote 2, Document 158.

⁴ See Document 157.

⁵ An unknown hand underlined “decision.”

⁶ An unknown hand highlighted this sentence with a line in the margin and wrote “?” adjacent to the line.

4. Mrs. Solomonescu said that she had the authority to make a statement and asked that the Embassy transmit it to the State Department. She then read a prepared statement, in Romanian. It expressed surprise that the Embassy had reported to Washington that the Great Synagogue, Choral Synagogue, and Jewish museum would be demolished, without first speaking with the Foreign Ministry. The report "did not correspond with reality." In fact, no such decision had ever been made, the statement continued. Rabbi Rosen had spoken with a "functionary" of the municipality of Bucharest. Solomonescu said quote The Ministry of Foreign Affairs transmits to the Department of State a guarantee that these three buildings would not be demolished unquote.⁷

5. Speaking on a personal basis, Mrs. Solomonescu asked that any problems or misunderstandings which might arise, no matter how minor, first be discussed with her in order to avoid the type of difficulty which she said had now occurred. She said she wanted to emphasize her government's and President Ceausescu's desire for a continuing and deepening of good bilateral relations. U.S.-Romanian relations received close attention from the GOR, she concluded.

6. The Ambassador welcomed the GOR's repeated guarantee on the Jewish buildings and the promptness of their response to U.S. concerns. This renewed commitment should resolve the situation. The Ambassador added that there had been no publicity in the U.S. on this matter; no private person was aware of it.⁸ Therefore it was particularly useful that the situation had been so quickly clarified. He noted, in order to be precise, that the Embassy had reported that it understood the Rabbi had been informed "by competent authorities" that demolition of the Great Synagogue was envisaged. The Embassy did not report rumors, the Ambassador emphasized.

7. Both in opening and closing the meeting, Mrs. Solomonescu said she had been very pleased with the "fruitful and stimulating" discussions which she had held with Deputy Secretary Whitehead (who, she acknowledged, was Acting Secretary at the time), Assistant Secretary Ridgway, and DAS Simons during her recent visit. It was a very good visit, she added, and she wished to send her sincere thanks to all those who had been involved.

8. Comment: Mrs. Solomonescu was pleasant, but firm, throughout the short meeting (15 minutes). Her offer to meet "any time, for anything" indicated a true desire to nip problems in the bud; obviously she and other GOR officials realized the potential severity of the current situation and acted immediately.

⁷ An unknown hand highlighted this sentence with a line in the margin and wrote "fast backtracking" adjacent to the line.

⁸ An unknown hand underlined this sentence.

9. This is all the more significant due to the fact that demolition continues one block from the Great Synagogue (Ref A). Embassy's evaluation is that the Mayor's office was likely floating a trial balloon,⁹ perhaps without full authority, in broaching to Rabbi Rosen the possibility of demolishing the synagogue, and perhaps underestimating how strong his feelings were on the matter. After receiving such a strong and immediate reaction from us, the GOR immediately backed off. End comment.

10. For Tel Aviv: Please inform Rabbi Rosen of these renewed guarantees as quickly as possible. It remains important to avoid publicity on this matter, and we are concerned that the Rabbi may discuss the situation with U.S. Jewish leaders.

Kirk

⁹ An unknown hand underlined "trial balloon."

160. Telegram From the Department of State to the Embassy in Romania¹

Washington, June 27, 1987, 0112Z

198748. Subject: Gavrilescu/Simons: Senate MFN Vote.

1. Confidential—Entire text.

2. Ambassador Gavrilescu came in to see DAS Simons shortly after the June 26 Senate adoption of the Armstrong/Dodd amendment to the Trade Bill suspending Romania's MFN status for six months.² He was seeking Simons' assessment of the situation.

3. Simons expressed our disappointment over the Senate's action, noting that we had made clear our opposition to moves in both Houses³ which would undercut the Jackson-Vanik process. He said we will be studying the differences between the amendments adopted by the two

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Romania—Bilateral 1987 (2). Confidential; Immediate.

² The Armstrong Amendment (S. Amdt. 323) to the Omnibus Trade and Competitiveness Bill (S. 1420) suspended Romania's MFN status for 6 months due to human rights abuses. The President could reinstate MFN status if he determined that the human rights situation had improved.

³ Reference is to the adoption of the Wolf Amendment in the House. See footnote 8, Document 151.

Houses to see whether a House-Senate conference would need to look again at the MFN issue. He also pointed out that Senator Armstrong had told the Senate that his amendment provided for “automatic” re-institution of MFN at the end of the six-month suspension period.⁴ Simons said that this did not appear to be the case, and that this might lead some Senators to seek reconsideration of the amendment. In any case, Simons said, there was a long way to go before a Trade Bill was enacted into law.⁵

4. Simons also noted that we were not certain at this point how the trade legislation would affect the President’s MFN renewal determination under the Jackson-Vanik process. There were two separate tracks, and the Jackson-Vanik track provided that the President’s determination remained in effect until both Houses passed motions of disapproval.

5. Simons’ main message, which he stressed to Gavrilescu, was that the GOR should not react to the Senate’s move in an emotional or hasty manner, or take any ill-advised actions. Rather, he said, the GOR should continue to address and improve its record on human rights issues, which would have a favorable impact in this country. He reminded Gavrilescu that we had told him before that the GOR’s tactics—saving up its positive actions and then parceling them out at the last minute, and also trying to compensate for shortcomings in performance with a flurry of visitors and delegations to the U.S.—were widely perceived as being very cynical, and that this had an impact on the Senate vote.

6. Gavrilescu spoke emotionally of the “cynicism” and anti-Romania “hysteria” in the Senate—he had seen Senators Armstrong and Trible⁶ in the last few days and professed to be shocked at their language—but said the GOR would be patient and wait to see how the process evolves. Simons welcomed the conclusion, but disagreed with the analysis; Senators voting for suspension might not be familiar with all the relevant considerations, but in his view were generally sincere in their concerns about the human rights situation in Romania.

Shultz

⁴ An unknown hand underlined this sentence.

⁵ An unknown hand underlined “Simons said, there was a long way to go before a trade bill was enacted into law.”

⁶ Paul S. Trible, Jr. (R-Virginia).

161. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, July 2, 1987, 1219Z

5401. Subject: Possible MFN Suspension—Plans for Expedited Refugee Processing. Ref: Bucharest 3434 (Notal).²

1. (C—Entire text).

2. Begin summary and action request. It is quite possible that GOR will prevent the departure of would-be emigrants to the U.S. if MFN is denied. We usually have 180–200 persons with Romanian emigration approval who are awaiting TCP or Visas 93³ processing or approvals from the United States. Now that both the House and Senate have passed amendments to suspend MFN, Foreign Minister Totu's threat to "suspend all departures to the United States, and cancel all approvals previously given" could prevent these qualified refugees from travelling. Yet with special effort, this group could be prepared to leave Romania within one to two weeks, to complete their processing elsewhere (e.g., Rome or perhaps Vienna). We request (a) special priority, now, to expedite VOLAG and Visa 93 requests, to reduce the size of the backlog, and (b) authority for blanket VOLAG approval, either in the U.S., Rome or elsewhere, which we would use only if denial of MFN and a departure cutoff were imminent. Please advise. End summary and action request.

3. The Embassy always has about 200 qualified TCP and Visas 93 applicants with Romanian emigration approval who are awaiting processing or approvals from the United States. We do not have a similar pool of qualified immigrants in other categories, as approved Visas 91 and 92 cases, and qualified immigrants with current priority dates, generally apply to immigrate as soon as they receive emigration approval from the GOR. There will, of course, also be a large number of unqualified (or not yet qualified) Romanians who have received GOR approval to emigrate flooding the Consular Section in a last effort

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Romania—Substance 1987 (2). Confidential; Immediate; Exdis. Sent Immediate for information to Rome and Vienna for the Immigration and Naturalization Service and the mission in Geneva.

² Telegram 3434 from Bucharest, May 1, outlined the Romanian government's reaction to the passage of the Wolf Amendment in the House (see footnote 8, Document 151), which suspended Romania's MFN status for 6 months. (Department of State, Central Foreign Policy File, D870618–0046)

³ Visa 93 is a particular type of refugee visa, also known as "following-to-join." A principal refugee residing in the United States has the right to petition for spouses and unmarried, minor children to join him/her in the United States also with refugee status.

to leave Romania. We cannot help them, but we think it important to move those people we can help.

4. The approximately 180 TCP and Visas 93 applicants with emigration approval who are currently waiting for additional documentation fall into the following groups:

5. *Awaiting Voluntary Agency Assurances*

138 TCP applicants and 6 persons with Visas 93 documentation currently are awaiting voluntary agency assurances. Almost all could leave Romania within 1–2 weeks, the time needed for their final GOR customs clearances. To process a group of approximately this size for immediate departure we would need:

A. Expeditious approval of all pending VOLAG requests; or

B. A blanket voluntary agency assurance for the whole group; and

C. Immediate entry visas from the Italian Government, and VOLAG assistance and support for the group in Rome. They could then wait for their voluntary agency assurances in Rome.

D. Italian visas: In order to expedite entry into Italy of such a large group, assistance of Italian Government would be necessary. We suggest Department authorize Embassy Rome to contact Italian Foreign Ministry and ask for agreement in principle to issue a large number of visas on short notice (about one week). Then, if expedited processing were necessary, we would transmit list of visa applicants to Embassy Rome for presentation to GOI. We would also inform Italian Embassy here of this proposal.

6. *Awaiting Visas 93 Documentation*

We know of 30 persons currently holding emigration approval who have refugee relatives in the U.S., and appear qualified for Visas 93 documentation. To process them for immediate departure, we would need:

A. Expeditious approval by INS and transmission of all pending Romanian Visas 93 requests; and

B. Voluntary agency assurances, as in para 5.

7. *Awaiting Travel Loans*

We currently have 8 travel ready Visas 93 beneficiaries who are awaiting loans for plane tickets from ICEM Geneva. If all Romanian loan requests could be processed expeditiously, we could avoid having to make special provisions for the group if the GOR appears likely to revoke emigration approvals.

Kirk

162. Telegram From the Embassy in Romania to the United States Information Agency¹

Bucharest, July 14, 1987, 1159Z

5733. Subject: Gorbachev and “Glasnost.” Ref: (A) Bucharest 4531,² (B) May 15 Trimestral Letter.³

1. Post has continued to monitor Romanian reactions to the recent Gorbachev visit⁴ and “glasnost” and can only conclude that the Soviet leader has scored a major public relations coup in Romania.

2. A year ago few Romanians talked about the Soviets, and those who did were negative. With “glasnost”, suddenly everyone is talking about the Soviets and, while many are pessimistic about the chances for the success of “perestroika” in the Soviet Union and even more doubtful that “glasnost” will mean anything for Romania under Ceausescu, there are many others who are beginning to look to Russia for a solution to Romania’s problems and even talk of a pro-Gorbachev faction growing up within the government.

3. With the public relations aspect of his visit a success, the next question is whether there has been a major political gain, and the answer appears to be yes.

4. Romania has a population sick of President Ceausescu’s excesses and the continuing decline of the economy and living standards. The older people see no end to the misery being inflicted upon them, which includes the destruction of their neighborhoods, churches and villages in massive, ill-conceived urban development and collectivization projects.

5. Added to this totally alienated older population is a younger population that has grown up with a distorted view of history with little information on Russian excesses in Romania over the years. The mix is one to which a sophisticated Gorbachev talking of “perestroika” and “glasnost” appears as a savior. The fact that some Romanians now talk of the coming to power of a pro-Gorbachev government faction is little short of revolutionary.

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Romania—Substance 1987 (3). Confidential. Sent for information to the Department of State, Eastern European posts, and Moscow (by pouch).

² Telegram 4531 from Bucharest, sent June 5, described the general opinion of Gorbachev held by Romanians in the wake of his visit to Bucharest. (Department of State, Central Foreign Policy File, D870440–0046)

³ Not found.

⁴ May 25–27.

6. Following are comments made by a variety of P&C contacts. The drafting officer has given more space to two individuals, Romania's principal dissident Mihai Botez and former Ambassador to the U.S. Silviu Brucan, since both of them have given serious thought over the years to U.S./Romanian and Romanian/Soviet relations. They also, conveniently, represent opposite poles on the possibility of "perestroika" in the Soviet Union becoming reality.

Mihai Botez

7. Botez is cynical about the true objectives of Gorbachev and doubts whether he could bring about major changes even if sincere. He spoke of the "monster" made up of party officials and bureaucrats who will fight to the last inch to maintain their positions and perks. He pointed out that they have no alternative profession to turn to if removed from office.

8. He said that there will be resistance from workers who are used to a low work pace and to having all of their needs met, however poorly, by the state. He pointed to managers who are poorly trained and not accustomed to producing and who will fight to preserve the status quo.

9. Botez concluded that there will be some improvements in the Soviet Union under "perestroika" but no major changes. He said the economic system can not be changed without major changes in the political system, changes which would result in a complete reversal of everything that the party has stood for.

10. Botez said there were great expectations in Romania before Gorbachev's visit. There were many disappointed that nothing concrete seemed to have come out of the visit, but the people were heartened by the criticism Gorbachev leveled at Ceausescu.

11. As one who grew up hearing stories of how terrible the Russian troops were at the end of the war, he said he was shocked to see how general the support is for Gorbachev, and he is concerned that Romanians focus only on those parts of Gorbachev's speech that criticized Ceausescu, while ignoring some rather ominous statements about closer economic cooperation. He does not feel that support for Gorbachev translates into general support for Russians.

12. While recently in Tulcea, a city on the Danube delta, he noted that Romanians regularly watch Russian TV and was surprised at the high interest shown in local elections then being held in the Soviet Union. He said party officials in Tulcea openly discussed Gorbachev's strong points, commenting on how a Russian peasant addressed him as an equal, how he is a simple, unassuming man, yet a man of ideas.

13. Botez, who has been assigned to Tulcea as a sort of exile from Bucharest, said he senses a recent change in the way government officials conduct themselves in dealing with him. He said they make a point of letting him know that they are only following orders and have nothing against him. He feels they are uncertain of how “glasnost” will affect Romania and are trying to distance themselves somewhat from the top leadership to avoid being caught too far on the wrong side should a shift come.

Silviu Brucan

14. In contrast to Botez, former Romanian Ambassador to the U.S. Silviu Brucan feels Gorbachev is a serious reformer and will succeed in bringing about changes in the Soviet Union, changes which will have a major effect on bloc countries within the next two years.

15. Brucan has written articles comparing U.S. and Soviet technological development and predicting that the Soviet Union will become a second-rate power early in the next century if it does not make major changes in the economy. He sees Gorbachev’s announcements on “glasnost” as the beginning of these needed changes.

16. Brucan said that Gorbachev made “a tremendous impression” on Romanians at all levels and that Gorbachev had supporters at “even the very highest levels” of government. Brucan claims that many officials are trying to distance themselves from “the royal family” but still retain their positions. He sees the development of a strong pro-Gorbachev faction in the government.

17. When the PAO questioned how “glasnost” could come to Romania given President Ceausescu’s recent rejection of any changes in the economic system, he said there are a number of possibilities. One scenario has Ceausescu giving lip service to minor changes with no intention of making major changes, and, once the changes have begun, they snowball out of his control.

18. Brucan feels Romania will be the last to fall into line but has no doubts that they will. He has developed a political model to demonstrate that Romania, like other bloc countries, has no alternative. He said the Romanians took major steps toward closer ties with the Soviets in 1986 when they became the bloc country with the most investment in the Soviet Union, putting in funds, equipment and even workers into projects in the Soviet Union, including gas fields in Siberia and iron ore mines. He said Romania no longer can afford iron ore from Asia and South America and is dependent upon the Soviets to feed its industry.

19. Brucan also said that 75 per cent of Romania’s trade will be with COMECON by 1990, giving the Soviets even more leverage. He

said Romanian trade with the Soviets has increased from 17 per cent to 33 per cent in the past four years, with the losses coming in trade with the West.

20. Comment: Botez, always the critical dissident, naturally would be most cynical about any possibility for meaningful change. Brucan, a man who has predicted disaster if changes are not made and a former government official who probably hopes to be welcomed back as a senior advisor should changes be made, obviously would tend to see the signs in a more positive way. Both, however, are impressed with the amount of support Gorbachev seems to have, and both report movement on the part of government officials to distance themselves from Ceausescu.

Journalist I

21. A senior journalist in foreign affairs who recently returned from the Soviet Union could not believe what he saw happening in the field of journalism and kept repeating: "It can not continue".

22. He said that the Soviets have "opened Pandora's box" and that each step taken by the press immediately leads to a further step. This can not continue, he said, because they ultimately will be attacking the very foundations of the political and economic systems, and Gorbachev can not allow this to happen.

23. The journalist had attended "Pravda's" 75th anniversary celebration and said he saw signs at the celebration of the problems "glasnost" is creating. Gorbachev and other high-level officials were there, he said, but no official delivered a speech. He said Gorbachev could not speak without either praising recent "Pravda" articles, which he would not do, or criticizing "Pravda", which he could not do without being critical of his own policy. He said the "Pravda" editor did make a strong speech in support of the new openness but that the newspaper report on the speech the next day was short and contained nothing of the flavor of the editor's remarks.

24. The journalist had no doubt that Gorbachev would have to take measures to rein in the press and said, for the fifth time: "It can not continue".

25. While obviously not sanguine about the continued rapid growth of openness in the Soviet Union, the journalist had no doubt that "glasnost" was a major development and said that "the socialist world will never be the same".

Foreign Affairs Specialist

26. A young specialist at the Academy for Political and Social Studies was so impressed with Gorbachev's impact on Romanians that

he predicted: "If Ceausescu were to die today, there would be a pro-Gorbachev faction in control tomorrow".

27. He called the PAO's attention to a recent article circulating in Bucharest in which the Russian newspaper "Nedelya" criticized the Romanian Government's policy "even more strongly than the Western press". A foreign correspondent who reads Russian later told the PAO that, while strong coming from the Soviet press, the Romanian specialist had exaggerated the strength of the criticism.

Poet

28. One of Romania's best young poets could not contain his amusement at how quickly the Soviets had managed to exchange their black hat for a white one. He said that Romanians had begun to think that anything was better than what they now have and said Ceausescu had worked a miracle—in one year he has taken a population that was almost totally anti-Soviet and transformed it into one that likes them. He said, with an ironic laugh, that it is now considered more dangerous to listen to Radio Moscow than to VOA.

Yugoslav Journalist

29. A resident Yugoslav journalist with good Romanian contacts said that his circle of friends had great expectations prior to Gorbachev's visit and were disappointed in the lack of positive results. At one complaint session, one of the Romanians admonished his colleagues, noting that a year ago they hated the Russians and today were expecting them to provide answers for Romania's problems. The journalist felt that, though disappointed, his friends still looked to the Soviet Union for help. He also said that, just after Gorbachev's major speech on "glasnost" (not published in Romania), copies of the speech were being sold in Bucharest's flea market at 100 Lei (\$10) in Russian and 200 Lei translated.

Translator

30. A translator who once was an Embassy employee said she was surprised and dismayed at the enthusiasm young intellectuals show for Gorbachev. She claimed the educational system and lack of adequate historical material for the fact that most young Romanians do not have a sense of history or an understanding of the negative role Russia has played in Romania. She said they now look to the Soviets as a last hope to rescue them from the present disastrous situation.

Students

31. While some students are cynical about Gorbachev's intentions, a foreign lecturer at Bucharest University reported that others were

quite impressed. He was taken aback when one student, who was not yet born when President Kennedy was assassinated, compared the Gorbachevs to the Kennedys. He saw Gorbachev as a young, dynamic, stylish leader with ideas and felt that it was the Soviets rather than the Americans who are now coming up with new ideas.

Sociologist

32. A sociologist who regularly discusses Romanian developments with P&C officers described what is happening in the Soviet Union as "fascinating" and said he looks forward now to reading "Pravda". He contends that the debates in the Soviet Union are more exciting than anything coming out of the U.S. and feels these developments provide a provocative example for Romanians.

Publishing House Official

33. This individual, a former Ministry of Foreign Affairs official who was eased out of his position at the MFA some years ago, is careful but mildly critical of the government. He said that "many Romanians" are hopeful that "glasnost" will result in positive changes here but that he personally doesn't see anything in it for Romania. When the reporting officer asked if it might not be important a few years down the line, he said Romania was not the only bloc country with serious questions about Soviet policy and that other countries also were sticking to their own policies.

Senior Researcher, Party Institute

34. A senior researcher at the party's Institute of Historical and Social-Political Studies said Gorbachev's reforms are much discussed at the institute and that privately some of the top-level administrators there have expressed admiration for Gorbachev.

Religious Family

35. A researcher with good contacts in the religious community said one family he knows "prays for Gorbachev", hoping that he will be successful and that the reform movement will move to Romania. He said they realize that there is strong opposition in Russia to Gorbachev's liberalization policies, and some are skeptical that he will be able to accomplish his goals. He also made it clear that these contacts wanted Soviet reforms to cross the border, not the Soviet army.

36. Two elderly friends of this researcher are enthusiastic over information they have that Gorbachev has insisted on less Soviet gas going to Romanian industry and more to homes. Their nephew, who works in the energy field, claims that Soviet monitoring teams have recently arrived in country to see that Soviet resources are more fairly distributed. Whether there is any truth to this story or

not, it is an example of the kinds of pro-Gorbachev stories that are in circulation.

Book Dealer

37. This individual feels that the situation can not remain as it is in Romania for long, and when changes come, they will be directed from Moscow. He said “the people” are hopeful that the new look in the Soviet Union will mean changes in Romania and said that considerable expectations are building up for change. The book dealer himself was cynical and didn’t expect to see major changes anytime soon.

Protocol Officer

38. Shortly after Gorbachev’s departure, a young protocol officer from the Ministry of Foreign Affairs was quick to assure the reporting officer that the Romanians had “made no concessions to the Soviets”. He did admit, however, that “glasnost” was a much discussed topic among Romanian officials and was an important new development.

Historian

39. One of Romania’s top historians has little hope that Gorbachev can accomplish serious reforms given the various groups that stand to lose power, prestige and even jobs should he succeed. He said that opposition from the army, KGB, party and bureaucracy would be too much to overcome even if Gorbachev is a serious reformer, which he doubts.

40. He sees no possibility that the current restrictive climate in Romania will change as long as Ceausescu is in power. He pointed out that, as the government claims, Romania did go through a period of liberalization before backsliding into its present deplorable state. He said that in the 1970’s there was a period when the government released political prisoners, allowed pre-war intellectuals to take up their old jobs, opened up travel, promoted cultural contacts with other countries, permitted a fair degree of literary freedom and allowed some small, private businesses. He ended the discussion by saying sadly: “And you see what we have now”.

Young Academic

41. A young academic at the party academy expressed doubt that Gorbachev would be successful in his reforms, saying that he doesn’t like “to bet on someone so far out ahead of everyone else”. He pointed to recent developments in China as an example of what happens when a communist leader is too innovative.

42. This academic sees little chance of “glasnost” having an effect on Romania, noting that Romania already professes to have the openness

mentioned in the Soviet policy declarations and thus has no reason to initiate reforms. He did concede that, if real changes take place in the Soviet Union, these changes would influence developments here.

43. He feels that the real test of "glasnost" will be how the Soviet Union treats the bloc countries, how much freedom they are given to develop on their own. He said he has given Soviet visitors his view that socialism is now safe in Eastern Europe and that the time is ripe for the Soviets to loosen the reins. He said their response has always been that the threats to the bloc are still too serious and that close Soviet attention is still needed.

Government Official

44. A government official, whose husband previously worked at the Ministry of Foreign Affairs, launched into a plea for us to "please not believe the Russians" before the reporting officer could even ask her opinion on "glasnost". She said Gorbachev is just like other Soviet leaders but that we Americans are being taken in. She explained that Americans are "babies" in foreign policy and expressed the fear that the Jewish lobby, which she characterized as only being interested in getting Jews out of the Soviet Union, would influence U.S. policy toward the Soviet Union and result in our being taken in by Gorbachev. This lady is bitterly anti-government.

Senior Researcher

45. A senior researcher at the Institute for Southeast European Studies was pessimistic about the ability of Gorbachev to bring about major changes and saw no possibility of "glasnost" spreading to Romania. In fact, he predicts a continued tightening up in contact with foreigners and even less travel abroad for academics.

Sociologist II

46. A sociologist from the Institute of Sociology said that the Gorbachev phenomenon had been discussed at great length by her colleagues. Because of the nature of their work, all members of the institute are party members, but indications are that, because of academic interest and previous frequent contact with Western sociologists, they are a fairly Western-oriented group. Their conclusion: Gorbachev is not to be trusted, and "glasnost" probably won't amount to much.

Journalist II

47. A foreign policy specialist at "Scinteia" summed up his reaction to "glasnost" by repeating the reply he gave in Yugoslavia when asked the question: "How deep is Romania's interest in 'perestroika'?" His reply: "How deep is 'perestroika'?" This individual is a careful

purveyor of government policy. His characterization of the Gorbachev visit: "We were happy to see him come and happy to see him go."

Journalist III

48. Another foreign policy specialist, this one from "Romania Libera", said Gorbachev's "words were nice" but noted there has been precious little activity. He suggested that Romanians, who have seen previous Soviets talk about reform come to nothing, were less gullible than Americans on Soviet pronouncements on "glasnost". He added that the economic changes suggested by Gorbachev are not necessarily the path to a stronger economy, noting that the Yugoslavs and Hungarians both have taken different roads, and both are now experiencing great difficulties.

49. Comment: Post feels that, if Gorbachev is serious about major reforms and can put them into effect, "glasnost" will have an important influence in Romania but one that we can live with very nicely. For our programming purposes, true "glasnost" would be a plus. The Romanians historically have felt they belong in the Western world rather than the East, and a more open Romanian society would greatly increase opportunities for us regardless of who initiates the openness.

50. However, we are not so sanguine about prospects if "glasnost" turns out to be a sham or if, as stated by Journalist I, "it can not continue". Should either of these be true, we fear that relatively minor changes in the Soviet Union accompanied by much fanfare could substantially enhance the image of the U.S.S.R. as a model for Romania without there being a corresponding relaxation in controls that would permit more Western contact.

51. One can not ignore traditional Romanian suspicions of Russia nor their desire for independence. However, the two countries already are growing increasingly closer economically. If Gorbachev can claim reasonable progress toward a better organized economy and a more open society in the Soviet Union, there will be less opposition to closer political ties with the Soviet Union after Ceausescu has left the scene.

Strovas

**163. Information Report From the Central Intelligence Agency
to the Department of State¹**

Washington, August 28, 1987, 2055Z

630132. Dist: 28 August 1987.

Country: Romania

Subj: Struggle for Power Within the Top Romanian Leadership

DOI: *[less than 1 line not declassified]*

Source: *[less than 2 lines not declassified]*

Text: 1. For some time, there have been major tensions within the "clan" of Romanian leader Nicolae (Ceausescu). Because of Ceausescu's mounting psychological and physical problems, and the concomitant growing influence of his wife Elena (Ceausescu), differences are becoming apparent not only within the family itself but also in circles around the family.

2. Although Ceausescu's prostate gland trouble has been cleared up, he is physically and psychologically not "up to" the demands of his office. He is under continuing medical supervision and must be stimulated through medication for all important appointments. Reasonable political decisions can no longer be expected of him. His major focus is on his giant construction projects, the progress of which he follows almost daily.

3. Elena Ceausescu does not hinder him from following his whims in this regard, and thus has a free hand herself for important political decisions. She has to a large degree assumed from him the authority to make decisions, and at times even goes so far as to countermand, without informing him, decisions he has taken. She constantly endeavors to bolster her own position of power. As a result of her clever personnel policy, she has been able to recruit as supporters a not-inconsiderable number of top-level officials. She has also, however, made a number of real enemies.

4. Most top-level officials have already "written off" Ceausescu. They see him as a self-satisfied would-be monarch who has become senile and thus unpredictable, and who should actually be "deposed." It is feared, however, that such a "desposition" would lead to unrest and insecurity, which could do the country even more harm. Consequently, these individuals prefer to wait until his eventual natural demise.

5. An opposition group has secretly formed within the leadership of the party and government in order to prevent Elena from ever

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Romania—Substance 1987 (3). Secret; Specat; *[handling restrictions not declassified]*. Also sent to the White House Situation Room and the Office of Current Operations at the CIA.

assuming power. This group's near-term goal is to hinder the further expansion of Elena's influence. The group undoubtedly has contacts with Moscow, and presumably Soviet backing for its goals. At present, the group intends to promote Nicu (Ceaulescu)—because of the tensions between himself and his mother—in the hopes that this will restrict further expansion of her influence.

164. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, September 16, 1987, 0429Z

7578. Subj: Ethnic Hungarian Intellectual Comments on GOR Minorities Policy.

1. Confidential—Entire text.

2. Summary: During an August 31 conversation with PolOffs, ethnic-Hungarian intellectual Domokos Geza (protect) outlined Romanian efforts to force assimilation of ethnic-Hungarians, and said that he had no hope for change “under the present leadership.” He complained about GOR attempts to structure his April, 1987 discussion with EUR DAS Simons.² Domokos described his complaints as those of a loyal Romanian citizen and former Central Committee member who believed in the survival of Romania's Magyar culture. He explicitly stated that he was not a dissident. Domokos noted ethnic-Hungarians' appreciation for Western support for their cause. End summary.

3. Introduction: EmbOffs spoke for almost two hours on the evening of August 31 with ethnic-Hungarian intellectual Domokos Geza. The meeting with Domokos, an official of the Romanian Writers' Union, Director of the Kriterion publishing house and former Central Committee member, had been arranged to introduce him to a staff member of the visiting CSCE Commission, although scheduling conflicts ultimately prevented the CSCE staffer from attending. The conversation, which was held entirely in Romanian, took place in EmbOff's apartment.

¹ Source: Department of State, Records from Ambassador Thomas W. Simons, Jr., Lot 03 D 256, Chron, September 1987. Confidential; Priority. Sent for information to Budapest, Vienna, Munich, Belgrade, Zagreb, Prague, and Sofia.

² Telegram 3216 from Bucharest, sent April 24, outlined the discussion that Simons and Domokos had regarding Hungarian minorities in Romania on April 17. (Department of State, Central Foreign Policy File, D870316–0443)

4. Domokos began the conversation by expressing regret that the GOR had engineered his April meeting with EUR DAS Simons to ensure that substantive conversation could not take place. He said he had enjoyed his relationship with Simons when the latter had been posted in Bucharest; he had looked forward to a frank talk during the April meeting. He thus decided, when granted permission to attend the August 31 reception, to seek out Embassy officers or members of the delegation in an attempt to get his views across. End introduction.

5. Domokos described himself as a loyal Romanian citizen of Hungarian descent. He suggested that the two identities were separate: his Romanian citizenship did not affect his Hungarian cultural identity; his Hungarian ethnicity did not undermine his loyalty to the Romanian state. He noted his service on the Romanian Party Central Committee, and suggested that he had been removed from his party post as a result of his outspokenness on Hungarian issues. He stated (without apparent remorse) that he remains a member of the party, and stated explicitly that he was not a dissident.

6. Domokos painted a grim picture of Hungarian-minority rights under the current regime. He said that the GOR is actively reducing educational opportunities for Hungarians, cutting cultural programs, and reducing Hungarian-language telecasts (to zero) and radio broadcasts (to occasional news bulletins). An ironic result of the latter, he said, is that most ethnic-Hungarian Romanians turn to the Hungarian media as their exclusive source of information.

7. He said that the Romanian insistence on Romanization of all its nationalities resulted from the belief, based on the nation's relative youth, that the nation-building process must be accelerated. He noted, however, that the United States, which is also a relatively young country, had taken a different approach to handling national minority issues. Citing the American example, which he admired, he said that people would be willing to learn the national language if there were incentives; he noted, however, that American emigrants often continued a lively social and cultural life in their native tongues, even as they assimilated into mainstream society. "They don't say they are Hungarians or Italians," he added. "If you ask they respond that they are Americans."

8. Domokos then spoke of other shortcomings in the government's minority policy. Although the GOR insists that Bucharest has the second-largest Hungarian population of any city in the world, its historic Hungarian-language school, founded in the 19th century and traditionally considered one of the country's best, was doomed. Its ninth grade currently has only 14 students. The GOR did not permit enrollment by Hungarian-minority students from other areas in Romania to make up the shortfall. If the school's ninth-grade class was disbanded, he feared this would lead to the high school closing down completely.

Even in heavily Hungarian areas, public meetings always included a Romanian, and thus were always held in Romanian, even if the vast majority of participants spoke Hungarian as their mother tongue. He suggested that recent changes in Transylvanian street names from Hungarian to Romanian served as special symbols of the government's policy.

9. Domokos discussed the practice of adding Romanian "sections" to previously all-Hungarian institutions, such as theaters, in areas of heavy Hungarian ethnic concentration. In theory such an expansion is not only understandable but also a good idea, offering to the Romanian-speaking population of an area where Hungarian speakers are in the majority an equal chance to enjoy cultural events. In fact, however, the GOR is acting with ill-will. The GOR's aim is not to have the two language groups co-exist, but rather to eliminate the Hungarian entirely. Citing the example of Sfintu Gheorghe, (a town that is 78 percent ethnic Hungarian and where a Romanian section of the town's theater recently opened) Domokos said that for the moment, the two theater groups would have equal staffing and budgets. Within several years, however, the Hungarian section would start losing resources to the Romanian group, and eventually would be closed altogether. He said the same thing had happened in Oradea, and was in the process of occurring in Cluj. The result, he said, is that the Hungarians see the handwriting on the wall, get discouraged and drop out, thus further feeding the downward cycle for Hungarian culture.

10. Domokos also rejected arguments that economic hard times had worsened the Hungarians' situation. Times had often been difficult in Transylvania; the Hungarians living there had, however, always been able to maintain their heritage. The intensity with which the current policy is being applied is a fairly recent, i.e. since the early '80s, phenomenon.

11. Domokos said that he had no hope for change "under the present leadership." The President, perhaps aware of his mortality, had accelerated the process of Hungarian assimilation. Domokos said the anti-Hungarian policy was clearly being used to distract the population's attention from focusing on the errors of the GOR leadership.

12. Domokos said Ceausescu's brother, the military historian General Ilie Ceausescu, had special influence on minority policy, keeping alive accounts of Romanian suffering under Hungarian rule. He said he could not identify any others in the top leadership who were particularly aggressive in pushing anti-Hungarian views, but lamented that the government's policies had succeeded in fomenting widespread anti-Hungarian attitudes among the Romanian ethnic population. He noted, for example, that Romanians of all ethnic backgrounds should work together against some of the regime's more outrageous policies. He noted with regret, however, that with notable

exceptions, most Romanian ethnics inclined to opposition kept themselves separate from their ethnic Hungarian colleagues. Domokos felt, however, that there was hope for the future, because the current nationalities policy was too irrational to continue indefinitely. He seemed to feel that support for the current policy would decrease under Ceausescu's successors.

13. Domokos said that ethnic Hungarians greatly appreciated the attention given their cause in the West. He said that he (and implicitly, they) kept informed about such support by "foreign radio." He said he keeps hoping the Hungarian culture will survive in Romania despite current GOR policy. The most important aspect, he emphasized, is keeping Hungarian-language instruction in the schools.

14. Bio note: Domokos, who said he is a year short of retirement, has two sons living in Sfintu Gheorghe. One, who is 31, is a dentist; the other, in his mid-twenties, is a plastic artist. Domokos said he had lived in Bucharest for 33 years, and said he considered himself a lover of Romanian, as well as Hungarian, language and culture.

Kirk

165. Information Report From the Central Intelligence Agency to the National Security Agency¹

Washington, October 22, 1987, 2225Z

719788.

[less than 1 line not declassified]

Country: Romania

Subj: Romanian [less than 1 line not declassified] Concern Over Food Shortages.

[2 lines not declassified]

Text: 1. [less than 1 line not declassified] the problem of food shortages is seen as almost catastrophic, and responsible officials in Bucharest are considering declaring an official state of emergency; more and more, and to an extent even openly, these officials speak of a looming famine.

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Romania—Substance 1987 (3). Secret; [handling restrictions not declassified]. Sent to NSA for the Director. Also sent to the Department of State (for INR), the Department of the Treasury, the Department of Commerce, the White House Situation Room, and the Office of Current Operations at the CIA.

2. The main reason for the marked deterioration in the already-bad food-supply situation is this year's harvest, which has been worse than in the past two years. The situation is exacerbated by the fact that there are almost no reserve food supplies anywhere in the country.

3. The quantities of food allotted for the Romanian population are to be further reduced; due to extremely scarce supplies, however, the rationing system will not be extended to additional foodstuffs.

166. Memorandum for the Record by the Deputy Assistant Secretary of State for European and Canadian Affairs (Simons)¹

Washington, November 9, 1987

SUBJECT

Luncheon with Romanian Ambassador November 9

I asked new Romanian Ambassador Ion Stoichici to lunch at Aux Beaux Champs November 9. He brought with him his First Secretary Dan Dumitru. Most of the conversation was in Romanian; Stoichici spoke entirely Romanian, while I asked Dumitru to interpret from English for me on occasion. Stoichici said it was the first time anyone from the Administration had invited him out, and seemed appreciative. He also seemed an intelligent man, not uncultivated—we traded Bucharest literary/cultural gossip, and he was very much up to speed—but of course green to foreign affairs and to this country, and careful. Highlights follow.

Wolf/Armstrong Prospects

I said we had the impression that the prospects for passage of the Trade Bill were smaller than before the Wall Street troubles,² but anything could happen. The Department was taking a position of principle, that the Wolf/Armstrong amendments were bad, and that we opposed them. Stoichici said that was good: the Romanians were standing on principle, and were convinced that was the only way to conduct our relations. They were not “speculating” on the current situation.

¹ Source: Department of State, Records from Ambassador Thomas W. Simons, Jr., Lot 03 D 256, Chron, November 1987. Confidential. Drafted on November 11. Copies were sent to Ridgway, Kirk, Palmer, Wenick, and Schlamm.

² Reference is to Black Monday, October 19, 1987, when stock markets in the United States and around the world crashed.

I complained about the exhibit cancellation.³ Stoichici gave the same explanation he had given to the Deputy Secretary, and I said it was not credible to believe that the exhibit could not go forward because they had celebrations scheduled into January.⁴ Dumitru said the cancellation had nothing to do with MFN: if they had wanted to make a point about MFN we would have seen it in emigration. As proof, he noted that Agerpress had reacted to the Wolf amendment two days after passage; the GOR can move fast when it wants to. In fact it was not retaliating; the reaction had been low-key and careful.

Stoichici said this was true, and general. For instance, the GOR was not making a point—though it could—about our inability to accept many of the people they were giving exit permission to. They were working away on departures; figures have been rising. I said we recognized that, but I could only encourage them to work away and demonstrate progress on all human rights issues of concern to us. He said that was a lot to expect.

I asked whether their position was that if the Wolf/Armstrong amendment became law we would have violated international law; I had noted the President had made this point a number of times. Stoichici said it was, and was made after legal study. Moreover, if one side broke an agreement in this way, it would affect the other side's obligations too. For that matter, the practical effect would be equally bad. Businessmen simply could not make contracts under these conditions; the necessary predictability would be lacking, whether or not there would be renewal under the old terms. I urged him not to overestimate the influence of businessmen on this issue; I knew many Communists made that mistake, for ideological reasons, but he should not.

I asked Stoichici how he thought the Department should respond to offers from the Hill of a compromise whereby MFN would be suspended for a period, but with contract sanctity for that period, and then automatically renewed under the old terms. Dumitru blurted out "That would be the best," but Stoichici, on reflection, said he thought the Department should still hold to the position of principle it was now taking.

³ Reference is to the "Filmmaking in America" exhibit sponsored by USIA. The Romanians allegedly cancelled the exhibit "for technical reasons." Telegram 8975 from Bucharest, sent November 2, described the conversation regarding the exhibit cancellation between Romanian officials and the Public Affairs Officer. (Department of State, Central Foreign Policy File, D870901-0108)

⁴ Whitehead and Stoichici met on November 3. Telegram 346624 to Bucharest, November 6, summarized their meeting. (Department of State, Central Foreign Policy File, D870915-0006)

Jackson-Vanik et al

Following up on the Deputy Secretary's offer to have me describe U.S. policy toward Eastern Europe, I gave Stoichici a thumbnail sketch: in practice for 30 years and formally for more than a dozen, we have sought to develop bilateral relations with each country of the area, to mutual benefit, at whatever pace it could stand, as if they were independent of the Soviet Union, but taking into account our criteria of domestic liberalization or foreign policy independence. Some had sought to change the policy to insist on both domestic liberalization *and* foreign policy independence, but this had not happened. With regard to Romania, a number of things had however happened over the years. The U.S. had in general become more interested in human rights, so that in practice we consider human rights issues beyond the legal emigration criterion. The domestic situation in Romania has degenerated, partly as a result of the debt repayment program. And the course of events in the Soviet Union under Gorbachev's leadership has begun to call into question the assumption that *any* deviation from the Soviet Union is to U.S. advantage.

I said I realized that this was different from the Romanian approach, which was that absolute independence based on absolute sovereignty was necessarily good, but the Romanians would be well advised to keep these changes in mind in dealing with the United States. The internal situation counted, and we believed that Romania as a sovereign country had itself assented to exceptions to its general rule that outsiders had nothing to say about their internal affairs, in signing international agreements including commitments on human rights. Our Trade Agreement and the Helsinki Final Act were examples.

Dumitru said they were different, since the Helsinki Final Act included provisions on sovereignty and non-interference which were often forgotten in the West. Stoichici, while not disagreeing with my point, said reflectively that he thought it would be better to stick to the previous approach. Romania would in any case defend its independence in principle against all comers, East or West.

Stoichici asked how we thought Jackson-Vanik had worked. I said the Administration had opposed it when it was offered, but over time it had proven a useful practical way of relating our human rights concerns, which had risen with the years, to other aspects of our bilateral relations with Communist countries. It had been practical because it was narrow. The problem now was not so much that our concerns were rising, but that Wolf/Armstrong threatened to translate the expansion of our concerns into legislative requirements which were impractical. That was one of the main reasons we were opposing it. We felt that if it passed, Jackson-Vanik could no longer serve as an incentive to other Communist countries to improve relations with us.

Romania would no longer be an example of how this worked to the benefit of both sides.

Stoichici commented that countries which had advised Romania against going down this path at the time would be coming back to remind Romania of this and claim they had been right. U.S. and Romanian interests would be much better served by trying to improve relations rather than damage them; he did not think anyone in authority on either side disagreed with that, and we should proceed on that basis. I said we certainly agreed with it, but how to do it was complicated.

How to Move Ahead; What Line for the Hill

Stoichici said the GOR would like to help move ahead by increasing contacts between the two sides. Parliamentary contacts, regular or semi-regular, came to mind. U.S. parliamentarians should visit Romania and see whatever they wanted; Romanian parliamentarians should come here for completely frank exchanges of views. I said we had nothing against the idea, but there were limits to its value. For instance, we were favorably inclined toward the idea of a human rights round table. But the limits were severe. The GOR controlled whom U.S. Congressmen saw in Romania and whom it sent to the U.S.: both would always say that there were a few problems, but basically things are wonderful. So visits are useful, but there is a bottom limit to the kind of credibility they conferred on the GOR, which the GOR should recognize. Moreover, we had to be very careful; we had been pressed hard about support for the delegations of parliamentarians and religious leaders in the spring, on the grounds that we were abetting GOR propaganda. The best thing the GOR could do was perform on human rights issues of concern to us and Congress.

Dumitru said he and Stoichici were going to start going up to the Hill, and asked if there were any advice I could give, very informally, about what line they should take. I repeated that this was a delicate topic, so I would be very informal; we were not really in a position to advise. If I were them, I would be low-key, careful, statesmanlike. I would stand on principle; I would point out the importance of independence to Romania and to our relations, giving as many *recent* examples as I could; I would make the point about improving rather than damaging our relations. But I would refrain from threats: Congressmen took them even less well than we do. And I would be prepared to answer very tough questions, particularly about the situation of Hungarians in Romania, and to do so soberly rather than stridently or propagandistically, along the lines of the book on Horthyite-Fascist conduct in Northern Transylvania they had given me. I had to say, as a friend of better relations between our countries, that every aspect of Romanian life looked basically the same as it had in my time there, albeit worsened by the economic crisis brought on by the debt repayment

program, with the single exception of the Hungarian situation, which seemed to me to have deteriorated not only in absolute but in relative terms as well.

Stoichici did not rebut; rather, he thanked me for the opportunity to discuss things in a spirit of friendly candor.

167. Memorandum From the President's Assistant for National Security Affairs (Carlucci) to President Reagan¹

Washington, November 20, 1987

SUBJECT

Romanian MFN

Congressman Wolf's November 12 presentation on Romanian MFN was a powerful indictment of the Ceausescu regime. However, the fundamental question is whether suspending MFN would improve or worsen the situation in Romania.

All U.S. government agencies believe that an MFN suspension at this time would most likely hurt our national interests, help the Soviets, and worsen human rights in Romania.

The Political Situation

Romania has long been a thorn in the side of the Soviets, an unreliable ally to Moscow. It is in the U.S. national interest to keep it that way after Ceausescu is gone. Instability in the country is growing, as evidenced by reports of a November 15 anti-government demonstration involving 100,000 people.² No one knows under such circumstances how much longer Ceausescu will be around. We do know that Soviet influence among some Romanian groups is increasing. The Soviets would love us to cut our most important link to the country—MFN—just

¹ Source: Reagan Library, Rudolf Perina Files, Chronological File, Chron November 1987. Secret. Sent for information. Copies were sent to Bush and Howard Baker. Reagan initialed the top of the memorandum. A notation at the top of the memorandum reads, "The President has seen 11/25." Perina also initialed the top right-hand corner of the memorandum.

² Telegram 9424 from Bucharest, November 16, reported on the demonstrations in Brasov. (Department of State, Central Foreign Policy File, D870941–0416)

as they are maneuvering to bring Romania back into the Soviet fold. We cannot afford to pull out now and leave the field to Moscow.

The Human Rights Situation

Since the US granted MFN, 170,000 people have emigrated from Romania. Last year, 15,000 were let out—more than the combined total from the USSR, Hungary, Bulgaria, and Czechoslovakia. In addition, we have prevailed on Ceausescu to simplify emigration procedures. Suspension of MFN would very likely diminish the limited leverage we have. That is why American Jewish groups oppose MFN suspension.

Legal Implications

The Jackson-Vanik amendment, under which Romania received MFN, applies in a strict sense only to emigration. The Romanians are technically complying with the provisions. Suspending MFN because of broader human rights concerns would distort the Jackson-Vanik amendment, making it difficult to restore MFN to Romania or to use Jackson-Vanik elsewhere in Eastern Europe to motivate freer emigration.

Congressional Situation

Under Jackson-Vanik legislation, you must determine each year whether MFN should be renewed. You did so most recently in June. The MFN suspension amendments, sponsored by Congressman Wolf and Senator Armstrong, are part of the trade bill which is now in conference. If you decide to veto the trade bill and MFN is not suspended through Congressional action, we can review the Romanian situation next spring and determine whether or not to renew MFN. Meanwhile, we can continue pressuring the Romanians on human rights while the door is kept open for unexpected developments, like Ceausescu's departure.

168. Memorandum From Secretary of State Shultz to President Reagan¹

Washington, December 29, 1987

SUBJECT

Suspension of MFN for Romania

In their recent meeting with you, Senators Armstrong and Helms and Congressman Wolf urged that you take the initiative to suspend Romania's Most Favored Nation (MFN) tariff status for a period of three to six months because of that country's poor human rights record. In return, they offered to withdraw their MFN suspension amendments to the trade bill now in House/Senate conference.

The Romanian human rights picture is dismal, and I know you want to do something to show your concern for the situation there. But I cannot recommend the Armstrong/Helms/Wolf proposal. It would draw the Administration into a violation of our bilateral commercial agreement and would undermine our ability to continue to work for better human rights in Romania. Also, as a matter of principle, we should continue to oppose suspension of MFN for any reasons other than those of law as set forth in the Jackson-Vanik amendment.

There are other strong reasons why we should hold the line against their proposal:

—Emigration from Romania is taking place at a high rate to the U.S., Israel and the FRG. The likelihood (an assessment shared by the American Jewish community) is that it would be cut off if MFN is suspended. The blame would fall on you.

—With the leverage afforded by annual review of MFN, we have been using government-to-government channels to get some real human rights accomplishments:

- family reunification;
- printing of Protestant Bibles for the first time since the 1920's;

¹ Source: Reagan Library, George Shultz Papers, Official Memoranda (12/29/1987). Confidential. Drafted on November 24 by Schlamm and Seymour; cleared by Wenick, Simons, Donald McConville (EB/TDC), Mark Johnson (H), Nuel Pazdral (HA), Michael Pea (L/EUR), Gerald Rosen (L/EBC), Verville, and Ralph Johnson (EB/TDC). Seymour initialed for all clearing officials except for Wenick. A stamped notation indicates the memorandum was received on December 29 at 5:53 p.m. Under an undated action memorandum sent through Whitehead, Ridgway, Fox, Larson, and Schifter sent Shultz this memorandum to the President. In it the drafters indicated that Shultz had asked them to prepare a memorandum to the President following Reagan's November 12 meeting with Armstrong, Helms, and Wolf. They recommended that Shultz initial the attached memorandum. (Ibid.)

- preservation of certain Churches and historic Synagogues; issuance of building approvals for some new Churches;
- release from prison of political prisoners and religious activists.

—If you are personally associated with the initiative to suspend Romanian MFN, these channels most likely would close, at least for a time. The Congress would doubtless avoid responsibility for this outcome.

—By violating our bilateral trade agreement, we jeopardize U.S. commercial interests in such areas as intellectual property, joint ventures and repatriation of profits.

—American importers, e.g. K-Mart, indicate they will have to live up to contracts and eat the difference between costs before and after MFN suspension. Some smaller American firms say they would go out of business. Again, they would look to you, not the Congress, as the source of their difficulty.

—Our opposition to MFN suspension for political reasons also is well grounded in our trade policy; changing direction would have ramifications for our credibility in GATT and our efforts to get other nations to live up to the international rules of the game in trade.

Although we must reject the proposal involving suspension of MFN, there is something you could offer the concerned members of Congress. We are discussing with the Romanians the possibility of holding a roundtable meeting early next year in Bucharest to thrash out human rights issues. The U.S. side would be headed by Assistant Secretary for Human Rights and Humanitarian Affairs Richard Schifter. To be responsive to the concerns expressed by Armstrong, Helms and Wolf, you could express to them your personal endorsement of the roundtable meeting as a means of raising concerns and pressing for concrete improvements in Romanian practices and invite them and other interested Congressmen to take a similar interest in the endeavor. They could be invited to take part in the actual meeting or, at a minimum, consult in the preparation of issues and positions the U.S. would present. With your interest and with Congressional backing, the roundtable could be used to send a strong message to the Romanian Government.

**169. Telegram From the Embassy in Romania to the
Department of State¹**

Bucharest, December 31, 1987, 1351Z

10588. Subject: Romanian Invitations to President and Secretary of State.

1. Confidential—Entire text.

2. Americas Division Director Besteliu called in Chargé 12/31 to reiterate the message conveyed by Ambassador Stoichici 12/30 to the Deputy Secretary.² Besteliu recalled that in June 1985, President Ceausescu had invited the President to visit Romania and, in view of the likelihood that the President would visit the Soviet Union in the first half of 1988, said the GOR wanted to reiterate the invitation. Besteliu said the GOR would be happy to have the President visit either on his way to or from the Soviet Union, and said such a visit “would be a cornerstone for developing relations between the United States and Romania.”

3. Besteliu said Stoichici also had discussed the GOR’s desire to have the Secretary of State visit Romania. He noted that the Secretary generally travels to Europe two or three times a year, and said the GOR hopes he could come to continue the dialogue between the two Foreign Ministers on one of those trips in 1988.

4. The Chargé thanked Besteliu for keeping the Embassy informed. He noted that, while he had no information on the travel plans of either the President or the Secretary, he would report the GOR’s interest to Washington.

Clarke

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Romania—Bilateral 1987 (4). Confidential; Immediate.

² Minutes from this meeting were not found.

170. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, January 7, 1988, 0925Z

88. Subject: Ethnic Hungarian Views on Current Situation in Romania.

1. Confidential—Entire text.

2. Summary: Geza Domokos (please protect, strictly—hereafter referred to as “source”), a leading ethnic Hungarian intellectual and former Central Committee member, offered views on the internal situation in Romania in a January 3 conversation with PolChief. Source noted that although Brasov² had been a shock to party members generally, there was no wavering in the small circle around Ceausescu. Ceausescu himself is oblivious to how low the country’s reputation has sunk, and still thinks himself clever—and impressing the West—when he shows a little independence from Moscow. The general population is pleased with Brasov, and there have been isolated incidents of protest since then, but source said that until Romanians developed some more established means of communicating among themselves, e.g. through samizdat, there is little chance of more organized protest against the regime. Source said he anticipated a tough crackdown on any sign of protest in the months to come, and said the regime may be cranking up the anti-Hungarian propaganda machine to distract the public’s attention. He noted that although Romanian intellectuals see through the regime’s diversionary tactics, anti-Hungarian propaganda still influences most Romanians. He strongly urged the U.S. to withdraw MFN from Romania, which he said would be an important political blow to the regime. Pol Chief countered—and we continue to believe—that MFN gives us greater access both to the GOR, inter alia to argue many of the human rights positions that source supports, and to elements disaffected from the regime. End summary.

3. The party post-Brasov. Source said there continued to be disarray among the Communist Party rank-and-file in the wake of Brasov, but not among the elements that count. The small circle of advisers around Ceausescu—his wife Elena, Emil Bobu, and a handful of others—are as unwavering as ever in their support of the current policy line. As far as he knows, source said, there is nobody speaking out in favor of different

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Romania—Substance 1987 (4). Confidential; Priority. Sent Priority for information to Budapest.

² Reference is to the demonstrations in Brasov in November 1987. See footnote 2, Document 167.

policies. In addition, new Interior Minister Postelnicu is too close to the Ceausescus to offer anything but blind loyalty. He said there are some signs that Securitate troops have begun to feel the impact of the poor economic situation, but not so much that they would present any danger to the regime.

4. Still living in a dream world. Source said Ceausescu has no idea of how low the country's reputation has sunk. One indicator is the cavalier manner in which he rejected West German offers of humanitarian aid in December. Nor does he know how bad off the population is: source said Ceausescu in recent days had offered food and medicine to help the Palestinian population in the Gaza Strip, thereby acting as if Romania had the supplies to spare. Source said Ceausescu still believes that he impresses the West when he makes little gestures of independence from Moscow. He doesn't realize the Soviet Union now has a more positive image in the West, and that his small gestures of independence on issues on which the West is more in agreement with Gorbachev than with him cause him to lose points.

5. Increased popular pride, but no coordination. Source said the population is proud of the Brasov disturbances, and added he expected more protests, if on a smaller scale, through the winter. He confirmed a rumor Embassy had picked up earlier of a fire in the Scinteia publishing house on 12/15. Source said he had seen the fire burning, and said some disgruntled employees had set fire to a pile of newspapers presumably because they contained Ceausescu's speech of the previous day to the opening of the Communist Party Conference.

6. However, source continued, incidents of protest would only seriously threaten the regime if there were widespread coordination among them. Securitate does a very good job making sure that potentially troublesome elements do not talk to each other. Source lamented the absence of any kind of "samizdat" in Romania, adding that until such a system developed, he saw little prospect for any kind of broad protest.

7. Source said he expected authorities to be much tougher with any dissidence for a while now. He noted that police were being especially efficient at present, and had called him in for questioning when he attended a holiday diplomatic function at the Hungarian Embassy. He said the regime appeared to be warming up another anti-Hungarian campaign, and noted a recent article by military historian (and Presidential brother) Ilie Ceausescu which was particularly vitriolic against Hungary.³ (Comment: He may have been referring to an October, 1987 article in a historical review which does go on at length about the

³ An unknown hand underlined this sentence.

"crimes" of the Horthyist elements against Romanians.) Source said the anti-Hungarian line could have been predicted, since organizing diversionary tactics is the standard reaction of the regime when it has internal worries. He noted that most Romanian intellectuals see such diversions for what they are, and pay no attention. However, the average Romanian, i.e. the majority of the population, still reacts positively to such "rally round the flag" appeals. One consequence would be a further slippage in the status and rights of the Hungarian minority, source noted resignedly.

8. Asked what the U.S. reaction to the current Romanian situation should be, Geza responded immediately, "You must withdraw MFN." He said the economic impact of such a move would probably be small, but argued the political effect on the regime would be powerful. He said "any Romanian you talk to" will say the U.S. should withdraw MFN. PolChief argued that MFN allowed the U.S. to help individuals in Romania, but source dismissed such reasoning. (Comment: We continue to feel that the presence of MFN allows us greater access both to dissident elements and to the GOR itself, giving us opportunities to make many of the same points—for example on the status of minorities—that source wants to see defended. Moreover, source may have been speaking for many Romanians in insisting that he wants to see MFN withdrawn, but opinion is far from unanimous on the subject.)

9. Comment: Source's comments on conditions in Romania strike us as generally on the mark, in particular in his cautionary notes regarding the impact of Brasov on either the circle around Ceausescu or the prospects of wider protest. We too would expect some increase in anti-Hungarian propaganda as a diversionary tactic, but would have expected to see more of it by now than just one article in October, 1987 by Ceausescu's brother.⁴ On the other hand, Romanian observers have noted to us what they saw as a harsher tone on minorities in Ceausescu's speech to the Communist Party Conference on December 14 of last year (see 87 Bucharest 10241).⁵

Clarke

⁴ An unknown hand underlined this sentence.

⁵ Telegram 10241 from Bucharest, December 15, 1987, summarized Ceausescu's report to the Communist Party Conference. (Department of State, Central Foreign Policy Files, D871026-0234)

**171. Letter From President Reagan to Romanian
President Ceausescu¹**

Washington, January 26, 1988

Dear Mr. President:

I am pleased you will receive Deputy Secretary of State John Whitehead during his stop in Bucharest. His visit is an important part of the dialogue between our countries. Moreover, it comes at a critical time in our bilateral relations.

There is rising concern in the United States, including the United States Congress, about continuing problems with respect to human rights in Romania. We see your understanding of the seriousness of these problems as the key to success in overcoming them and maintaining the long-standing and mutually-beneficial relations between our countries.

It is true that greater numbers of Romanians than ever before have been allowed to emigrate to join family members in the United States, and we recognize the efforts your government has made in this regard. Unfortunately, effects of this effort are clouded by the growing list of restrictions in other areas, particularly in religious freedom, treatment of minorities, economic conditions and political expression. American officials have had numerous discussions about these problems with members of your government.

Precisely because we value our relationship with Romania, we have sought to convey the depth of American concern about these problems. Without substantial improvements in the next three months, it will be very difficult for me to decide on renewed extension of MFN for Romania this spring, much less for Congress to accept a positive recommendation. Moreover, quite apart from the question of MFN, economic and human rights conditions in Romania will always be important to our relationship, and their improvement would serve to strengthen and benefit our bilateral ties.

I have, therefore, asked Deputy Secretary Whitehead to review the situation with you. I urge you to do your utmost to clear away these difficulties so that we can resume the work of building broader and deeper relations between our countries.

Sincerely,

Ronald Reagan

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Romania—Bilateral 1988 (1). No classification marking.

172. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, February 6, 1988

Depto 1044. Subject: A Hard Message to Romania.

1. Confidential—Entire text.

2. My message to the Romanians these past 24 hours was a stark one. I told them that I thought there was less than an even chance that MFN would be renewed past June. State must make a recommendation to the President by May 1, he decides by June 3, and then Congress has 90 days to object. I told everyone I spoke to that I thought there would be trouble at each stage of the process for two reasons: Romania's human rights record is miserable and their economic policy is oppressive.

3. I started the day by spending two and one-half hours in the Foreign Ministry, first with my counterpart and then with Foreign Minister Totu. I gave them ten specific examples of why we thought their human rights record was below standard, including their emigration figures (they hotly dispute our numbers), their continuing discrimination against religious groups and the Hungarian minority, our long lists of unsolved cases (which I handed over), and their decision to close a very successful USIA film-making exhibit late last year.² Their answers on most of my examples were weak, and I got a full blast of the "don't interfere in our internal affairs" lecture. I responded, as I have in all of my visits in Eastern Europe, that as a sovereign country we have a right to choose our friends, and one of the ways we do so is by judging how they treat their people. The Foreign Minister and I also reviewed the international scene. He is just back from Israel and thinks Shamir is serious about trying to find a way out. He didn't have much good to say about the Soviet Union. They couldn't be clearer in their call for a Soviet withdrawal from Afghanistan and other areas where Moscow is making trouble, and I will commend them publicly for that at my press conference.

4. I then spent three difficult hours with Ceausescu. Although he seemed less vigorous than a year ago, he was no less stubborn. I began by giving him the letter from the President,³ which, in a friendly way, highlights the looming problem with MFN. As he listened to the

¹Source: Department of State, Records from Ambassador Thomas W. Simons, Jr., Lot 03 D 256, Chron February 1988. Confidential; Immediate; Nodis. Drafted and approved by Grossman.

²See footnote 4, Document 166.

³See Document 171.

translation, Ceausescu became obviously irritated, and his frowning and his sighing increased throughout my opening presentation. When I had finished—and I made comments on more than just our human rights concerns—he launched a bitter attack on the President’s letter, saying that we were meddling in their internal affairs and that he would never accept MFN on these conditions. He talked non-stop for an hour. He termed our reference to the discrimination against the Hungarian minority a “hostile act against a friendly country,” and reiterated that, since Romania meets the letter of Jackson-Vanik, it is unacceptable for us to complain about anything else. Oddly enough, he then moved on to discuss ways we could improve U.S.-Romanian relations, and told me again how much he would like the President to visit on his way to or from Moscow. He then gave a routine description of his foreign policy objectives.

5. I was a bit feisty in return, even a bit confrontational. He started to back away from his more extreme positions, but all through he was snide and almost rude. It was an unpleasant and disappointing meeting, and I intend to say so at my press conference. I will focus my disappointment on him, and not on the Romanian Government or people.

6. Just after my meeting with the President, I attended a reception hosted by Roger Kirk so that I might meet some of the most prominent religious figures in the country and hear their stories. Invitees were told by the police not to come. Many stayed away. Some of those who did arrive, including an 85-year-old former Prime Minister, were harassed on their way down the street. A former Ambassador to the U.S., who has recently been critical of the government, was prevented from coming at all. I am sending Tom Simons to try to see him this morning to show our solidarity. All of those I talked to have some kind of trouble with the government. They are courageous people, and I told them so. They are very glad to have a connection with the U.S. Embassy here. We know we stand for freedom, but it is often only in a group like that that we get the chance to really feel it.

7. I leave here disappointed. There is so much change apparent in countries like Poland, Bulgaria, and Hungary. Here, Ceausescu is so astonishingly isolated that he told me with a straight face that the national income of his people had risen 5 years in a row. He is blinded by his sycophants. We agree with so much of what they say on international issues, but their internal policies are reprehensible. The balance of our interests has always convinced us that it was worth keeping a dialogue going, and I think that is still true, even in the face of my conversation today. Perhaps my press statement today will shock them into some action. Even though they say it isn’t, MFN is important to them (it will affect about \$300 million of their \$800 exports) and we want to try to get them to start cleaning up their act between now and

June. In doing so I realize we are taking a calculated risk. Separating us from Ceausescu is one thing, but he may well retaliate—at least temporarily—on some of the very people we are trying to help. I think it is a risk worth taking. But we will need to watch the results, and keep flexible as we go along.

Kirk

173. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, February 6, 1988, 1204Z

881. Subject: Romanians Say No More MFN.

1. (Secret—Entire text)

2. Summary: FonMin Totu February 6 gave DepSec Whitehead a message for President Reagan from Ceausescu stating that: Romania favors development of economic and political relations with the U.S.; Romania no longer wants MFN with Jackson-Vanik or any other conditions; and family reunification cases will continue to be resolved. A written message from Ceausescu will follow this “advance notification.” Details of MFN termination, including timing, will be treated then. Both sides agreed there would be no publicity until that time. End summary.

3. FonMin Totu convened DepSec Whitehead on short notice the morning of February 6. He read the following message from President Ceausescu to President Reagan:

Quote:

(1) Romania pronounces itself in favor of the development of economic and political relations with the United States without any conditions whatever, including the Jackson-Vanik amendment to the Trade Agreement of 1975. In this respect, Romania favors conclusion of a long-term commercial agreement and of agreements on industrial cooperation on GATT principles and without other conditions.

(2) Romania is no longer interested in maintaining MFN with the Jackson-Vanik amendment. So, to be clear, Romania no longer accepts

¹ Source: Reagan Library, Rudolf Perina Files, Romania—MFN 1987 (1). Secret; Immediate; Nodis.

Jackson-Vanik. Romania would accept the granting of MFN without the Jackson-Vanik amendment or any other conditions whatsoever.

(3) The American side should take measures to stop all actions concerning MFN, including Jackson-Vanik or other conditions. MFN with Jackson-Vanik is no longer of interest for Romania, so this matter should not be debated anywhere.

(4) This conclusion will be communicated in written form in the reply of President Ceausescu to Mr. Reagan.

(5) Family reunification cases will be resolved separately, without being related to economic relations between our two countries.

End quote.

4. In the ensuing discussion, Totu stated that this communication should be considered as an “advance notification” to be followed up by a written communication of President Ceausescu to President Reagan. Both sides agreed that MFN terms should be carried out in accordance with the terms of the trade agreements between the two countries; and the Romanian side said they would study this question as they developed their written communication. After the U.S. side asked what date termination would be effective, it was agreed that this would be determined in the context of the written communication from the Romanians. It was also agreed that the two sides would discuss the question of a public announcement at that time, and that there would be no publicity in the meantime.

5. Deputy Secretary Whitehead noted that this was a major decision for the Romanians. It was a decision he “understood” as it would avoid some problems for Romania. However, he was in a way disappointed as this would make it more difficult to increase our trade, despite the fact that tariffs on many Romanian exports to the U.S. would not be affected. The Deputy Secretary stated that this action would not change our desire to continue our trade and other aspects of our relations, and he said we would work to that end. This sentiment was echoed by the Romanian side.

6. This message has been cleared only in substance with the Deputy Secretary’s party.

7. Please repeat to Deputy Secretary’s party in Prague.

Kirk

174. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, February 10, 1988, 1649Z

992. Subject: The Impact of MFN Withdrawal on U.S. Operations in Romania. Refs: A) Bucharest 893;² B) Bucharest 881.³

1. Confidential—Entire text.

2. Summary: Romania's decision to drop MFN status will likely affect a number of U.S. interests in Romania in the coming months. The most likely areas are those in which the GOR has objected to U.S. attempts to use MFN leverage. We expect emigration to drop somewhat, certainly in those categories of "problem cases" where there is no U.S. relative. Human rights cases will become harder to resolve. Access of Romanians to U.S. officials and events will also probably become more difficult, as will be Embassy officers' access to "non-official" Romanians. There will be a tendency in the bureaucracy to move more slowly, and to take even less initiative in dealing with U.S. problems than has been the case up until now.

3. We do not expect the GOR to pull back from all aspects of the relationship. Ceausescu himself has said he wants relations to continue to develop. There are a number of areas—for example trade and military cooperation—where the Romanians will find it in their interest to continue to work with us, and where it is we who will have to decide how far we want to go. Our suggested posture at this point is that the U.S. show it intends to stay the course. We will continue to raise with the GOR human rights issues, both as part of a bilateral dialogue and under the CSCE umbrella, strive to keep emigration figures up, continue to push for USIS exhibits, seek access to Romanian citizens. By holding to a steady course, we feel we can preserve the maximum possible of U.S. interests in a post-MFN Romania. End summary.

4. Even before Ceausescu's decision, the "benefits" to the U.S. from maintenance of MFN, while still tangible, were eroding. Over the past six months, the Romanians had let emigration figures drop off, offering us no emigration approvals at all since October 31 of last year. In the human rights field, the authorities changed tactics—while generally

¹Source: Reagan Library, Rudolf Perina Files, Romania—MFN 1987 (1). Confidential; Immediate; Nodis.

²Telegram 893 from Bucharest, February 8, outlined the U.S. posture after Romania's decision to terminate MFN. (Department of State, Central Foreign Policy File, no film number)

³See Document 173.

avoiding arresting troublesome individuals, they have harassed, fined heavily, and occasionally detained them for short periods. They have dragged their heels on several prominent issues—Bible printings, church construction—of most visible interest to the U.S. In the cultural area, they have been gradually cutting back on exhibits and Fulbright professors for some time.

5. In looking at what happens now that the GOR has stated it is withdrawing from MFN, Ceausescu's motivations are an important factor. His decision, while emotive and probably hastily reached, is rooted in his longstanding distaste for congressional review and public criticism, and his perception of Romania's tradition of foreign policy independence. Even if from the outside it looks as if Romania is imposing isolation on itself, Romania's top leaders probably sincerely view themselves as defending the country's autonomy. However, by taking the initiative, and deciding himself that MFN should be terminated, Ceausescu arguably has already fired his major salvo, and might feel less compelled to take further steps. By acting first, he may feel less compelled to retaliate in ways that would further damage our relations than if he were responding to a congressional or administration decision.

6. Nevertheless, there are clearly identifiable areas where we expect the impact of the Romanian decision to be felt in a negative way on our operations here:

Emigration

7. Ceausescu stated on February 5—i.e., before announcing, and we suspect before even taking his decision to withdraw from MFN—that emigration would continue if it is in the context of family reunification. Totu reiterated the same point in announcing the decision to drop MFN (Ref B). However, Romanians have always said they are opposed to the United States philosophically on emigration, and have accepted it because of the MFN agreement. Thus, ending MFN will certainly have an impact on emigration.

8. If the GOR were to apply the family reunification criteria broadly, counting cousins, fiances and distant relatives as family for purposes of emigration, virtually all those on our current representation lists might still get passports. More problematical would be the TCP lists: only 30 percent of the 1,496 on the current TCP list have any family in the United States.

9. That, however, is admittedly a best-case analysis. GOR spokesmen up to and including Ceausescu have stated in the past their philosophical opposition to the principle of emigration. Without the pressure of the congressional "MFN season," we see little GOR incentive to maintain total numbers of emigrants to the U.S., since this requires bureaucratic effort. Nor will there be as much incentive to resolve difficult

individual cases, should any GOR agencies object. In short, we expect emigration to the U.S. (but not Israel or Germany) will suffer from both benign neglect and objections to specific cases.

Human Rights

10. Ceausescu made clear in his conversation with the Deputy Secretary he rejects pressure on human rights, and although he and his senior officials allege their objections are because Jackson-Vanik says nothing about human rights, the current GOR posture calls for refusing any concessions on the subject.

11. At the same time, however, Ceausescu did leave a hook. He said he would abide by the Helsinki process and the commitments contained therein. No matter how narrowly the GOR interprets those commitments, they provide a full range of issues that are fair game even under Ceausescu's new, more narrow interpretation. Moreover, the GOR manifested a continued openness to dialogue on the subject of human rights. Deputy Minister Solomonescu reiterated—even after the Ceausescu meeting and the decision to withdraw from MFN—a willingness to discuss human rights at a roundtable.

12. It remains to be seen what Romanian policy will be in practice. Certainly, U.S. leverage in human rights cases is reduced with the loss of MFN. We will almost certainly not see any more of the annual "MFN season" releases. If activist human rights lawyer Nelu Prodan gets picked up again (as he was for 12 days in December, 1987) we are not certain how much effect the pressure we bring to bear will have in obtaining his release. Romanian officials have been dragging their heels for some time on issues—Bible printing, church construction—of importance to us; that pattern will likely increase. We intend to test the Romanians on the issue, however, both trying to continue our contact with religious and political figures as in the past and raising issues with our GOR interlocutors at every appropriate occasion. Romanian actions, then, rather than words at this point, will indicate the actual extent of the impact of MFN dropping on our position here.

Access

13. A separate but related issue to human rights work is the question of Embassy access to Romanians. Already over the past several months there had been increasing difficulties in this area, as both political and economic officers here found what had been normal contacts being discouraged by their superiors from scheduling meetings. We would expect that pattern to sharply worsen in the wake of MFN loss. Already we have seen some impact: some regular USIS library visitors were told earlier this week to reduce the frequency of their visits, and two library events in the past week since the Deputy Secretary's visit have been sparsely attended. The authorities attitude in handling

the Ambassador's non-official reception Friday, February 5, when invitees were contacted and discouraged from attending, and where police literally surrounded the Residence to discourage access there, gives us a premonition of how far they can shut off contact if they put their minds to it. We doubt that every Embassy function will receive the attention of the February 5 affair, but we expect it will be much harder to make contact in the weeks and months ahead, in part also because of the Romanian tendency to keep their heads down at moments of tension.

Economic Interests

14. U.S. firms may well be subject to much rhetoric about the absence of MFN. But the major commercial effects will, we believe, arise from the higher U.S. tariffs, not from Romanian retaliation. Romanian tariffs, if applicable at all, would not be a significant factor in GOR importing decisions.

A. Depending upon the date when U.S. MFN tariffs shift to non-MFN status, U.S. importers may initially absorb some or all of the costs of the higher tariffs, depending upon their contract terms.

B. Washington agencies have estimated that Romania might lose some 200 million dollars worth of exports without MFN. Such estimates are based upon assumptions about Romania's willingness to lower prices to offset higher tariffs. Official GOR projections for 1988 appear to have taken some loss of exports into account. We think Romania will probably lower prices for goods wherever it finds no comparable alternative market (e.g., steel, consumer goods). From U.S. exporters' perspective, loss of U.S. MFN tariffs will make the acceptance of countertrade goods for the U.S. market more difficult, possibly hurting export sales.

C. Loss of U.S. Government-backed export credits, by termination of the Jackson-Vanik waiver, will have little short-run effect here, given Ceausescu's opposition to accepting credits of all kinds. But in the longer term, Romania will probably find official export credits valuable, and U.S. exporters of major capital equipment will find West European and Japanese competition hard to match. Boeing's prospects for a sale here of 767s, for example, will likely suffer as a result.

D. We do not expect Romania to default on its obligations to Exim-Bank. Some were prepaid in 1987.

E. So long as the dollar exchange rate and U.S. prices are attractive, we do not anticipate a sharp loss of major U.S. commodity exports—soybeans, hides, coal. Long-term contracts with Island Creek for coking coal do not appear vulnerable.

F. Some shifting of Romanian imports from U.S. sources may occur, where the cost of doing so is small, simply to express irritation at higher U.S. tariffs. We expect this phenomenon to be mainly rhetorical, however.

G. The only U.S. equity investment in Romania, ROM Control Data, sells an important share of its output in the U.S.; we expect these exports to be harmed but do not know how large the tariff change will be. The firm is much more vulnerable than other Romanian exporters, since (unlike normal Romanian firms) it is managed on a hard currency, actual cost basis. It has survived other shocks, however, and both U.S. and GOR managers will have every incentive to maintain its profits, which they share on a 45–55 basis.

H. We expect GOR officials to argue for continuing U.S. economic ties, and for holding the annual Joint Economic Commission at a high level. Our response should depend on Romanian actions in the weeks and months to come.

Cultural Relations

15. The GOR has already cut back on both Fulbright professorships and on U.S. exhibits in Romania. They confirmed to us recently that, at least in the latter area, the cutbacks of major exhibits are likely to continue. Thus, without MFN, we would simply expect to see a continuation of present trends. Any high-profile exhibits such as the 1987 film show are likely out of the question entirely; other public events will be programmed, we suspect, to the extent they are discreet and do not draw large crowds. The government may already be satisfied with the reduction of Fulbright professors from ten two years ago to five this year, but a complete elimination of this program is not out of the question. There were rumors in both of the past two years that Elena Ceausescu had decided to eliminate the program. Next year would be natural if she still has it in mind. The increased control on access to and contacts with Embassy officers will be a further restriction on Embassy operations.

Military Contacts

16. If there is one area where visible contacts with the U.S. serve the Romanian image of independent foreign policy, it is their dealings with our military. Thus, we would expect the GOR would not cut such events as the annual ship visit to Constanta in June. It will be harder to read a pattern in other developments in this area, however. The one proposal in which we are awaiting a response from the Romanians, for the visit of a mountain training team, is in doubt because of very real Romanian funding difficulties. We believe the GOR will think very carefully before cancelling or refusing military exchanges. After all, they have nothing to do with MFN.

Administrative

17. GOR agencies are routinely unhelpful to all foreign embassies on the administrative side. They generate difficulties in hiring FSN's

and training them abroad. They recently held up household effects of a U.S. employee on a flimsy excuse, but they have treated other embassies much worse on matters of “national patrimony”. GOR provides housing, and often in poor condition, but here again the U.S. Embassy has sometimes received preferred treatment. In a worse case scenario, GOR could make our life extremely difficult in many ways. We consider deliberate discrimination most unlikely. Greater neglect of our requests is possible. But we will try to hold GOR at least to business as usual.

Risk—Lower Level Misinterpretation

18. Quite apart from the “instructed reaction” ordered from the higher levels of the GOR, the Embassy will have to contend with the reactions, ordered or otherwise, from the working levels of the government. Initially, we would expect even more than the usual bureaucratic immobilism, as working level officials, uncertain about what the action means to their responsibilities, simply refuse to take action. There is also the chance that lower level officials, in the absence of clear guidance from above, might interpret the news as a bigger break than the upper levels of the GOR would intend. Over-zealous policemen could become more truculent, bureaucrats less cooperative. We are likely to get less of what we want because of minor officials’ unwillingness to do anything beyond what is strictly ordered by superiors. It could certainly affect the atmosphere in which the Embassy does business, causing us to lose out on more minor issues and forcing us to raise more to a higher level in order to get any action.

Conclusion: Cutbacks in Some Areas

19. In sum, then, we expect some cutbacks on U.S. operations here, mostly in areas where the United States causes the most trouble to Romania—emigration and human rights, as well as in the area of access of the Embassy to Romanians, including for cultural activities. The tendency toward nationalism will be at a premium in the weeks and months following the announcement that MFN is gone, as Romanian officials try to justify themselves and their action. There will be some unpleasantness in all that.

20. Our basic objectives here, however, have not changed as a result of the Romanian decision. We continue to want to engage the GOR on a broad range of issues, bilateral and international. We should still pressure them to make progress in all areas of human rights. We still want to get the American message across to the Romanian people, through USIS and other programs. Sale of American products here, especially the sale of aircraft and power station turbines, remains in our interest.

We feel that the best way to make the points we have been pursuing until now is to follow the course we have been on. By sticking to our present course and not falling into a tit-for-tat exchange of insults

or hostile gestures with the GOR, we have the best chance of preserving our long-term interests in this country.

Kirk

**175. Letter From Romanian President Ceausescu to
President Reagan¹**

Bucharest, undated

Dear Mr. President:

In connection with your letter sent by Deputy Secretary of State John Whitehead,² I wish to acquaint you with the following facts:

Rumania has always acted in conformance with the Rumanian-American agreement of 1975. Although it has opposed the Jackson-Vanik Amendment from the outset, Rumania, in the spirit of its humanitarian policy, has always given exit visas to persons who have requested them for reunification of their families or for other justified reasons. You yourself have stated on several occasions, including in the message you sent me recently, that Rumania has acted responsibly in satisfying requests for family reunification.

I was surprised that in your message you also referred to some so-called economic, humanitarian, religious, and other problems in Rumania. In my discussions with Deputy Secretary of State Whitehead I dealt with all these problems in detail, thus I shall touch upon them only briefly here.

I wish to say first of all that all these problems concern the domestic policy of our country and cannot under any circumstances be the subject of discussions between Rumania and the United States. If we were to discuss them, we would have to point out that the United States has many economic and social problems, including that of democracy, with which we do not agree. But we believe that they are your affair and that it is the responsibility of the U.S. Government to resolve them.

In regard to economic problems, I should like to mention that in the international economic conditions of the last few years the Rumanian

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Romania—MFN (1). No classification marking. Printed from a translation prepared in the Division of Language Services, Department of State.

² See Document 171.

economy has continued to develop at an annual rate of 5–6 percent. We have ensured a continual growth of the national revenue and of workers' incomes, as well as a rise in the financial and spiritual well-being of our entire people. We have eliminated to a great extent the country's foreign debt, even paying it off in advance. Therefore, on the basis of these facts, we do not understand where you obtain your information about Rumania's so-called economic problems to which you refer in your letter. One might well speak, however, of the difficulties in the U.S. economy that have a serious effect upon international economic relations, as well as the economic and financial relations of the United States with other countries, particularly the developing countries. Many political figures, economists, and scientists, as well as institutes specializing in the United States, speak openly about the great deficiencies in the American economy and their effect upon U.S. relations with other countries.

As regards problems of democracy, we have created in Rumania a unique broad-based democratic system that ensures the effective, direct participation of the entire people in the governmental process, a system incomparably superior to many other democratic systems, including that of the United States.

I was particularly surprised that you referred in your letter to the so-called problems of nationalities, which allegedly do not enjoy full rights in Rumania. I think you are well aware that Rumania is a unitary national state in which a limited number of citizens of non-Rumanian nationality have been living alongside the Rumanian population for many centuries. The laws of the country ensure equal rights and obligations; there is no discrimination or restriction of any kind. Only former Horthyists, nationalists, and Hungarian irredentists speak of the so-called nationality problem in Rumania, thereby calling into question the current borders and seeking the revision of international treaties. I believe that you are familiar with the Trianon Peace Treaty—signed by the United States in 1920—and the Paris Peace Treaty of February 10, 1947, to which the United States is also a signatory. Both treaties recognize the international borders of Rumania.

We want the traditional relations between the United States and Rumania to develop according to the principles of international law—complete equality in rights, respect for independence and national sovereignty, non-interference in internal affairs, and mutual advantage. I think I should emphasize that Rumania strongly adheres to its traditional policy of independence and adamantly rejects any encroachment upon its national independence and sovereignty.

As regards your reference to the difficulties involved in approving the most favored nation clause, I should like to inform you that we have decided to reject extension of this clause under the conditions set forth

by the Jackson-Vanik Amendment. It is our view that approval of this clause should be based on the existing trade agreement, renouncing any preconditions. In this connection, we propose that representatives of our government and of the U.S. administration discuss the modalities of developing economic relations between our countries, in accordance with the provisions of the current trade agreement and renouncing any preconditions.

We realize that it is in the interest of our peoples that the presidents of the two countries not undertake anything which could impair the traditional relations of friendship between them, but that everything be done to develop these relations and to strengthen cooperation throughout the world in support of a policy of peace and international collaboration.

Sincerely yours,

Nicolae Ceasescu³

³ The translation bears this typed signature.

176. Memorandum From the President's Assistant for National Security Affairs (Powell) to President Reagan¹

Washington, undated

SUBJECT

Romanian Renunciation of MFN Status

You will recall that last month you signed a letter to President Ceausescu putting him on notice that it would be very difficult to recommend renewal of MFN for Romania unless there was considerable improvement of the human rights situation (Tab A).²

When Deputy Secretary of State John Whitehead delivered this letter, Ceausescu reacted negatively³ and described the letter as interference in Romanian affairs. Before leaving Romania, Whitehead was

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Romania—MFN (1). Secret. Sent for information. Powell did not initial the memorandum.

² Beginning with the word "putting" the remainder of this sentence was underlined by an unknown hand. Tab A is attached but not printed. See Document 171.

³ An unknown hand underlined "reacted negatively."

told that Ceausescu would send a return letter stating that Romania no longer wanted MFN⁴ status if it was tied to any conditions, including Jackson-Vanik. This letter was delivered to Deputy Secretary Whitehead last week and the State Department translation is at Tab B.⁵ (The next-to-last paragraph is the important one.)

We have accepted this Romanian decision to renounce MFN and will thus not have to submit a recommendation to Congress this spring⁶ on MFN extension. We are arranging to begin talks with the Romanians on implementation of this decision, since there are some complex legal and technical questions involved: for example, whether MFN will be terminated or merely suspended, whether there will be a grandfather clause for contracts already signed, and whether we should retain portions of the broader trade agreement which provide for such things as business facilitation offices. Our inclination is to suspend MFN but keep as much of our bilateral relationship as possible in place for the post-Ceausescu era. We expect Romanian MFN to expire on July 3.⁷

Pending the above talks with the Romanians, however, we believe it important to go public quickly with the Romanian decision so that Congress and businessmen are aware that Romanian MFN will end. A press statement has been prepared (Tab C)⁸ which the State Department plans to issue on noon Friday, February 26. We are also working on a plan to give advance, courtesy notification of the announcement on Friday morning to certain Congressmen and other individuals who have taken special interest in the issue. This will include Congressman Wolf and Senators Helms and Armstrong. Our general line will be that, following our strong demarches on human rights and warnings regarding MFN, Ceausescu saw the handwriting on the wall and decided to renounce MFN of his own accord.

We believe that Ceausescu's decision works out to our advantage. In the short term, our relationship with Romania will deteriorate and we will have even less leverage on human rights issues than before. However, we no longer face the political problem of a recommendation on Romanian MFN to Congress—a recommendation which would have alienated certain constituencies no matter which way we went, because there are business and Jewish groups which favor MFN continuation.

⁴ An unknown hand underlined "no longer wanted MFN."

⁵ Printed as Document 175.

⁶ An unknown hand underlined "to renounce MFN and will thus not have to submit a recommendation to Congress this spring."

⁷ An unknown hand underlined "on July 3."

⁸ Attached but not printed. The Deputy Spokesman read the statement to the press on February 26. (Department of State *Bulletin*, May 1988 p. 43)

In the long term, the net result of this episode is a distancing of ourselves from the Ceausescu regime, which is the political step that Congressman Wolf and others wanted us to take. Even though Ceausescu acted first, observers will understand that his decision stemmed from our human rights pressure and warnings about loss of MFN. Moreover, we may be able to negotiate termination of MFN under the most favorable conditions for eventually restoring it. We will have no legislative conditions which could make MFN restoration difficult, even in a post-Ceausescu era. In short, Ceausescu's decision solves a lot of problems for us and will still send the kind of human rights message to Romanians and others which we wanted to convey.

177. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, March 7, 1988, 1237Z

1682. Subject: Popular Reaction to MFN Renunciation.

1. Confidential—Entire text.

2. Summary: One week after the MFN announcement,² the Romanian public's reaction is still somewhat mixed. There is still only an imperfect understanding of what actually has happened and of who did what to whom. However, almost all Romanians with whom we have spoken are glad that the U.S. no longer appears to be endorsing the unpopular leadership here. We have picked up considerable anger at Ceausescu, who in this view has once again shown his stupidity. The comment that "the man is crazy" is widespread. Only those who are looking to emigrate have evinced any concern over negative consequences of the MFN decision, and even some of them are philosophical about their situation. While one Chinese diplomat told us the Soviets are probably reacting with pleasure, the initial reaction we have gotten thus far would indicate that, to the contrary, Romanians are pleased that the U.S. has contributed to a further isolating of Ceausescu. End summary.

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Romania—MFN (2). Confidential; Priority. Sent for information to Eastern European posts, Moscow, Beijing, and Vienna for the delegation to the CSCE.

² For the text of the February 26 announcement, see Department of State *Bulletin*, May 1988, p. 43.

3. The news of the MFN decision, now a week old, came out initially in imperfect fashion. The story of the U.S. announcement on February 26 first came via brief foreign radio broadcasts. The fact that it was the U.S. announcing a Romanian Government decision left some Romanians puzzled at first. The uncertainty was then compounded when the official GOR statement appeared on February 27 and, intentionally or otherwise, painted a slightly different picture of how events had unfolded. Even now, a week later, many Romanians still think it was the U.S. that has withdrawn MFN, rather than the Romanians who renounced it.

4. Among those who do understand that it was a Romanian move, there has been some disappointment that we did not act first. One Romanian told us, "The match is one to nothing in their favor." Most non-official Romanians with whom we have spoken, however, are less interested in who started the current process than in the fact of the apparent U.S.-Romanian tiff. The most immediate response we have gotten, from a number of Romanians, is that once more their leader has blundered. A few have shown genuine anger that Ceausescu would endanger what they view as valued relations with the United States. One Romanian, listening with PolOff to a West German Romanian-language broadcast describing the consequences on Romanian trade caused by MFN termination, expressed dismay when the possible effect on each trade figure was announced.

5. More common, however, has been the comment that "the man is crazy." One FSN, recalling the extraordinary efforts Ceausescu has always shown to increase Romanian exports and the importance of the U.S. market to those exports, said he appears to have forgotten his previous statements. Others have been more blunt, using terms such as "foolish" and "insane" to describe both their President and his action.

6. Those who have shown more moderation in their reactions have understandably been the Romanians with emigration applications pending. Nelu Prodan, Baptist activist lawyer who had hoped to emigrate after his brief imprisonment last December, told us he now believes his chances were zero (Comment: We are not sure we share that view), but said he accepted the situation. Not all prospective emigrants have been as philosophical; only a few inquiries have come to the Consular Section so far, but most callers have shown considerable concern over their prospects.

7. So far, speculation on the international implications of the MFN announcement has been confined to our colleagues in the diplomatic corps. A Chinese diplomat, analyzing the effects of Ceausescu's decision, said, "The Soviets must be pleased," and added he hoped the U.S. had considered this aspect before making its February 26 announcement.

8. Comment: The reaction of non-official Romanians is still tentative, and could evolve over the coming weeks if they see a more direct impact on their own lives. So far, that impact has been minimal for most Romanians. Thus, they have had the luxury to use it as another excuse for their favorite sport: making fun of Ceausescu. In that sense, we would differ with our Chinese counterpart's estimate. If anything, Romanians are glad that greater distance has opened up between the U.S. and Romania, and are pleased to have one more occasion to engage, albeit privately, in Ceausescu-bashing.

9. Moscow minimize considered.

Kirk

178. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, April 7, 1988, 1501Z

2606. Subject: Eastern Europe; Perspective from Bucharest. Ref: A) State 52978,² B) 87 State 398186.³

1. (C—Entire text)

2. Summary: We have been reluctant to join the discussion, as Romania is dancing to a very different tune from the rest of Eastern Europe, and we agree with much of what has been said. Now that some differences of view have cropped up, however, we want to add a comment from our rather special vantage point. In sum, we feel the U.S. should have an activist policy in Eastern Europe—within the limits of our possibilities and priorities. We should identify ourselves with and encourage the strong forces for change already at work, while continuing to deal with existing governments to the extent necessary to get the things we need from them. End summary.

¹ Source: Department of State, Central Foreign Policy File, D880297-0595. Confidential. Sent for information to CSCE Collective.

² Telegram 52978 from the Department of State, February 20, was a follow-up to Telegram 398186 From the Department of State, December 24, 1987, and requested that countries which had not yet responded do so. (Department of State, Central Foreign Policy File, D880663-0213)

³ See Document 52.

3. We start from the conviction that the reduction and eventual elimination of Soviet control over Eastern Europe is in the U.S. interest. It would reduce Soviet military power to move Soviet military forces back within Soviet borders and to decrease the Eastern European countries' military cooperation with the USSR. It would help open the way for closer economic and diplomatic ties with the West. It would correspond to the wishes of the people of the area. Some argue that reduced Soviet control would heighten instability. It is true that it would permit more open intra-East European rivalries. But the present situation—Soviet hegemony imposed on hostile peoples—contains greater potential for world crisis.

4. We also start from the conviction that long-term historical trends are working against Soviet control over Eastern Europe—the day of multinational empires is past. Contemporary developments—economic, social, informational and technological—are reinforcing the long-term historical trends. Gorbachev's new approach recognizes and reinforces these developments. It is likely that there will be retrogressions as the process unfolds—and we must be prepared for them. But the long-term trend is clear, and the present environment is particularly promising.

5. We therefore feel that the U.S. should take a basically activist approach. We foresee, as does London,⁴ that the amount of resources we devote to the task will be quite limited and that our approach and the priority we give it will vary from one administration—or even year—to the next. The basic impetus for reform and independence will come from the objective forces at work and from within the societies involved. Our actions will be only a supplement, and should be planned as such. But that does not mean they are worthless.

6. Budapest has outlined a number of areas where we can act and a catalogue of measures we can take.⁵ Budapest quite rightly puts the emphasis on measures to associate the U.S. with the “peoples” of the area, with the “new forces” in society. The U.S. has an extraordinarily positive image in Eastern Europe among reformers and the population as a whole. The impact of our radio broadcasts and contacts is especially great among information-hungry peoples. We believe Budapest's thoughtful compilation provides a good take-off point for developing a program for each country, attuned to local problems and opportunities and to changing U.S. political and budgetary realities.

⁴ Telegram 6227 from London, March 18, conveyed the Embassy's response to Telegram 398186. (Department of State, Central Foreign Policy File, D880236–0326)

⁵ See Document 343.

7. A more controversial aspect, underscored by London, is our relationship to the present governments. One is tempted—especially in Bucharest—to have little or nothing to do with them as a demonstration to their peoples, and ourselves, of what we think of them, and to confine our contacts to stern demarches.

8. We pay a price when we distance ourselves, however. These governments are the current decision-makers. If we want anything, we have to get it from them, be it cooperation on narcotics or terrorism, access to officials or non-officials, space for an exhibit, or progress on human rights. We feel this particularly keenly right now in Bucharest, for the GOR has been tightening up in recent weeks following their denunciation of MFN. We are losing our access to persons and institutions; warning signals are up on our sizeable cultural program; and we expect a decline in emigration to the U.S. (we have a backlog of over 2,700 qualified persons wishing to enter the U.S.). Our experience underscores the fact that local government cooperation, or at least acquiescence, is essential to any program, and certainly to the measures outlined by Budapest. We see no way to get such acquiescence through pressure alone, or ostracism.

9. There is another aspect. Governments in Eastern Europe—even traditional ones—have the power to change their policies. It is important to avoid the impression that any of these regimes is considered “hopeless” and to keep some channels of communication open in case they want to use them. Having channels and programs in place is important also to our ability to expand our activities under successor regimes. Furthermore, even if the governments as a whole are not reform-minded, individuals within them may turn out to be. We should focus our dialogue on such individuals, to the extent we can do so without harming them. But we probably will not know who many of these individuals are. The broader our contacts with the government are, the greater the chances of including the “sleepers” will be.

10. Our conclusion is that we should deal with all the East European governments; consult with them on matters where they are important to us; use these channels to express our point of view on internal reform and human rights; and be sure we get something in return for any favors we do.

Kirk

179. Paper¹

Washington, June 25, 1988

HUNGARY/ROMANIA: ETHNIC PROBLEM REACHING
BOILING POINT

The long-simmering conflict over Romanian treatment of ethnic Hungarians is fast putting Hungary and Romania on a collision course. Recent Romanian moves have outraged Hungarian public opinion, and the resultant diplomatic war could exacerbate tensions to the point of border confrontations.

Massive demonstration planned in Budapest

Tens of thousands of Hungarians are expected to stage a torchlight demonstration past the Romanian, US, and other western embassies on June 27 to draw attention to Romania's treatment of its ethnic minorities. Although the march is being organized by various opposition groups and is unofficial, Embassy Budapest has learned that it will be allowed to proceed, provided there is no disorder or irredentist slogans chanted.

But the opposition and regime both fear provocation by the substantial Romanian securitate elements that have infiltrated Hungary in the guise of refugees. Over 35,000 Romanian citizens are estimated to have flooded into Hungary since early this year, mostly ethnic Hungarians but also a sizable number of ethnic Romanians.

The last straw

Hungarian-Romanian tension reached a new high with Bucharest's announcement early this year of two measures with far-reaching implications for the future of Romania's ethnic Hungarian community, the largest minority in Europe. (Most of the approximately two million ethnic Hungarians and 350,000 Germans live in Transylvania, which was severed from Hungary after World War I.)

First, Ceausescu unveiled in early March his personal project to raze some 54% of Romania's 13,000 villages by the year 2000 in order to turn the land to agriculture. Critics in Transylvania and Hungary charge that the "rural systematization" plan would be a devastating blow to Transylvania's ethnic makeup, since the bulk of the 7,000 villages to be bulldozed out of existence involve centuries-old distinctly Hungarian and German settlements. The village population would then

¹ Source: Reagan Library, Rudolf Perina Files, Hungary—Substance 1988 (2). Top Secret; Exdis; Codeword.

be resettled in the country's predominantly Romanian areas beyond the Carpathian mountains.

Romania then announced in April that Hungarian and German placenames must be printed in their Romanian form in the two minority's newspapers. Budapest protested that the measure constituted a blatant violation of basic human rights of its minorities, their centuries-old bonds with national culture, and the languages learned along with their mothers' milk.

Hungarian officials have described the village-eradication project and Romanianization decrees as a drastic attempt to eliminate even the trace of ethnic Hungarian and other minority cultures and have protested against the project at the Vienna CSCE review conference in language unprecedented among Warsaw Pact allies.²

² Documentation regarding the U.S. involvement in the CSCE conference in Vienna is scheduling for publication in *Foreign Relations* 1989–1992, vol. X, European Security Framework 1984–1992.

180. Electronic Message From the White House Situation Room to Nelson Ledsky of the National Security Council Staff¹

Washington, June 28, 1988, 4:48 p.m.

Subject: Romanian Refugees in Hungary.

1. Summary: The Hungarian press reported recently that Romanian citizens of ethnic Romanian or German background who do not want to return to Romania will be allowed to leave Hungary provided they have proof of acceptance from another country. This major change in Hungary's treatment of citizens from other communist countries raises opportunities and problems for would-be refugees which the Embassy requests Department and INS review. End summary.

2. On June 16 the Hungarian press reported on a meeting of the GOH Council of Ministers in which the plight of a reported 5,000 Romanian citizens who have officially notified the GOH they do not wish to return to Romania was discussed. In a subsequent press conference Deputy Minister of Interior Zoltan Gal reported that most of

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Hungary—Substance 1988 (2). Confidential; Priority. The message relayed telegram 6672 from Budapest, June 28, which was also sent for information to Vienna and Bucharest.

the refugees are ethnic Hungarians, and are being assisted with jobs, etc. However, he noted that 400–500 ethnic Romanians and Germans wish to go on to a third country. In a major new development, Gal said that quote if they receive a statement of acceptance the Hungarian authorities pose no problems to their departure end quote. Embassy subsequently confirmed with MFA that it is now official GOH policy to allow these Romanians to depart, providing they have a visa for a third country.

3. In the past the GOH has refused to allow nationals of other communist countries to depart Hungary without the permission of the nationals' own embassies. The public announcement of a special policy for Romanians not of Hungarian origin is a major departure apparently caused by the GOH unwillingness to force refugees back to Romania, coupled with a realization that it would be difficult to integrate these people into Hungarian society.

4. Unfortunately for the Romanian citizens, the new policy coincides with a major increase in the number of would-be refugees already present in Austria and an apparent growing resentment against the cost of their maintenance to the Austrian taxpayer. In septel² the Embassy reports on an interview given by Austrian Interior Minister Karl Blecha to the Hungarian newspaper "Magyar Hirlap", in which he complains about the increasing numbers of refugee applicants awaiting resettlement from the camps in Austria (now approximately 14,000) and notes that approximately 6,000 are Hungarians. The new Hungarian passport law which came into effect on January 1 has, as expected, resulted in many Hungarians travelling to the West seeking to immigrate. Most are not eligible for immigrant visas, and so seek refugee status. Though most probably do not meet the international criteria, their presence in Austria while awaiting decisions in their cases poses a growing problem for Austria.

5. The Romanian citizen refugees, therefore, are caught in a catch-22 situation, since while they are allowed to leave Hungary they are often not allowed to enter Austria to apply for refugee status. In the past two years this Embassy has seen a marked increase in the numbers of Romanians coming in to request advice or assistance in getting to the U.S. or other Western countries. In the past few months we have averaged interviews with twenty or more such Romanians a week. Their stories of privation and persecution in Romania have grown most desperate.

6. The new policy by the GOH in our view presents a major challenge both to Austria and the refugee-accepting countries to develop procedures to deal in a humanitarian manner with the Romanians stranded here. Since neither this Embassy nor other Western Embassies

²Not found.

with which we have consulted is in a position to issue visas to the vast majority of them, we have at present no solution to offer to them, although we believe many would qualify for refugee status.

7. We therefore urge the Department and INS to review the situation with a view to working out procedures to enable these Romanians to apply for refugee status.

8. We also note that this problem is becoming more urgent with the reported presence in Hungary of agents of the Romanian secret police. Several times recently Romanians have reported to us they fear they are in physical danger in Hungary because of the infiltration by Romanian agents of the Hungarian organizations set up to help refugees.

Palmer

181. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, July 8, 1988, 1353Z

5102. Subject: Ethnic Hungarian Intellectual on Relations With Hungary, Status of Ethnic Hungarians, Impact of Outside Pressure on Ceausescu.

1. Confidential—Entire text.

2. Summary and comment: One of Romania's leading ethnic Hungarian intellectuals told us the GOR decision to close the Hungarian Consulate in Cluj was a serious blow to the morale of ethnic Hungarians because of the support the Consulate had provided over the years. Source said Ceausescu's push for rural *sistematizarea*² was rooted in his backward ideology more than in his dislike for Hungarians. Nevertheless, the project would undermine still further the already beleaguered ethnic Hungarian culture in Romania. Source predicted protests if *sistematizarea* were pushed hard in Transylvania, but said he had heard no credible reports of any violent incidents to date. The outside pressure currently weighing on Romania on human rights issues is likely to have little impact on Ceausescu, but it at

¹ Source: Reagan Library, Rudolf Perina Files, Romania—Substance 1988 (1). Confidential; Priority. Sent Priority for information to Budapest; sent for information to Eastern European posts and Vienna for the delegation to the CSCE.

² An unknown hand drew a line from this word to the margin and wrote, "destroying nearly ½ of Romanian villages."

least is seen by the population as a sign they have not been forgotten. Although source's views come from an unabashedly Hungarian bias, we think most of his judgements reported here are on the mark. End summary and comment.

3. A leading ethnic Hungarian intellectual spoke at length with Pol Chief July 6 in Bucharest. Please protect the information as well as source. Highlights of the conversation follow.

Closing the Cluj Consulate—A Serious Blow to Ethnic Hungarians

4. Source said the GOR had delivered a harsh blow to the morale of ethnic Hungarians when it closed the Hungarian Consulate on June 28, in the wake of anti-Armenian demonstrations in Budapest. The presence of the Consulate has acted to reassure ethnic Hungarians in Transylvania that there was at least someone looking out for them. More importantly, it had worked actively to help preserve Hungarian culture. Source explained that ethnic Hungarians, especially professionals such as doctors, lawyers, writers and teachers, often had extensive personal libraries and holdings, which the Romanian authorities frequently confiscated when the individual died. To avoid this, many Hungarians, as they got old, sent their holdings to relatives or friends in Hungary through the Consulate, generally stipulating that any items of value or historic interest be returned to Romania "when the situation improves." That informal channel, which had real psychological value to ethnic Hungarians, has now been removed.

5. Source was reluctant to discuss whether the Consulate was also a channel for getting information in or out of the country. He did note, however, that the Consulate had been important to those seeking to track the status of ethnic Hungarians. He said the Romanian authorities had threatened for several years to close the Consulate, and increased the threats after the GOR closed their Consulate in Debrecen several years ago. Source said closing down use of the Consulate as an information channel had probably not been Ceausescu's primary motive when he acted, but the police were certainly pleased they had accomplished that objective.

Rural Sistematzarea: Not Primarily Anti-Hungarian, but With a Powerful Effect on the Minority Culture

6. Source did not think the policy of rural sistematzarea was primarily aimed at the Hungarian population. Far more ethnic Romanians than Hungarians would be displaced. Source said Ceausescu has fixed ideas of what a socialist society should look like, and rural sistematzarea was part of that image. For him, small and rural meant backward. Ceausescu may be forced to slow down his project, but he will not renounce his "socialist vision".

7. Source went on to note, however, that the ethnic Hungarian population and culture would be hard hit by rural sistematzarea. The movement of ethnic Hungarians from villages to towns would further dilute what is left of Hungarian communities, making it even harder to maintain Hungarian language schools and cultural institutions, and finally reducing ethnic Hungarian pride and consciousness. The new towns would break up what community spirit still exists.

8. Source said there continues to be an erosion of schooling possibilities in their native language for ethnic Hungarians. He claimed that while Romanian authorities had accurate statistics which show the erosion, neither they nor any area residents would talk freely about it. Source said he had been accumulating statistics from around Transylvania, however, and was convinced the process continued.

9. Source repeated predictions of other Romanians that there would be violent protests if authorities tried to implement rural sistematzarea in Transylvania. He allowed that the population around Bucharest is likely to continue to be quiescent as the project moves forward there, but said the character of the population in Transylvania is more independent and less submissive to authority. He admitted Romanians had shown little inclination until now to protest outrageous actions by Ceausescu, but insisted that uprooting people from their homes was different. To date, however, he had heard only rumors of actual clashes in Transylvania, and had not been able to confirm any such rumors. He was skeptical anyone had been killed in the process so far (Budapest 6554).³

Western Pressure No More Effective Than That From the East, but a Morale Booster for the Population

10. Source said he was gratified to see the increasing pressure on Romania from abroad. He was especially pleased the West was pressuring the GOR hard in the CSCE forum. Source, who has contacts at several bloc embassies in Bucharest, said the East too was distancing itself from Ceausescu's obstinence in Vienna. He claimed to have learned the Soviets would pressure the Romanians on its CSCE stance at the upcoming meeting of bloc General Secretaries in Warsaw.

11. Source said he had no illusion Ceausescu would give in to the pressure. Increasingly, he is using the charge of interference in internal affairs for the most irrelevant issues. It is not so much he thinks the stance will earn him popularity; he just has an obsession about the idea of independence. Still, source said the foreign criticism was

³ Telegram 6554 from Budapest, June 24, described a conversation between Palmer and Grosz, in which a rumor that the Romanian government blew up Hungarian houses was discussed. (Department of State, Central Foreign Policy File, D880540-0282)

a significant boost to the morale of the population. Romanians like to know that although they are suffering the consequences of Ceausescu's policies, at least Ceausescu is made to feel uncomfortable from the criticism. They are gratified to know they have not been forgotten by the outside world. Source strongly urged that the U.S. and other Western countries keep up pressure on Romania.

Kirk

**182. Telegram From the Embassy in Romania to the
Department of State¹**

Bucharest, July 13, 1988, 1359Z

5269. Subject: U.S. Should Distance Itself Somewhat Further From GOR.

1. (Secret—Entire text)

2. Summary: As the Romanian Government's domestic policies look more and more awful, its "good" foreign policies less and less unique, and its responsiveness on issues of interest to U.S. (e.g., emigration) less helpful, the U.S. has adopted a cooler, more distant posture toward the GOR. After examining the arguments against further distancing—the effect on human rights and emigration; on Romania's independence vis-a-vis the USSR, the Warsaw Pact, and CEMA; and on our present and future access to Romanian society—we conclude that some additional distancing is the correct course.

3. Thus we would see it proper for U.S. spokesmen at home, in international fora and on VOA to be more openly critical of GOR policies and of the plight of the Romanian people. We would favor adopting a somewhat cooler tone in bilateral dealings, emphasizing our concerns over Romanian policies toward the U.S. and the Romanian people, and paying less attention to Romania's international role. We would think twice about sending or receiving emissaries to discuss broad foreign policy issues. We would hold off the annual meeting of

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Romania—Bilateral 1988 (1). Secret; Priority. Sent for information to Bonn, London, Paris, Vienna for the delegation to the CSCE, the Department of Commerce, USIA, and Eastern European posts. Perina forwarded the telegram to Ledsky under cover of an undated note that reads, "Nelson: I agree w/ attached. We should keep in mind & use sometime, because Tom Simons will never implement. Rudy." (Ibid.)

the inter-governmental economic commission until justified by specific U.S. economic interest. We would be more sparing with ambassadorial consultations at MFA on international matters.

4. At the same time, we would want to make it clear that the U.S. retains an interest in Romania's future, that we are sensitive to and interested in the welfare of the Romanian people, and that we have not "written off" the Romanian state. We would maintain a vigorous Embassy program of contacts with all levels of society, including mid-level governmental officials and potential future political leaders, and use these contacts to emphasize our interest in a prosperous, independent Romania. End summary.

5. The deterioration in Romania's image is plain to all. Ceausescu's misguided domestic policies are getting worse, while those in most of the "socialist world" are getting better. In foreign affairs the positive elements in Ceausescu's policy become less unique every day. The negative elements—CSCE, Hungary, MFN renunciation, etc.—stand out more clearly. GOR performance on matters of specific concern to us has deteriorated. The USG has already reacted to these developments by a somewhat cooler posture toward the GOR—through our public statements, our diplomatic contacts, and our postponement of reception of a high-level envoy, but logic seems to call for even more distancing.

6. The arguments against this course have determined U.S. policy over the past 10 to 15 years. We felt that friendly relations—and specifically MFN—would bring human rights concessions. This worked, on modest scale. There was very little progress in the past 12 months, however, and the MFN lever is now gone. Emigration approvals jumped after MFN was introduced in 1975, and have fallen off markedly since the GOR renounced MFN. They are still running at a rate of about 1,000 per year. They might very well drop further if we follow the course of "cooling" relations. That is a disadvantage of that course.

7. Romanian independence in foreign policy, Warsaw Pact, and CEMA matters was a principal motive for our positive attitude toward the GOR, but it was not the result of our attitude. Some of Romania's foreign policy stands have become less significant as other countries (including the USSR) have adopted some of them and Ceausescu's international weight has dropped. U.S. aloofness will not decrease Ceausescu's opposition to a centralized CEMA and to having Soviet troops on his soil. The question is whether it will materially reduce his ability to maintain his independence. We would say, "somewhat, but not very much." The U.S. relationship was a real boost to Ceausescu in the late 60's and the 70's. But he has already lost his special position with the U.S., including MFN, and it has been obvious for several years that the U.S. heartily disapproves of his domestic policies. Ceausescu's ability to resist the Soviets depends much more on the strength of his

internal position and the restraints on Soviet actions, measured against his growing economic dependence on the USSR, than it does on his tattered U.S. relationship.

8. Our access to Romanian society depends on GOR acquiescence. Even the radios can be jammed. This access has decreased in some areas in recent years—Fulbrights, IV's big exhibits. It is still considerable. A significant further cooling of relations could lead to further restrictions on cultural contacts. The VOA and RFE, our principal means of communication, would remain under all but the most hostile relations (due to the expense of jamming, among other things). Our exhibits, Amparts, and the library would be vulnerable; we doubt the library would go unless relations get really bad, but entry to it might be further restricted. Embassy contacts in Bucharest and outside it could be limited further. All this would make it harder to reach people with our message. If channels of influence were cut off, it would make it more cumbersome to build up programs under a new regime.

9. We conclude therefore that a significant cooling of relations from our side would have costs, but we do not think they are sufficient to outweigh the obvious advantages—in terms of opinion in the world, the U.S., and Romania itself—of further distancing ourselves from a reactionary, repressive regime which is driving its economy to ruin and its people to despair.

10. Therefore we recommend a continuation, even some strengthening, of the current trend to cool our relations with the GOR. We believe U.S. spokesmen should be more openly critical of Romania—be it the VOA, in CSCE, the Human Rights Commission, or the U.S. press. We should adopt a somewhat cooler tone in our private bilateral meetings, emphasizing our concerns over Romanian policies and converting our “appreciation for Romanian independence” into concern that Romania's isolation could reduce its real independence through loss of Western support.

11. We would think twice before sending or receiving emissaries to discuss foreign policy issues. Thus we would not seek to activate exchanges of experts on the Middle East or Africa, or to bring U.S. arms control negotiators here. We would even counsel against trips to Bucharest to consult on the UNGA, preferring lower-visibility talks by the Embassy here and the delegation in New York. We would be more sparing with Embassy briefings on consultations at MFA on international affairs, and normally conduct them below the ambassador level unless we wanted to make a particularly significant point, e.g., a major UN vote.

12. We would continue our annual naval visits, but not seek to increase them. We would avoid top-level military visits. We should tell the Romanians that lower-level military exchanges will depend on greater openness and accessibility to Romanian military installations,

equipment and personalities. Our standard should be the kind of access which is now emerging in other Pact countries (specifically the USSR).

13. We would avoid scheduling the annual intergovernmental economic commission meeting, explaining to the GOR that we see little point in it unless there is a marked Romanian effort to increase imports from the U.S., move forward on major commercial transactions of interest to us, and improve the treatment of U.S. business.

14. In pursuing this distancing policy, it is essential that we make it clear that our disapproval does not mean the U.S. is "forgetting about Romania," a very strong fear of those Romanians who are most sympathetic to U.S. objectives. We would pursue our programs to inform the Romanian public about the U.S. and its policies through USIA activities, Embassy travel, and representational functions. We would continue to seek Embassy appointments with government ministries to investigate, report, and represent. In short, we would try to maintain a regular, active—but not showy—Embassy program to show that there is an American (and Western) alternative to Ceausescu's policies, that the U.S. retains a strong interest in Romania's future, and that we are determined to maintain as broad contacts throughout Romanian society as possible. Our disapproval of Ceausescu should not lead to the withdrawal of the USG human and material resources we need to convince those Romanians who will make up a transition or successor government that the United States has an active engaged policy in this country.

Kirk

183. Paper¹

Washington, July 25, 1988

**ROMANIA: THE BLOC'S "MAVERICK"
INCREASINGLY ISOLATED**

Rigid internal control has long been the essential precondition for Ceausescu's relative independence from Moscow—and consequently, his ability to play the maverick to win favorable attention in the West. But the Romanian leader's human rights record and nearly

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, USSR—Internal 1988 (1).

pathological efforts to eliminate outside influence from the country leave him increasingly out of step with both East and West.

His decision this spring to press ahead with *Sistematizarea*—the destruction of rural villages and construction of urban agro-industrial complexes in their place—precipitated a breakdown in relations with neighboring Hungary and generated a groundswell of negative reaction from Western European governments and publics; it may yet trigger organized internal opposition to Ceausescu.

Offensiveness is the best defense

That the rural-restructuring program will destroy much of the physical evidence of Hungarian culture in Transylvania was not lost on the Hungarian public, which was already sensitized to the plight of ethnic minorities in Romania. But the Hungarians were not alone in protesting; Bonn also reportedly weighed in heavily with respect to ethnic German enclaves.

The unprecedented demonstrations in Budapest that followed seem only to have stiffened Ceausescu's resolve. He closed the Hungarian consulate in Cluj, in effect forcing the Grosz leadership to back off. Ceausescu may have believed that an escalation of tensions would force the Soviets, who have no sympathy for the Romanian leadership or its policies, to take the line publicly that the issue was an internal affair between two Pact members.

Aware of increasing internal discontent over his policies, the Romanian leader may believe that a frenzy of rhetoric against the "irredentists" in Budapest will bolster flagging support at home. That gambit could backfire: there is evidence of growing differences within the party leadership over Ceausescu's policies. *Sistematizarea* itself seems to win no friends among ethnic Romanian party officials, many of whom trace their roots to villages Ceausescu is razing.

Tensions with Hungary reinforce hard line in Vienna

Bucharest has so far single-handedly blocked agreement on a final human rights document at the CSCE conference in Vienna. A skilled practitioner of consensus politics, Ceausescu wants to forestall proposals that would provide for external verification of human rights compliance. But other CSCE signatories are becoming increasingly exasperated by the Romanian behavior in Vienna—and progressively less circumspect about criticizing Romania's human rights performance.

Bucharest has in the past, and may again, run interference for Moscow and the rest of the bloc in staking out a hard-line position in CSCE in an attempt to water down "intrusive" features of human-rights provisions. But Ceausescu now is certainly going it alone (though he

may hope to win sympathy from hard-liners elsewhere in the bloc). The Soviets want to get European conventional arms negotiations started, and an agreement on human rights concerns must be reached before the CSCE can move to that issue.

Opting out of CEMA's "unified" market

Bucharest has always balked at Soviet efforts to encourage closer CEMA economic integration. Now Ceausescu seems to be digging his heels in further in the face of changes proposed by Moscow and backed strongly by Hungary and Poland. Others are less enthusiastic, but at the 44th CEMA session held in Prague early this month, all except Romania nonetheless endorsed proposals to accelerate economic integration and freer movement of goods and lead, eventually, to a "unified market."

The Romanian regime fears that Gorbachev's push for direct links between enterprises and research organizations will lead to greater direct Soviet influence. Also, restructuring CEMA would entail such moves as limited currency convertibility that would dilute each national leadership's power and privileges.

184. Telegram From the Mission in West Berlin to the Department of State¹

West Berlin, October 11, 1988, 1209Z

2904/Depto 4012. Subject: DepSec-Ceausescu Meeting—Bilateral Issues.

1. Confidential entire text.

2. Deputy Secretary's two and one half hour October 10 meeting with President Ceausescu began and ended with mutual expressions of intention to improve bilateral relations, which both sides agreed had deteriorated over the past 2–3 years. The DepSec reviewed US concerns, including human and religious rights, commercial and cultural problems, and urban and rural reconstruction. Ceausescu rejected all of the DepSec's concerns, saying they represented interference in internal affairs and were in any case based on a false understanding of Romanian realities. He said MFN loss had hurt business and he hoped the DepSec would work to lay the basis for resumption of MFN without

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Romania—Bilateral 1988 (2). Confidential; Immediate; Exdis. Sent for information to Bucharest.

conditions. He expressed a desire for continued collaboration with Boeing, GE, and Control Data.

3. Despite the virtually total absence of any meeting of minds on the DepSec's specifics, the tone of the discussion was calm and constructive. Ceausescu seemed in good physical and mental shape. He was accompanied by Ambassador Kirk. The discussion on international matters is reported septel.² End summary.

4. After the initial pleasantries, the DepSec noted that the Reagan administration's policy was to treat each Eastern European nation as an individual country, with its own history and pride, and to seek to improve relations with it. When he asked President Ceausescu in 1986, on his first visit to Romania,³ whether the President was interested in joining the US in taking steps to improve relations between the two, Ceausescu had said he wished to do so. Both had recognized that the US and Romania had differences, especially on human rights, but also that they agreed on many international problems. They identified narcotics and terrorism as two areas where they could work closely together. The DepSec said his second visit, in February of 1988,⁴ had been a disappointment to both sides; the US felt there had been insufficient progress on human rights issues, and President Ceausescu had chosen to renounce MFN.

5. DepSec said he was arriving on his current visit wondering where our relations were headed. We have many remaining concerns, and we have not made the progress we had hoped. We had made very satisfactory progress in our relationships with other Eastern European countries, and had made outstanding progress with some. While President Ceausescu felt that we were meddling in Romania's internal affairs by raising human rights issues, our history has given us very strong feelings about human freedoms, and we choose our friends from among those with similar standards. We had not found much understanding in Romania on human rights issues. We were concerned about the nearly 40 percent drop in approvals for emigration for family reunification, the backlog of marriage cases, and a handful of adoption cases. We continue to be concerned about religious issues such as the availability of religious literature and new church construction.

6. We were also troubled, the DepSec said, by the restrictions on our journalists. There had been no journalist visas issued to our correspondents recently, no appointments had been made for them, and

² Telegram 2903 from West Berlin, October 11, reported the discussion between Whitehead and Ceausescu on international issues. (Department of State, Central Foreign Policy File, D880903–0141)

³ See Document 148.

⁴ See Documents 172 and 173.

they occasionally had their film confiscated. In addition, we, like other nations, had been concerned about the Romanian Government's rural and urban reconstruction program, including reports that homes were being destroyed on a regular basis and their occupants forced to move to other quarters.

7. Turning to cultural exchanges, the DepSec said we have tried to develop programs for exchanges of professional, scientific, and cultural groups. We regretted the Romanians closing down our Film-making in America exhibit⁵ and their unwillingness to accept our Design in America exhibit. Both had been well received in other East European countries. The number of American Fulbright professors in Romania had dropped from 6 to 2, and no Romanian professors were allowed to come to the US under this program.

8. In the economic arena, the DepSec said, we have not had the progress we would have liked. The trade is imbalanced; Romania exports about four times as much to us as we do to Romania. Decisions on major business deals such as Boeing aircraft and GE turbines take a long time. No US company has invested in Romania in recent years, and there have been a series of disappointments for the one US company which has a joint venture—Control Data. Meetings of our Joint Economic Commission have not been successful; there have been no tangible results from them.

9. Concluding his presentation on bilateral matters, the DepSec said he expected President Ceausescu had a similar list of issues where he was not satisfied. The DepSec would like to return to a question he had asked two years ago. Do you want better relations? If we do, there is a lot of work to do and a lot of subjects to be worked on. The DepSec then turned to international questions (septel).

10. Once the DepSec finished his entire presentation, Ceausescu paused to reflect and said he would like to ask a question, having in mind the nature of the DepSec's presentation. Had the DepSec come to give an inventory of the areas where we disagree and to conclude that there were no good prospects for an improvement in our relations? The DepSec said no, he had come to improve our relations.

11. Ceausescu then reviewed the history of US-Romanian relations since World War II, concluding that our relations had been especially good under Presidents Nixon and Ford, even though Romania did not have MFN at the time. In the latter part of the Reagan administration, relations developed more and more negatively. According to the U.S., this was due to Romania, but this did not correspond to reality. Emigration, which the US claims is the core of the human rights issue, is an

⁵ See footnote 4, Document 166.

example; it had been much smaller under Nixon and Ford, but no one considered that a problem in our relationship. US political conceptions have changed since earlier Republican administrations; the US now feels it has the right to interfere in Romania's internal affairs. The anti-communist feelings of the Reagan administration contribute to this, as does the administration's feeling that countries like Romania should be governed by the ideas and principles accepted in the US. There are demonstrations daily around the world against US interference in areas such as the Philippines, Greece, Asia, Africa, and Europe, not to speak of Iran.

12. It is a fact, Ceausescu said, that US [garble] rather than improved, over the last 2–3 years. The negative balance over the course of the Reagan administration is not due to Romania. Romania has not violated human rights. There has been a continuous improvement in the standard of living, and culture, of the Romanian people. The US should base its policies on a realistic appraisal of the situation in the countries with which it deals, not on a false image. The US Embassy, with its large staff, should present a realistic picture. The entire Romanian people supports the government's policies. There are a few insignificant persons who are not happy with some things, and it is with them that the Embassy deals. Ceausescu had spoken during his trip the day before⁶ with a number of farmers who told them they supported his policy. These few farmers were worth incomparably more than the people with whom the Embassy dealt. The US should not base its view of Romania on a few people of ill will. The situation in Romania is much better than it was in the period when Nixon and Ford were President; workers' income is two and one half times more now; meat consumption has tripled; there are over 10 million people in new housing. What the DepSec said about emigration for family reunification, as it has in the past, even though it does not favor emigration. He would not even refer to the DepSec's points on religious questions as they were contrary to reality and, if made public, would increase anti-American sentiment among the Romanian people.

13. The Romanians are proud people, Ceausescu said. They like true friends, but not those who come with declarations of friendship and insult us once they leave our country. Good relations between nations cannot be built upon insults. The DepSec was in Romania twice. It is very hard for the Romanian people to understand why a US representative would make anti-Romanian statements in a neighboring country. DepSec probably thought, Ceausescu said, that this would please his hosts but this is the wrong way to behave, not just with Romania, but with any country.

⁶October 9.

14. Ceausescu said he did not understand what relation urban and rural reconstruction—mentioned by the DepSec—had to do with US-Romanian relations. Washington and Philadelphia do not look as they did 100 or so years ago. This did not mean human rights had been violated, although in this case it was true that many Indians' homes had been demolished. Romania was reconstructing its cities to raise the people's standard of living. Ceausescu knew the DepSec had gone the day before to see new rural housing that was built by the people, not the government. They should not have to ask US officials for permission to build. On the nationalities question, the DepSec should read the letters from the National Council of Hungarian Workers, a firm, simple people, or study the statements of the Chairman of the Christian Democratic Group in the European Parliament, who had just visited Romania. Romania is trying to improve the life of its people as much as possible. Ceausescu did not understand why this was an issue in US-Romanian relations.

15. Ceausescu said Romania wanted good economic relations with the US and had tried to find ways to cooperate with US companies despite the loss of MFN. Romania had no problem with General Electric, though discussions on payment questions continue. Romania expects 8–10 years of cooperation with GE, and longer in third-country markets. Control Data's problems are ones of licenses, which depend on the US. Romania is agreeable in principle to continue close cooperation with Control Data. The problems with Boeing are financial ones which are under discussion and will be resolved. There is no political problem. Romania wants to expand its cooperation with Boeing under the new situation. Negotiations are proceeding to this end. The trade imbalance is a consequence of Romania's debt repayment program. Once the debt is paid, Ceausescu hopes that imports and exports with the US will increase.

16. It was true that Romania had renounced MFN, Ceausescu said. He viewed this as a temporary situation, expecting that the US administration would find a way to grant MFN without conditions. Romania had therefore agreed with the US not to give MFN renunciation any publicity. Romania had respected that agreement. The loss of MFN hurt trade, even though it was not a tragedy. Ceausescu said (with a smile) that he had hoped the Deputy Secretary's main proposal on this visit would be to study how to restore MFN so the next administration could have a clear picture of the way to do this.

17. Ceausescu concluded his comments on bilateral relations by saying it was a pity that historians would say that the Reagan administration had been responsible for a deterioration in US-Romanian relations rather than an improvement in them. The Romanian side was strongly in favor of finding ways to encourage the steady improvement of relations with the US. Even recent experience had shown that we get good results when both sides show good will.

18. After Ceausescu's presentation on international matters (septel), the DepSec said he was glad to hear Ceausescu's comment that our recent difficulties are a temporary phenomenon and that we can find ways to restore the good relations the US and Romania have enjoyed in the past. Part of the problem might be that Americans were very frank; they said what they thought. Ceausescu said Romanians do also. The DepSec stated that good relations have to be based on the willingness of both sides to be friends with each other, even if they do not agree. Ceausescu said Romania was ready to discuss anything, but actions should not be taken to harm relations. The Romanians had proposed a round-table, and discussions between legislatures.

19. The DepSec said we must meet and discuss; that clarifies problems and makes progress. We have been able to do that with the USSR. We would like to be able to do that with Romania as well. Ceausescu said US-Romanian problems are different than US-Soviet problems. The DepSec agreed that we had no arms control problems with Romania. Other issues, such as human rights and economic questions, were similar.

20. After a brief discussion of the Middle East (septel) the meeting concluded with a statement by the DepSec that we would continue to work for improved bilateral relations and a response by Ceausescu that Romania would also work for good relations and would welcome US efforts to that end.

Gilmore

185. Telegram From the Department of State to the Embassy in Romania¹

Washington, December 30, 1988, 1011Z

418828. Subject: Romanian Chief Rabbi Calls on Deputy Secretary.

1. Confidential—Entire text.

Summary

2. Romanian Chief Rabbi Moses Rosen called December 19 on Deputy Secretary Whitehead and DAS Simons to discuss Romanian

¹ Source: Department of State, Records from Ambassador Thomas W. Simons, Jr., Lot 03 D 256, Chron December 1988. Confidential; Priority; Exdis. Sent for information to Vienna for the delegation to the CSCE. Drafted by Becker; cleared by Seymour, Deal, Simons, T.J. Rose (D), James Collins (S/S), and D. Trotter (S/S-O); and approved by Whitehead.

developments. The Rabbi reported that, contrary to earlier fears, the Jewish community has held its own in the wake of Romania's renunciation of most-favored-nation trade status. He also stated that the regime has reduced its pressure on him to avoid contacts with U.S. officials and other foreigners. In what may have been intended as a GOR "good-will message" to the U.S., Rabbi Rosen said that GOR First Deputy Premier Ion Dinca recently presented him with an emigration list which purports to show that GOR approvals are at normal levels. Dinca also assured the Rabbi that rural "systematization" would be carried out gradually and with full consent of the affected population. End summary.

Conditions in Romania Are Bad and Worsening

3. In his December 19 meetings with the Deputy Secretary and DAS Simons, Rabbi Rosen described a worsening socio-economic situation in Romania in graphic human terms. Old people and children were freezing to death because of stringent energy rationing coupled with inability to pay exorbitant household electricity bills. There were long lines for bread, milk and other essential but scarce foodstuffs. Toilet paper, for example, was so scarce that people steal it from restaurant bathrooms and other public facilities.

4. The principal source of the economic disaster, in the Rabbi's view, was the regime's accelerated repayment of the country's foreign debt, but conditions were exacerbated by chronic bureaucratic corruption and laziness and by insensitivity at the top to the people's hardships. Rabbi Rosen noted that at a recent meeting of the Socialist Democracy and Unity Front, Ceausescu announced to the country's scientists that Romanians were too fat and needed to diet, and he urged religious leaders to remind their flocks to observe their denominations' fast days. The Romanians' desperation had reached such a point that they openly applauded Soviet leader Gorbachev when he visited Bucharest in May of 1987.

5. When the Deputy Secretary asked Rabbi Rosen why people did not rise up and protest, the Rabbi acknowledged that the Romanians had learned passivity and fatalism over many centuries. Unlike other Eastern European societies, Romania lacked a revolutionary tradition. Rabbi Rosen admitted the remote possibility of a palace coup, but said that until now Ceausescu had made effective use of his security apparatus and had been careful not to threaten anyone in the leadership directly. Ceausescu's most likely successors at present were First Deputy Premier Ion Dinca or party organization chief Emil Bobu, both of whom were described as having a "slave mentality" vis-a-vis their boss. Leaders with potential like Stefan Andrei and Ion Iliescu were largely ignored by Ceausescu's inner circle. Although Rabbi Rosen noted that

Elena Ceausescu could possibly inherit her husband's throne, his tone when discussing her tended to dismiss this scenario.

Jewish Community Under Pressure, But Able To Prevail

6. Rabbi Rosen reviewed the status of the dwindling (20,000-member) Jewish community in his country. He said that there had been great apprehension following Romania's February renunciation of its most-favored-nation (MFN) trade status with the U.S. that the Jewish community would lose a significant degree of protection for the exercise of religious liberty and freedom of emigration. However, the deteriorating climate of U.S.-Romanian relations had so far not had any negative impact on the Jewish community.

7. Rosen attributed the community's "stability" to his own obstinacy with regard to preservation of Jewish buildings in Bucharest from "urban renewal" as well as President Ceausescu's unexpected willingness to extend special privileges to the community. The Rabbi said that the GOR Department of Cults ordered him three times to vacate three key Jewish community structures in Bucharest—the Sephardic Synagogue, the Grand Synagogue and the Jewish Museum—to permit their demolition, but he refused on all occasions by appealing directly to Dinca, with whom he acknowledged an enduring working relationship. In the end, the word had come down from Ceausescu himself that the buildings should be preserved. While standing his ground on these buildings, Rabbi Rosen admitted that he could not in good conscience oppose demolition of other Jewish buildings which were under-utilized, while those of other faiths were also being bulldozed.

8. The regime had shown other signs of favoritism toward Rabbi Rosen and the Jewish community. In the course of their meetings on the building preservation question, Dinca had told the Rabbi that he should henceforth bypass the Department of Cults on all but the most technical, administrative matters and come directly to him. Rabbi Rosen also said that, over the repeated objections of the Foreign Trade Minister, Ceausescu had approved the duty-free importation of kosher wine donated by Israel in such quantity that the community was able to sell the considerable excess amount to non-Jewish Romanians. There had, in fact, been no interference whatsoever from the GOR with the importation of special Jewish foods and religious materials, including those used for religious education, or with financial contributions from abroad. Contrary to many other Romanians, no Jew lacked either food or shelter.

Rabbi Rosen as Emissary?

9. Although Rabbi Rosen acknowledged that he had recently encountered difficulties with the GOR regarding the ready access he enjoyed with Westerners, especially USG officials, he hinted that this

phase appeared to have passed. As a courtesy, the Rabbi had informed Dinca on the eve of his departure from Romania that he would be calling on the Deputy Secretary while in the U.S. Dinca offered no objection. Instead, Rabbi Rosen was presented with an end-of-year list of 2,000 Romanians who had been permitted to emigrate to the U.S., as well as comparably large lists of departures for West Germany and Israel. Dinca announced that these lists proved that Romania was committed to maintaining “normal” emigration flows.

10. Dinca also volunteered that the policy of rural “systematization” would take 15–20 years to fully implement. Dinca stressed that the regime would not touch any peasant’s house without the owner’s go-ahead, but no new privately-constructed housing would be allowed. Dinca added that urban restructuring in Bucharest would be extended to accommodate continued in-migration from rural areas. The Deputy Secretary commented that the GOR had previously claimed that systematization would be implemented only on the basis of consent of those affected, but that all evidence still pointed to forced relocation into inadequate apartment dwellings.

Rabbi’s Relations With Dissident

11. Rabbi Rosen touched briefly on his delicate relations with literary figure/dissident Aurel-Dracos Munteanu. Prior to the latter’s public renunciation of his Communist Party membership, the two were collaborating on the writing and translating into English of the Rabbi’s memoirs. Rabbi Rosen said he warned Munteanu at the time that their partnership could not continue if Munteanu continued to criticize the Ceausescu regime for political and religious repression. Munteanu agreed to cease his attacks for the sake of their continued collaboration. Rabbi Rosen had considerable praise for Munteanu’s talents and human sensibilities; the writer had been very helpful in mobilizing support within party and literary circles in support of the Jewish community’s efforts to preserve its buildings threatened with demolition.

Comment

12. The meeting between Rabbi Rosen and the Deputy Secretary was a useful, timely renewal of an association intended by both sides to reinforce the U.S. bond to independent-minded religious and political figures in Romania. As a reliable interlocutor with both the U.S. and Romanian Governments, the Rabbi may also have been the medium through which the Ceausescu regime has sought to deliver an oblique but important message—that the Romanian Jewish community is secure and that our apprehensions about emigration figures and systematization are misplaced.

Yugoslavia

186. Memorandum From Secretary of State Haig to President Reagan¹

Washington, March 30, 1981

SUBJECT

Confirmation of U.S. Arms Transfer Policy Toward Yugoslavia

In recent years, the Yugoslavs have turned to the U.S. and other Western countries for assistance in lessening their dependence on the Soviet Union for sophisticated military equipment, and the U.S. has responded by approving appropriate arms for sale to Yugoslavia. We would like your approval to continue this effort.

Yugoslavia occupies a key piece of territory which, if controlled by the Soviets, could split NATO's southern flank and endanger our control of the Mediterranean. The Yugoslavs are determined to maintain their independence and have pressed the U.S. in recent years to sell them necessary arms. They are especially interested in the areas of anti-tank, anti-air and coastal defense weapons which would be critical for deterring or defeating Soviet attack. We and our Allies have been forthcoming in responding to Yugoslav requests for these arms, but tight Yugoslav fiscal constraints have prevented them from availing themselves fully of our offers. Nevertheless, continuation of the present policy would retain the potential for Yugoslavia to lessen its dependence on the Soviet Union while simultaneously improving its defensive capability against the Soviet/Pact threat.

Present U.S. arms transfer policy is based on the attached documents.² There is an interagency consensus at the policy level that our arms transfer policy toward Yugoslavia serves U.S. strategic interests and should continue. Its central elements are:

¹Source: Reagan Library, Paula J. Dobriansky Files, Yugoslavia—Military (2). Secret; Sensitive.

²Not found attached. According to a list at the end of the memorandum, the attachments were a September 22, 1977, White House memorandum and telegram 6062 to Belgrade, January 9, 1980.

—To support the independence, territorial integrity and national unity of Yugoslavia.

—To examine Yugoslav requests on a case-by-case basis and to be forthcoming in approving sales of arms and equipment required for Yugoslav defensive needs as circumstances warrant.

—To expand further the International Military Education and Training program for Yugoslavia commensurate with Yugoslav desires, U.S. disclosure policies, and available funds, and

—To encourage our Western European Allies, especially the British, French, Germans and Italians, to follow similar policies.

Your affirmation of these key elements would remove any doubts about the continuation of our present policy. A prompt decision is necessary since the Yugoslavs would interpret any pause in the military relationship as signaling a major change in U.S. policy.

We have discussed this with Defense. Secretary Weinberger concurs in this memorandum.

RECOMMENDATION

That you confirm that you wish us to continue our present policy as outlined above.³

³ The "Approve" option was checked.

187. Memorandum From Paula Dobriansky of the National Security Council Staff to the President's Assistant for National Security Affairs (Allen)¹

Washington, April 3, 1981

SUBJECT

Weekly Report

Yugoslavia. In the Kosovo region, which is predominantly Albanian, there have been numerous demonstrations. The unrest, thus far, seems to be primarily confined to the Kosovo (in which a curfew and travel restrictions have been imposed) and to its student community, but there are reports that tensions have increased in other universities in Belgrade and Zagreb. Reportedly, the authorities have promised to deal with the students' economic grievances. There have been unconfirmed rumors that some units of the Yugoslav military have been placed on revolutionary alert. Moreover, speculations abound that this unrest was fomented by foreign interference from Tirana or Moscow. Yet, no evidence has been secured to confirm these speculations. (C)

These Kosovo incidents are the first of public unrest since President Tito died ten months ago. These demonstrations in themselves do not constitute a present major threat to public order throughout Yugoslavia, but the Albanian dilemma appears to be one of Post-Tito Yugoslavia's most serious long-range problems. (C)

[Omitted here are topics not related to Yugoslavia.]

¹ Source: Reagan Library, Executive Secretariat, NSC: NSC Weekly Reports, 04/03/1981. Secret.

**188. Memorandum From the President's Assistant for
National Security Affairs (Allen) to President Reagan¹**

Washington, April 6, 1981

SUBJECT

Confirmation of U.S. Arms Transfer Policy Toward Yugoslavia (S)

Readiness to provide military assistance to Yugoslavia has been part of U.S. foreign policy since 1948, when Tito broke with Stalin. It ought to be continued, and in that sense there is no disagreement with the Secretary of State's recommendation at Tab A.² However, two considerations may be kept in mind:

1. In our arms transfer policy the criterion ought not to be solely whether a given country is hostile to and/or threatened by the Soviet Union but also whether in its overall foreign policy it broadly supports positions taken by the United States. Yugoslavia has for many years seen itself as a leader of the "non-aligned bloc" and in this capacity taken positions hostile to the United States. (This holds true, for example, of its position on the Arab-Israeli dispute.) One cannot, of course, make arms transfers conditional on the recipient's alignment with U.S. foreign policy. But a greater sensitivity to the *general* foreign policy line of a given country instead of a narrow focus on its relations vis-a-vis Moscow would not be amiss.

2. While Yugoslavia in theory has a great deal of interest in U.S. arms, in practice it has not been eager to acquire them for fear of annoying the Russians. Actual arms transfers to Yugoslavia over the past several years have been lilliputian: in FY 1979 equipment deliveries amounted to \$354,000 and in FY 1980 to \$636,000. (S)

RECOMMENDATION

That you approve the continuance of the present policy.³

¹ Source: Reagan Library, Robert H. Lilac Files, Arms Transfer: Country Files, AT: Yugoslavia [January 1981–April 1981]. Secret. Sent for action. Copies were sent to Bush, Meese, Baker, and Deaver. "The President has seen" is stamped at the top of the memorandum. Beneath this notation, written in an unknown hand, is "approved 4/15/81."

² Not found attached. See Document 186.

³ The "Approve" option was checked.

189. Telegram From the Department of State to the Embassy in Yugoslavia¹

Washington, April 28, 1981, 2000Z

108912. Subject: Discussion With Yugoslav Ambassador Loncar: Yugoslav Perspectives on International Issues.

1. (S—Entire text).

2. Summary. After spending a couple of days with Yugoslav Foreign Minister Vrhovec at UN in New York, Yugoslav Ambassador Loncar offered some interesting insights into current Yugoslav thinking. He found Vrhovec completely uninformed about GOY plans for military purchases from the US. The Yugoslavs have strong evidence of Albanian Government involvement in Kosovo unrest but do not intend to make an issue of it. Belgrade is optimistic about Poland and sees the USSR on the defensive, which creates new opportunities for US diplomacy in key areas such as Namibia. End summary.

3. US military sales. Barry² asked Loncar if Vrhovec had cast any light on current Yugoslav attitudes to military purchases from the US in light of the imminent expiration of the LOA on TOW/Dragon. Loncar found Vrhovec completely uninformed on this subject. At Vrhovec's urging Loncar cabled Belgrade expressing puzzlement over Yugoslav reluctance to pick up on the US TOW/Dragon offer which had been Defense Minister Ljubicic's top priority. Loncar will soon call on Defense Secretary Weinberger at the latter's invitation but wants to get a better idea of Belgrade's thinking before doing so.

3. Kosovo. Vrhovec told Loncar that the GOY has hard evidence of Albanian Government involvement in the unrest in Kosovo—this evidence is much more persuasive than evidence of Soviet involvement. Yet the GOY has no intention of making an issue of Albanian involvement. Yugoslavia has its eye on the bigger picture—the fate of Albania after Hoxha's death—and therefore will strive for good relations with Albania at almost any price while avoiding any step which could drive a new Albanian leadership into Moscow's arms. Loncar said that Vrhovec was very optimistic about future developments in Kosovo—an optimism Loncar did not share.

4. Poland. According to Loncar, the current Yugoslav estimate as conveyed by Loncar is that there will be no Soviet intervention because

¹ Source: Reagan Library, Robert H. Lilac Files, Arms Transfer: Country File, AT: Yugoslavia [January 1981–April 1981]. Secret; Priority; Exdis. Sent Priority for information to Bonn, London, Moscow, Rome, Paris, the mission to the UN, and Warsaw.

² Presumably Robert Barry, Deputy Assistant Secretary of State for European Affairs.

the cost is too high. Moscow will keep up the pressure against revisionism as the Polish Party Congress approaches but will tolerate a good deal. The Yugoslavs see Soviet policy towards the Polish economic situation as ambiguous. Moscow fears that further economic deterioration will be destabilizing but also sees negative trends in the economy as strengthening the hard-liners' hands.

5. US policy towards the USSR. Taking off from his discussion of Poland, Loncar opined that the Reagan administration was missing important opportunities by over-emphasizing the expansionist elements in Soviet policy. Indeed this element was there, but the USSR was more on the defensive now than any time in recent history with economic problems at home, the "Yugoslav views" spreading through China, Eastern Europe and European communist parties, the Non-Aligned Movement shifting away from Cuba and the USSR, and the West moving to build its defenses. The US should exploit these opportunities which can yield concrete gains at the negotiating table and in this sense Washington has a "window of opportunity".

6. Namibia. Loncar stressed that Namibia represented an important opportunity and test for the Reagan administration which could be turned to advantage by the US in the competition with the Soviets.³ If we are willing to provide momentum to the negotiating table and if majority rule can be won, other benefits such as the withdrawal of Cuban troops from Angola could follow.

Haig

³ Documentation regarding Namibia's efforts toward independence is scheduled for publication in *Foreign Relations*, 1981-1988, vol. XXV, Southern Africa, 1981-1984.

190. Letter From Yugoslav President Mijatovic to President Reagan¹

Belgrade, May 7, 1981

Dear Mr. President,

Allow me, first of all, to express my sincere pleasure that you have resumed your responsible duties in full measure, following a swift and successful recovery.²

As you may know, Mr. President, I recently visited a number of countries in Southeast Africa, where I held exhaustive talks with Presidents Kaunda, Nyerere and Banana and with Prime Minister Mugabe. I would like to acquaint you in this letter with the impressions I gained during and my assessments of that trip.

The talks we conducted in these countries have convinced us that the basic preoccupations shared by Zambia, Tanzania and Zimbabwe are the strengthening not only of their own independence and genuine nonalignment, but of the independence, nonalignment and stability of the entire region. I hope you will agree with the view held by the Presidency of the Socialist Federal Republic of Yugoslavia that these aims are in conformity with the broader interest of the international community.

It is within the context of these aspirations that the aforementioned countries also view the solution of the problem of Namibia's independence. This has become a key issue which, depending on the way in which it is solved, may either facilitate or render more difficult the maintenance of stability and the strengthening of independence in the region.

Our counterparts voiced great concern over the unfavourable developments regarding the right of Namibia to a life in freedom and to independence and, likewise, over the looming danger of a new crisis involving Angola.

In the talks with President Nyerere, for instance, the concern was particularly expressed that the present position assumed by the western countries concerned with regard to Namibia's independence could encourage South Africa to obstruct and reverse the process of granting Namibia independence. President Nyerere put forward strong

¹ Source: Reagan Library, Executive Secretariat, NSC Head of State File, Yugoslavia: President Mijatovic (8102745). No classification marking. Bremer sent Allen on June 25 a proposed response to Mijatovic's letter, but there is no indication that a final version was sent. (Ibid.)

² Reference is to the attempted assassination of Reagan on March 30.

arguments regarding the need to observe United Nations Resolution 435,³ which calls for free elections for a parliament which, in turn, would draft and promulgate the constitution of independent Namibia. We also share the anxiety that insistence on an opposite process would be conducive to the perpetuation of Namibia's colonial status, in particular at a moment when the decolonization process under way is nearing its successful conclusion.

Our counterparts are inclined to believe that if the western countries continue to maintain their present attitude towards the problem of Namibia's independence, this will inevitably result in profound differences and may even increase the danger of confrontation with African countries which consider Namibia's independence to be of vital importance in terms of their own national security.

I think it is appropriate, Mr. President, to convey to you that the Presidency of the Socialist Federal Republic of Yugoslavia shares these concerns, all the more so as the outcome of the recent session of the Security Council has augmented the already existing uncertainty.

We are of the opinion that the present course of events further complicates the situation from which, if continued, it will be more difficult to find a way out. On the other hand, ensuring the genuine independence of Namibia, in accordance with the legitimate aspirations of its people, would make it possible for free Namibia to settle in an appropriate manner its internal problems and to consolidate its international position, as is being done by independent Zimbabwe, and, thus, to pursue a truly independent policy.

We have noted the statements issued by the United States of America and other western countries in favour of Namibia's independence. We find this encouraging. It strengthens our belief that you will express understanding for the points of view on this important problem which I have outlined.

Mr. President,

As I mentioned before, the leaders of all three countries expressed in the course of the talks their deep anxiety over the possible danger of Angola becoming once again the scene of a wider conflict in case military support and arms supplies are provided to UNITA. In their opinion, this would lead to an overall destabilization of the entire region of southern Africa and its entanglement in a long-term bloc confrontation, which would have an adverse effect on international relations as a whole.

I would like to draw your attention to the strong arguments expressed by President Kaunda in support of the need for the legality

³ The text of the resolution is printed in the *UN Yearbook*, 1978, pp. 915-916.

of the People's Republic of Angola to be fully honored. This subject was also discussed by him with your envoy, Mr. Crocker.⁴

We believe that the international community's efforts should ultimately be directed towards the consolidation of an independent and nonaligned Angola, capable of ensuring its own security without a foreign presence. In this sense we would regard as a positive development the termination of South Africa's occupation of Namibia, and the discontinuation of the persistent aggressive acts committed by that country against its neighbours.

We are convinced that this is the right way to strengthen the genuine nonalignment of countries in the South of Africa and, thereby, their independence. We believe that in this way, broader and more stable prospects would emerge for useful cooperation among the independent countries of southern Africa, and all other countries, including those of the West, whose economic and technological assistance the former urgently need for their development.

Mr. President,

We believe that these views deserve your attention and would greatly appreciate your opinions regarding the questions I have outlined in this letter.

I take this opportunity to express the satisfaction of the Yugoslav leadership over the development of friendly Yugoslav-American relations and to stress our wish for their continued successful development on the basis of mutual respect and equality, and in the interest of better understanding and broader cooperation in the world as a whole.

Please accept, dear Mr. President, the assurances of the high esteem of the Presidency of the Socialist Federal Republic of Yugoslavia, as well as my own best regards.

Cvijetin Mijatovic (Sgd.)⁵

⁴ Assistant Secretary of State for African Affairs-designate Chester Crocker.

⁵ Printed from a copy with this typed signature.

191. Memorandum From the President's Assistant for National Security Affairs (Allen) to Secretary of Defense Weinberger¹

Washington, June 1, 1981

SUBJECT

Confirmation of US Arms Transfer Policy toward Yugoslavia

The President has reaffirmed our policy on the sale of military items to Yugoslavia. This Administration views a militarily capable Yugoslavia as a key element in preventing Soviet expansionism and hegemony in southern Europe. We also consider arms transfers as important in improving dialogue on foreign policy issues. The central elements of US arms transfer policy towards Yugoslavia are:

—To support the independence, territorial integrity and national unity of Yugoslavia.

—To be forthcoming in approving sales of arms and equipment required for Yugoslav defensive needs as circumstances warrant.

—To expand further the International Military Education and Training program for Yugoslavia commensurate with Yugoslav desires, US disclosure policies, and available funds.

—To encourage our Western European Allies to follow similar policies.

FOR THE PRESIDENT:

Richard V. Allen

¹ Source: Reagan Library, Executive Secretariat, NSC: National Security Decision Directives (NSDD) Files: NSDD 133 (2/2) 14 Mar 1984. Secret. Copies were sent to Bush, Meese, and Baker. A notation in an unknown hand reads: "6/1 sent / JCP (late afternoon)."

192. Airgram From the Embassy in Yugoslavia to the Department of State¹

A-86

Belgrade, June 11, 1981

SUBJECT

Kosovo Situation Assessment: The Future

REF

Belgrade 4571²*Summary and Conclusions*

Belgrade 4178³ set down what we know (or believe) has happened over the past two months in the Kosovo, and also pointed out that there are two key areas in which our information continues to be critically defective: the degree to which violence is continuing in the Kosovo, particularly the involvement of the military; and the accuracy of the Yugoslav charge that foreign influences, i.e., from Tirana, have been the major factor in instigating and perpetuating the explosion of nationalism in the Kosovo.

More light on these two areas is needed before we can predict the long- or even medium-term impact of the Kosovo troubles with much confidence. Nevertheless, in the short term, Yugoslavia seems to have weathered the immediate crisis in Kosovo with unity and stability intact, and with its determination to defend itself from enemies (internal and external) unshaken. The military has chosen—or been ordered—to keep the lowest possible political profile; this is a good sign of the civilian leadership's confidence and strength. (However, the degree to which the military's ability to defend Yugoslavia from outside attack may have been temporarily degraded by the deployment of military units to the Kosovo and the ineffectiveness of territorial defense and social self-protection organizations there is a subject not addressed in this message.)

¹ Source: Reagan Library, Paula J. Dobriansky Files, Yugoslavia (1). Confidential. Drafted on June 9 by Thomas Dunlop and Richard Erdman; cleared in draft by Shirley Panizza, Sylvia Bazala, Razvigor Bazala, Commander Huchthausen, Marlin Remick, and by David Bennett, and Peter Raudenbush; approved by Benson. Dunlop initialed for Benson.

² Telegram 4571 from Belgrade, June 5, provided Embassy analysis of the developing situation in Kosovo. (Department of State, Central Foreign Policy File, D810265–0026)

³ Telegram 4178 from Belgrade, May 21, described the situation in Kosovo as it was emerging. (Department of State, Central Foreign Policy File, D810241–0783)

To say that problems remain is both to state and understate the obvious. Working for a "political solution," the authorities are clearly resorting to "administrative measures." Large sections of the Albanian population remain at best sullen and restive, the Serbs and Montenegrins fearful. The party organization at the grass-roots level appears to have in many instances virtually disintegrated. Martial law is long gone, but special security measures are still in effect, and special police and military units from outside the province are still deployed there. Law and order returns only slowly, in some areas very slowly indeed. A widespread purge ("differentiation") is underway, with hundreds expelled from government and party positions, from the university, and from work organizations, with the Serbs calling for more. Indeed, the Serbian leadership appears increasingly impatient with the slow pace of "differentiation," and demands for increased "vigilance" by local "social self-protection" organizations—which collapsed in the Kosovo—are the order of the day.

What does all this mean? We fear that such "brotherhood and unity" in the Kosovo as was established after the "nationalist" disturbances of 1968 will not be restored for a long time to come, if ever. The Kosovo, and thus Yugoslavia, may have to endure a persistent element of violence, greater or lesser, for the foreseeable future.

Internally, there has been a tightening up across the board, with reformers at least temporarily more reluctant to press for change and the authorities (in Serbia at least) anxious to avoid moves which could be read as concessions or weakness. This will continue for a time, but there has not been a "hardliner" victory. Those "liberals" who were arguing for a more pluralistic approach before the Kosovo have not abandoned the "dialogue," rather it has been refocussed on the more narrow issue of increased press freedom to report events fully and honestly, as was not done in the Kosovo. We anticipate that in time the "dialogue(s)" will be resumed—but their advocates will face a tougher row to hoe in post-Kosovo Yugoslavia.

A major, critical question yet to be answered: How could the party organization in the Kosovo have failed so miserably? Are its weaknesses also to be found elsewhere? Could it be that the Yugoslav Communist Party is even less relevant to day-to-day decision making in self-managing Yugoslavia than Western observers have ever imagined? If so, then in Lenin's timeless phrase, "What is to be done?" Many will agree that the party must be strengthened, its vitality restored, its relevance asserted. But how? We see hope in that the question is being openly put, but no indication what, if any, answers will be found. However, as this "dialogue" resumes (it was in fact underway even before the Kosovo troubles erupted), we do not believe Leninist hardliners—"dogmatists," in the jargon—will win. The dialogue will thus

be mostly between and among those who will have as their point of reference Kardelj's "pluralism of self-managing interests." The danger is that this dialogue will be directed everywhere but to the Kosovo, where solutions are most needed.

Among the few encouraging results of the Kosovo's travail is the rigorous reevaluation now underway of how decisions have been made and funds expended for the economic development of the Kosovo. This could have a positive echo elsewhere. As for the Kosovo itself, there is for example serious thought being given to directing investments into labor-intensive industry and even—just imagine—to stimulating agriculture, including the private sector. Clearly, economic pressures will grow for more Federal and republican supervision of Kosovo economic development. The republics will henceforth be generally less immune to outside criticism of their economic trends where they are perceived to deviate from national policies. There is thus reason to hope that the shortcomings of economic development policy in the Kosovo will lead to constructive changes in the leadership's approach to Yugoslavia's economic problems in general, particularly a strengthened Federal direction of macro-economic planning.

In the foreign policy area, continued unrest in the Kosovo could drain Yugoslav energies, forcing it to focus inward and making it more difficult to sustain a high international profile. Suspicions of "foreign hostile influences" are enhanced, especially of hostile emigres, of Tirana, and also of Moscow, all of whose long-term interests—perceived as destabilization of post-Tito Yugoslavia—are held to coincide.

Relations with Albania are near the breaking point. Tirana accuses the GOY, allegedly locked into a no-win confrontation with its Albanian populace, of having in desperation deliberately "provoked" the tension. Whatever the temptation to break relations, the Yugoslav leaders have so far resisted it. In order to predict the future of this odd-couple relationship, we would have to know to what degree the Yugoslavs will find evidence of Tirana's direct instigation of subversion. (A leading Kosovar Albanian official told visiting Western newsmen June 3 the GOY does "not yet" have such hard evidence, this despite all the trumpeting to the contrary in the media.) If such evidence is not discovered, we suspect the calmer heads in Belgrade will prevail and Yugoslavia will seek to revive its far-sighted pre-Kosovo policy toward Albania which in anticipation of Hoxha's passing sought through increased trade and cultural ties to give the post-Hoxha leadership room to maneuver as it faces what Belgrade fears will be a formidable Soviet attempt to reassert its influence in Tirana. It might take years to restore a semblance of normalcy in relations, but this is so clearly in Belgrade's national interest that we expect to see the GOY begin to work toward that end—always with the caveat, if the "smoking gun" is not discovered.

If on the other hand the GOY comes up with evidence of Tirana's subversion, past or present, relations could snap, tensions increase yet further, and a new and unpredictable element of instability be added to Balkan interstate relations.

In the Kosovo, the authorities' "political measures" thus far have not returned the province to normalcy. The "differentiation" process is pressed, with the sanction of force clearly visible in augmented militia and military units on patrol. Essential political issues have yet to be faced, one of which is the general Albanian psychological perception that they are second-class citizens. This has of course a specific manifestation, the claim to republican status for the Kosovo. This claim, added to charges of police brutality and of Serbian "oppression," are the slogans of a now politicized and unpredictable Albanian youth. There is no hint yet that the present political agenda is addressing these matters frontally. The Slovenes may have such issues in mind in calling for more focus on domestic shortcomings and less on foreign devils; they more than others feel free to speak out, and are doing so. But, if they have allies in Serbia (we suspect they do, in Minic for example) they do not yet apparently feel it possible to speak out publicly. Thus, we see it as a critical failure of the party and state leadership yet to address effectively the political problem posed by the Kosovo—and it is quintessentially a political, not an economic problem. It is also of course a major security problem, but one that will not go away until political remedies are applied.

That said, while extremely serious the eruption of nationalist unrest in Kosovo has not delivered a fatal blow to post-Tito Yugoslavia. The leadership, while shaken and without a clear idea of how to solve the problem in the long term, has shown it has the unity, will, and ability to take strong, even ruthless, action to preserve Yugoslav territory and independence. The Kosovo situation has so far proved to be specific: The contagion has not spread beyond those areas where Albanians live. Serbia is the Republic most affected, and the potential Serbian nationalist backlash will bear most careful watching. There have of course also been negative consequences in Montenegro and Macedonia, particularly the latter. There seems to have been almost no Moslem cast to the Kosovo problem, hence we sense not much spillover effect in Bosnia-Herzegovina. The Vojvodina leadership is concerned not so much over attitudes of its own Hungarian minority, but over whether Belgrade's evident intent to reacquire control of Kosovo decision-making will make it difficult for the placid Vojvodina to retain the high degree of autonomy it now enjoys. A claim by the Serbs to reassert direct control over the Vojvodina as well as the Kosovo will be strongly resisted by Novi Sad, most probably with support from Croatia and Slovenia as well. However, as Consulate General Zagreb has pointed out, there

is little evidence in Croatia of sympathy for the Albanian cause.⁴ The attitude there seems to be “a plague on both houses.” The Slovenes, ever serious-minded and pragmatic, are worried lest Serb and Kosovo leaders place too much blame on “foreign influences” and ignore the homegrown social-economic-political roots of the Kosovo problem. They also want to see their development aid monies for the Kosovo put to better use. Both these rational points of view need to be heeded in Belgrade but it remains to be seen whether they will be.

Nevertheless, while the Kosovo and adjacent areas seethe, life in the rest of Yugoslavia has proceeded with remarkable normality. Thus we see the Kosovo not as post-Tito Yugoslavia’s Achilles heel but rather as an acutely painful boil which will require repeated lancing. The inflammation will probably prove containable but it will not soon (if ever) heal. Nothing will be as easy for Yugoslavia henceforth, at home or abroad, but the Kosovo has not injected a fatal poison into the Yugoslav body politic. *End Summary and Conclusions.*

Three months after the Kosovo disturbances began, no political solution is in sight, special security measures remain in effect, military forces are still deployed, and the situation remains obscured by a jumble of rumor and fact and the continuing restrictive official information policy. Nonetheless, enough dust has settled to enable us to develop further our earlier conclusions (see Belgrade 2754)⁵ regarding the authorities’ ability to contain the unrest, new pressures testing the collective leadership, the likely strengthening of hard-liners (if only temporarily), and increased strains with Tirana and Moscow.

Yugoslav Unity and Stability. Yugoslavia seems to have weathered the immediate crisis in Kosovo with its unity and stability intact and its determination to defend itself from enemies real or imagined, internal or external. Despite some differences on secondary issues, a leadership consensus developed on the seriousness of the threat of Albanian nationalism, the inadmissibility of granting republican status to Kosovo, and the need for a firm response and a closer hold over the most important non-Slav group in Yugoslavia. This in turn has helped to isolate the unrest and narrow the scope for a nationalistic ripple effect whereby a Serbian overreaction leads the Croats to side with the ethnic Albanians against the Serbs.

That said, “brotherhood and unity” has received a serious blow and there is wide recognition that it will be a long time ever—before even a semblance of mutual trust and community can be restored between

⁴ Not found.

⁵ Telegram 2754 from Belgrade, April 4, reported the recent student uprisings and unrest in Kosovo. (Department of State, Central Foreign Policy File, D810160–0503)

Albanians and Serbs. Those Albanians favoring union with Albania or republican status for the Kosovo are, in the wake of repressive measures, no doubt even more convinced of the justice of their cause; and "loyalists" in Kosovo are angered and beginning to speak out against generalized appraisals and prejudice which lump them together with "nationalists or irredentists."

As for the Serbs, we sense that as the initial shock of the crisis wears off, a stronger reaction is setting in. Serb leaders, for example, have publicly pressed for tightening Serbian control over the autonomous provinces and have expressed dissatisfaction with the pace of and Kosovar stone-walling of the "differentiation" campaign. Demands have been made for an investigation of the forced "exodus" of Serbs and Montenegrins from the Kosovo; popular Serbian magazines are fanning emotions with features on this "exodus," with pictures of gravestones defaced, fruit trees of Serb peasants hacked down, etc.; and a May 20 Croatian party session pointedly warned about a possible revival of Serbian nationalism. Likewise, stinging criticism of the Serbian press (for allegedly being in league with internal and external enemies) from Pristina University and party officials has brought Serbian distrust, resentment, and contempt for ethnic Albanians more openly into the press. On the whole, though, the Serbian leadership seems at least alert to the dangers of a nationalist response.

Crisis Management. In meeting the immediate goal of restoring order, the collective leadership, with the party in the lead and with the help of the military, has shown that it has the unity, will, and ability to act decisively and, if need be, ruthlessly. Beyond police-military security measures, the official response has involved an educational-propaganda campaign, a purge of nationalist elements ("differentiation"), changes in the Kosovo leadership, calls for more party activism in the Kosovo, and a sharp curtailment of contacts between Kosovo and Albania.

Almost all these efforts have been marked—and to some extent undermined—by inconsistent analysis, an *ad hoc* approach, and the lack of a coherent, long-term positive strategy for dealing with the Kosovo. No one has yet addressed the issue of republican status on its own merits or shown how its denial, however justified for reasons of state, is consistent with real self-determination for ethnic Albanians. Ostrich-like, the official line ignores the dilemma and the ramifications of political and social change in the Kosovo since 1968. The Kosovars, goes the line, "freely" exercised their right of self-determination when they approved the 1974 Constitution and, in any case, except for a small minority, "do not want" republican status. And the issue of police brutality has hardly been mentioned even obliquely, much less acknowledged. Finally, at the heart of the problem lies the ancient animosity

between Serb/Montenegrin and Albanian, and the open contempt in which the former hold the latter.

Inconsistency has also been apparent in the presentation of the roots of the problem. Different “definitive” figures on the numbers killed, wounded, and arrested attest to leadership differences over how much to restrict information. The tendency of some (like Interior Secretary Herljevic) to stress foreign rather than domestic factors as the primary cause of the disturbances has been publicly criticized by leaders like the Slovene Smole as a dangerous self-delusion. Initial claims about a return to “normalcy” have been belied by the magnitude of police-military response and by subsequent official reports about the “very complex and tense” situation; sporadic violence—we do not know how serious; small-scale demonstrations; boycotts; and other forms of nationalist protest. Likewise, references to “mass” condemnation of the disturbances by the Kosovars seem hollow as the “differentiation” process reveals how far nationalist sentiment has permeated all levels and areas of Kosovo society, including the party. At the grass-roots level the influence of the party appears virtually non-existent. Resistance to party directives is widespread and so effective that complaints by middle-level officials are now being heard frequently.

Internal Political Repercussions. The Kosovo disturbances are having an impact on the internal political scene; how long range this will be is extremely difficult to judge. For now, at least, hard-liners have been strengthened by the recognized need for stern measures in the face of a clear Albanian nationalist threat. Serbian leaders have shied away from moves which could be read as concessions, vigilance is “in,” the public prosecutors have warned dissidents they will apply the law without regard to foreign or domestic reactions. The dialogue about dialogue has all but vanished, at least for the time being. Reformers have felt it prudent not to press their demands in the present atmosphere. Some, according to a leading dissident (Markovic),⁶ have even been deflected from pressing on now for reforms by their interest in restoring Serbian authority in Kosovo and the Federation. Those advocating “dialogues” have not however been totally vanquished. Rather, they have narrowed the focus of their argument to the issue of full press disclosure of events in the Kosovo.

Second, the leadership has clearly been shaken by these events. It has admitted “surprise” over the sudden eruption of virulent nationalism and pondered how it could have happened. The conclusions: insufficient vigilance, opportunism, lack of party activism, inadequate functioning of the territorial defense and self-protection mechanisms,

⁶ Not further identified.

and a gap between official self-management rhetoric and reality. And the result: the sacking of Kosovo party leader Bakali⁷ and others, the massive propaganda campaign, Serbian party pressures for even more rigorous "differentiation," criticism of federal security bodies (*i.e.*, Herljevic)⁸ for underestimating the situation, a review of the educational system, and rhetoric about more party activism and keeping in touch with real public attitudes. A most interesting and potentially highly significant development is the emergence, particularly in Slovenia, of a current of criticism which warns against placing too much emphasis on foreign influences and is calling for a thorough look at how well the LC throughout Yugoslavia is playing its self-appointed "leading role."

Third, in the Kosovo the military has been the dog that has bitten but not barked. We addressed what we know and do not know about the military's involvement in the Kosovo in Belgrade 3887.⁹ The ambiguities outlined in that message remain unresolved. We note, however, one important non-event of the past three months: While the military deployments to the Kosovo have evidently been (and remain) necessary, and in fact the military presence may indeed still be the key to retaining control as some contacts tell us, the military has assumed as low-key and inconspicuous public position as possible. Generals have done remarkably little tub-thumping about vigilance. Those who have done so—Daljevic¹⁰ and Herljevic, for example—have spoken either in an essentially civilian capacity or have addressed internal military matters (CUIC). There has not been one word spoken in public about the military as the ultimate guarantor of post-Tito Yugoslavia's internal security. Thus the Yugoslav military has either chosen—or obeyed instructions—not to exploit the Kosovo situation to aggrandize its political role in the country.

Foreign Policy Repercussions. Kosovo unrest has brought Belgrade to the brink of a break in relations with Tirana, increased sub-surface strains with Moscow, and increased Yugoslav fears about Balkan stability and attempts by implacable enemies to "destabilize" Yugoslavia through various forms of "special warfare." Over the longer run, if unrest continues to simmer in Kosovo and the Yugoslavs are forced to maintain order through force, Yugoslavia may find itself forced to focus inward and less able to sustain a high international profile, particularly on issues where they are at odds with Moscow.

⁷ Mahmut Bakali.

⁸ Franjo Herljevic, Minister of Interior.

⁹ Telegram 3887 from Belgrade, May 12, reported conflicting rumors of the engagement of Yugoslav military units stationed in Kosovo. (Department of State, Central Foreign Policy File, D810225-0036)

¹⁰ Milan Daljevic.

Anticipated strains with Tirana over Kosovo have appeared in spades. Until it becomes clear just how much truth there is to Belgrade's charge of Tirana's perfidy, we will not be able to judge whether this public posture of Belgrade's is justified, results from poor information, or is a conscious construct designed to cover up the depth of anti-Yugoslav feeling among the Albanians. There is no doubt that in any case Belgrade is furious with Tirana's open support for the demonstrators, its perceived abuse of exchange programs with Kosovo to foment nationalist sentiment, and its unapologetic attitude following the May 23 Yugoslav Embassy bombing.¹¹ Yugoslavs also profess to be perplexed why Tirana would follow a policy which seems so short-sighted and contrary to its interest in Yugoslav and Balkan stability. Belgrade has suspended or cancelled various exchange agreements and is insisting that relations now be conducted through Belgrade rather than Pristina. The impact on planned trade and construction projects such as the Skoder-Titograd rail link remains unclear. We believe there are voices in the leadership urging that trade ties must be retained in Yugoslavia's long-term interest. These have so far succeeded in preventing a total break, although the ground has been prepared for a break should Belgrade so choose.

Suspicious of Moscow, never far from the surface despite both sides' attempts to portray relations as developing successfully despite some differences, have surfaced explicitly in late April in a brief editorial exchange with *Pravda* which raised the 1948 issue of whether Moscow yet accepts Yugoslavia's full independence and right to separate development. Yugoslav references to "Cominformist" involvement in the disturbances likewise have stirred memories of Moscow's involvement in the 1974 Cominformist affair and strengthened suspicions that Moscow, as the one power that stands to gain by the unrest, may have had a quiet hand in fomenting it. Although publicly relations with Moscow remain normal and otherwise unaffected by the Kosovo troubles, we have heard privately from many Yugoslavs of their suspicion that the USSR is somehow instigating the unrest, if not working together with Tirana, then separately through hostile emigre groups, but to the same end. Thus, whatever the public posture in Yugoslav-Soviet relations we believe the Kosovo situation has deepened endemic Yugoslav suspicions and fear of "the Russians."

The Economic Implications. The Kosovo demonstrations will in all probability precipitate significant changes in the GOY's development

¹¹ The *New York Times* reported that Albania denied the Yugoslav accusation that the Albanians had bombed the Yugoslav Embassy in Tirana ("Albania Denies Role in Bombing," *New York Times*, May 30, 1981, p. 4).

policies and the structure of economic decision-making. This may be one of the few positive consequences of the Kosovo troubles. No matter how exclusively the government and party want to attribute the outbreaks to outside nationalist provocations, serious domestic economic difficulties, interacting with acute social and political tensions, were the dominant contributing factors. The substantial financial transfers from the wealthier regions have not, over the past 30 years, closed the development gap or even come close to narrowing it. The census results, which appeared concurrently with the disturbances, point to an even more critical situation in the long term: a 2.7 percent annual growth rate, half of the current population under working age, an increase in the migrant labor force. Over three-quarters of the Kosovars are Albanian and educated through the university in that language—a clear prescription for cultural isolation and economic immobility.

None of this happened unexpectedly and very few observers of these socio-economic trends in Kosovo believed they were leading to anything but a dead end. The difference now is that there is a new license to voice some harsh criticisms of internal investment and educational policies and—hopefully—to try some fresh solutions. Superficially negative remarks were made during public debate over the 1981/85 financing program of the federal fund for underdeveloped republics and Kosovo. The Slovenes insisted on giving the donors greater say in Kosovar investment schemes and no doubt feel thoroughly vindicated in that the party leadership has now openly denounced the dissipation of development resources in conspicuous public construction and other wasteful ways, as in financing a bureaucracy top heavy even by Yugoslav standards. We are certain, therefore, to see more active participation of federal and republican authorities in the programming of Kosovar economic development.

Liberal economists (that is, those supporting firmer macro-economic direction at the federal level) are predicting a backlash against republic decentralization. We tend to agree but do not see any radical changes in the short term. Certainly, there is a perceptible sharpening in the campaign against economic nationalism and autarchic decision-making at the republican and even municipal level. The Kosovo incidents demonstrated the consequences of failing to exercise some control over local events and will no doubt lead to strengthened accountability throughout the system for fulfilling economic plans. We will probably see diminished tolerance for protracted *dogovaranje* (collective decision-brokerage) over key issues such as sharing the B/P deficit, paying for annual oil imports, energy conversion, and avoiding duplicative infrastructure investments. Although decision-making will still depend on achieving a consensus, there will be less respect for the principle of republican immunity and less hesitation to criticize “opportunistic”

policies or actions which threaten the overriding national interest. A major test of post-Kosovo attitudes will be the fate of separate republican balance of payments schedules. Already under heavy criticism for incompatibility with a unified market, this system has survived largely due to pressure from republican authorities.

Overall, in the economic sphere we do not foresee a trend towards formally aggrandizing power in federal institutions, rather a quickened and more responsible implementation of economic policies formulated at the federal level. The republics will retain considerable independence in critical economic sectors, *e.g.*, investment planning and fiscal policies, but will wield this power defensively and with greater vulnerability to criticism from above and other regions. If this, in fact, is the trend in the economic sector after Kosovo, we welcome it as much-needed support for the GOY's successful pursuit of its medium-term stabilization program. It should also contribute indirectly to the GOY's goal of introducing market reforms, in the sense that the political leverage of republican and municipal governments on the economic system is weakened.

Benson¹²

¹² Thomas Dunlop initialed under Benson's typed signature.

193. Report Prepared in the Bureau of Intelligence and Research¹

161-AR

Washington, June 16, 1981

(U) Soviet-Yugoslav Relations Since Tito

(C) *Summary*

Yugoslav fears that Tito's death in May 1980 would prove to be a watershed in Soviet-Yugoslav relations have yet to be realized. High-level contacts have continued; public polemics are rare; and, for the most part, the two sides have downplayed their differences.

¹ Source: Reagan Library, Donald Fortier Files, Subject File, DF: Eastern Europe 1981. Confidential; NoFORN. Drafted by W. Jackson and Jonathan Bemis; approved by Robert Baraz. Dobriansky initialed the top of the first page of the assessment.

Belgrade has demonstrated good will by gradually *diminishing its public criticism* of the Soviet intervention in Afghanistan.² Moscow, too, has made positive gestures, starting with *Brezhnev's trip to Belgrade for Tito's funeral*.³ More recently, Brezhnev, in his speech at the 26th Soviet Party Congress in February, declared that the bilateral relationship was "making progress" and broached the sensitive "separate paths to socialism" issue positively by referring to Yugoslavia as a nation whose revolution was carried out "in its own way."⁴

But although atmospherics have improved somewhat, Moscow and Belgrade have made no substantive progress toward resolving longstanding differences. Moscow's claim to leadership of the "socialist community" and the world communist movement, for example, remains pitted against Belgrade's determination to protect Yugoslavia's political independence and national sovereignty. Belgrade also remains sensitive to the political implications of closer economic ties with the USSR, although trade should continue to flourish given the complementary nature of the Soviet and Yugoslav economies.

The civil disturbances that rocked the Yugoslav province of Kosovo in March and April, however, have renewed Yugoslav fears that Moscow might attempt to aggravate domestic tensions in Yugoslavia as a pretext for intervention.⁵ A Soviet intervention in Poland would heighten these fears and elicit Belgrade's condemnation, although it is unclear how deeply the substance of Soviet-Yugoslav relations—particularly in the economic area—would be affected over the long term.

* * *

(C) *Moscow and the Post-Tito Transition*

Since Tito's death in May 1980, Moscow's tactic vis-a-vis Belgrade has been to work quietly to expand contacts and avoid any activity that might fuel Yugoslav suspicion. Its media coverage of Tito's death and funeral emphasized the positive aspects of Soviet-Yugoslav ties; the condolence messages to Belgrade stressed Moscow's desire for improved atmospherics and its respect for the principles of bilateral

² Dobriansky highlighted this sentence by drawing a line adjacent to it in the left-hand margin. Additionally, she underlined "diminishing its public criticism." In December 1979 the Soviet Union invaded Afghanistan. See *Foreign Relations, 1977-1980*, vol. VI, Soviet Union, Documents 244-248 and 251.

³ Dobriansky underlined "Brezhnev's trip to Belgrade for Tito's funeral," and she drew a tiny number 1 in the margin adjacent to this passage.

⁴ Dobriansky underlined "at the 26th Soviet Party Congress in February, declared that the bilateral relationship was 'making progress'" and she drew a tiny number 2 in the left-hand margin adjacent to this passage.

⁵ Dobriansky highlighted this sentence by drawing a line adjacent to it in the left-hand margin.

relations that Tito and the Soviet leadership had proclaimed at various times since 1955. The Soviets were obviously well aware of the widespread suspicion in Belgrade that they would try to influence post-Tito Yugoslavia.

Brezhnev's presence at the funeral thus served several purposes. Besides being a tribute to a popular leader and providing an opportunity to establish contacts with his successors, the trip served as a demonstration of the importance Moscow professed to attach to relations with Belgrade. In that context, the absence of President Carter gave it added weight, and it served as a counter to the presence of China's Hua Guofeng.

The gestures did not put Belgrade's suspicion to rest, however. The new leadership, continuing Tito's policy of balancing relations with the superpowers, made a point of inviting President Carter to Yugoslavia in June.⁶ Moscow's subsequent attacks on the visit, implicitly criticizing as they did Belgrade's judgment in pursuing ties with the US, triggered another round of bilateral polemics. Evidently Moscow moved too far too fast for the new leadership and in the process made a mockery of its own professions of respect for Yugoslavia's independent policies.

(C/NF) *Moscow and the New Belgrade Regime*

Since the early transition period, Moscow has maintained a studied silence on the collegial regime's prospects. The institutional reforms that Tito put in place before his death, as well as the persistence of interrepublic rivalry, have created a collective leadership from which no member has been able to emerge as first among equals. Dealing for the most part with unknowns (a notable exception being Stane Dolanc, a Party Presidium member known for his anti-Soviet views), Moscow has moved carefully while it assesses the overall and individual political postures of the group. Moscow has also refrained from involvement in any wrangling within the Yugoslav leadership, presumably on the assumption that open Soviet support could discredit any figure involved.

There are some figures within the Belgrade leadership, however, for whom Moscow would have a natural preference. Conservative hardliners like Dusan Dragosavac, Presidium Secretary, and Branko Mikulic, Presidium member, for example, advocate stronger party control in Yugoslav society. Furthermore, Dragosavac appears more amenable than most to improved ties with Moscow. Shortly after Tito's death he reportedly sought to tighten party control of the press after a

⁶ Carter visited Yugoslavia June 24–25, 1980. See *Foreign Relations, 1977–1980*, vol. XX, Eastern Europe, Documents 295–296.

series of articles critical of the Soviet Union appeared in the Belgrade daily *Politika*. Dragosavac, increasingly influential in party affairs, headed the Yugoslav delegation to Moscow for the 26th Soviet Party Congress in February.

(C) *The Yugoslav Perspective: Continuity in Policy*

More than any other person, Tito was responsible for guiding Yugoslavia away from the Soviet orbit. His ability to marshal both domestic and international support gave him unique leverage in dealings with Moscow. His last illness, coinciding as it did with the Soviet move into Afghanistan, understandably rekindled longstanding Yugoslav fears that the USSR might be tempted to exploit an interregnum to destabilize Yugoslavia. These fears receded as the new Yugoslav leadership gained confidence in its ability to deal with the Soviets, and as Moscow more or less honored its announced intention to improve ties with Tito's successors.

Nevertheless, most Yugoslavs implicitly believe that Moscow harbors designs against their country. Episodes of ethnic unrest regularly revive suspicions of Soviet clandestine involvement: the March–April 1981 Kosovo disturbances are a case in point (see pp. 8–9).

As a result, little has changed in the fundamental parameters of the Soviet-Yugoslav relationship. Tito's successors are not inclined to deviate from his foreign policy line in favor of genuine rapprochement with Moscow. Viewed broadly, post-Tito Belgrade has sought to:

- protect Yugoslav independence by rejecting any Soviet suggestions that Yugoslav sovereignty is limited or its socialist legitimacy suspect;

- maintain a leading role in the nonaligned movement (NAM), countering Cuban and other “radical” attempts to steer the movement along lines supportive of Soviet foreign policy;

- maintain evenhanded relations with the USSR, the US, and China, in spite of increasing global polarization; and

- condemn on principle outside interference in the internal affairs of sovereign states, accordingly rejecting intervention in Afghanistan and Kampuchea⁷ and warning against such an eventuality in Poland.

(C) *Afghanistan: A Lower Yugoslav Profile*

Belgrade was seriously shocked by the Soviet invasion of Afghanistan and, in view of its implications for Yugoslavia, especially with Tito gravely ill, went on the offensive. It publicly condemned the action and

⁷ A reference to the Vietnamese invasion of Kampuchea. See *Foreign Relations, 1977–1980*, vol. XXII, Southeast Asia and the Pacific, Chapter 1.

reiterated Yugoslavia's determination to resist any foreign interference in its affairs.

More recently, however, the new leadership has refrained from making Afghanistan a cynosure for relations. It has not withdrawn its formal opposition to the Soviet involvement there, but it has gradually replaced its earlier explicit denunciations with low-key, general statements in line with nonaligned principles denouncing all foreign intervention anywhere. This lower profile on Afghanistan was evident at the February 1981 NAM ministerial,⁸ where the Yugoslav delegation allowed other nations to take the public lead in condemning the Soviet intervention. By playing down the Afghanistan issue, Belgrade presumably is intent on:

- preserving the cooperative aspects of its relationship with Moscow;

- channeling its criticism of Soviet activities through the UN and the nonaligned movement and away from the substance of Soviet-Yugoslav relations;

- distancing itself from Western campaigns against the Soviet presence in Afghanistan; and

- keeping its own energies focused on the transition and internal political and economic problems.

Moscow Knocks on Belgrade's Door

(U) Though wary of Soviet intentions, Belgrade nevertheless has responded positively to Moscow's overtures by hosting high-level Soviet leaders and maintaining high-level contacts in Moscow. Once the polemical exchanges over President Carter's visit had subsided, Moscow sent Politburo candidate member Kuznetsov to Belgrade in July, and State Planning Chief Baybakov in September. Baybakov met with Dragosavac and President of the State Presidency Mijatovic and participated in the signing of a 10-year economic and scientific-technical agreement which reportedly provides for a considerable expansion of economic ties.

(C) In January 1981, CPSU Politburo candidate member Ponomarev and Secretariat member Rusakov received Executive Secretary of the LCY Presidium Vlado Janzic in Moscow (a meeting that originally had been set for early 1980, but was postponed because of Afghanistan). Subsequent reports indicate that Ponomarev and Rusakov reiterated Moscow's usual complaints about anti-Soviet tendencies in the Yugoslav press while Janzic, as expected, defended Yugoslavia's traditional "principled" positions.

⁸ February 9–13 in New Dehli.

(C) Despite the lack of progress on fundamental issues, exchanges continue. Rumor has it that a visit to Belgrade by Soviet Premier Tikhonov is under consideration. If the visit takes place, Tikhonov will be the first high-level Soviet official in Belgrade since Baybakov, and the highest ranking one since Brezhnev's appearance at Tito's funeral. Such a visit would not imply a warming relationship as much as a desire on both sides to make the relationship appear upbeat despite the continuing disagreements.

The CPSU Congress: Gestures, No Substance

(U) The Brezhnev and Dragosavac statements at the 26th Soviet Party Congress in late February reflect the present mutual desire to keep up appearances. Both leaders painted a bright picture of Soviet-Yugoslav ties. Dragosavac mentioned "differences in our international positions," but conspicuously avoided specific reference to such contentious issues as Poland, Afghanistan, China, and Kampuchea.

(U) In his brief treatment of Yugoslavia at the Congress, Brezhnev:—declared that the bilateral relationship was "making progress," and expressed optimism for its future;

—omitted Yugoslavia for the first time from his list of countries that make up the "socialist community"; and

—broached the issue of "separate paths" positively, mentioning Yugoslavia by name as a nation whose revolution was carried out "in its own way."

(C) Belgrade viewed that treatment as the most positive since the 1961 Soviet Congress. It was particularly pleased by Brezhnev's omission of Yugoslavia from the "socialist community." Inclusion in this group is interpreted by the Yugoslavs as a veiled reference to Moscow's ultimate authority and, therefore, as a limitation on Yugoslavia's sovereignty. Belgrade was also pleased with the sanction of Yugoslavia's socialist model implicit in Brezhnev's stated recognition of the different "forms, methods, and ways of socialist revolution."

(C) Those favorable reactions were tempered, nevertheless, by characteristic Yugoslav caution. Belgrade observers noted that Brezhnev made no real concessions, appeasing Yugoslavia only in rhetoric. His reference to "different paths" has yet to be borne out by Soviet actions, particularly in Poland, according to Belgrade.⁹

Trade Relations Benefit Both Sides

(C) Trade is an important—though by no means dominating—factor in the Soviet-Yugoslav relationship, given the continuing large

⁹ An unknown hand placed a checkmark in the left-hand margin adjacent to this paragraph.

share of Yugoslav trade with the West. The USSR's share of Yugoslavia's foreign trade has been relatively stable in recent years, accounting for more than one-fifth of Yugoslavia's exports and about one-seventh of its imports. The USSR is a natural trading partner from whom Yugoslavia can import energy and raw materials in exchange for manufactured products which would not be acceptable on Western markets. For the USSR, Yugoslavia provides industrial and consumer goods superior in quality to Soviet products. Until recently, the trade balance tended to be even or tilted slightly in Yugoslavia's favor.

(C) Energy prices have altered the balance significantly in Soviet favor. The skyrocketing cost of Yugoslav energy imports from the USSR has required additional Yugoslav deliveries to cover the imbalance in bilateral clearing arrangements. Furthermore, as a result of the sharp decline in oil supplies from Iraq because of the Iraq-Iran war, and a Yugoslav shortage of hard currency for purchasing oil elsewhere, the Soviet Union has become Yugoslavia's primary oil supplier. Moscow has not made the terms of trade easy for Belgrade, charging world market prices for Soviet oil, but at least it does not demand payment in hard currency.

(LOU) The Yugoslav current account deficit with the USSR still has not been covered, despite supplemental Yugoslav deliveries worth some \$600 million in 1980. The Yugoslavs expected to make up the remaining deficit (\$209 million) in early 1981. In the process, there apparently has been a significant reallocation of Yugoslav export products to the Soviet market despite the reluctance of many Yugoslav enterprises to export products to the USSR that could bring hard currency on Western markets.

(C) Yugoslav Sensitivity Over Soviet Trade Ties

Belgrade has long been sensitive to the political implications for Yugoslavia's independence of closer trade ties with the Soviet Union. Following the June 1948 expulsion of Yugoslavia from the Cominform, Stalin imposed a punishing economic blockade, the lessons of which have not been forgotten in Belgrade. Moscow has avoided overt suggestion that it would resort once more to economic reprisals. There was concern in Belgrade in early 1980, however, that Soviet oil price hikes, reductions in natural gas shipments, and refusal to increase coking coal imports collectively signaled Soviet displeasure with Yugoslavia's outspoken stand on Afghanistan. There is no firm evidence of Soviet political motivation in these specific cases; indeed, the actions appear to be more closely tied to market conditions and production problems in the USSR than to political considerations. Nevertheless, the Yugoslav suspicion of Soviet motives demonstrated an extreme sensitivity to possible Soviet use of the economic lever.

Belgrade is also concerned about a subtle, but more serious, limitation that increased trade places on Yugoslav political maneuverability: the prospect of Yugoslav industry gearing itself to the Soviet market. Although Yugoslavia prefers trade with the West, stiff competition there has favored the export of Yugoslav products to Eastern markets. At a gathering of party and state leaders in March 1981, for example, Vladimir Bakaric, an influential member of the LCY Presidium, complained that Yugoslavia's "productive capacity" orients it to Eastern markets and that this phenomenon cannot change unless Yugoslavia becomes more competitive. Belgrade regularly appeals to the West to ease trade practices and/or lend economic aid to help Yugoslavia build the advanced technical/industrial base it needs for competition in the world market. Furthermore, healthy trade with the West is essential for maintaining the standard of living demanded by Yugoslavia's consumer-oriented population.

But Yugoslav dependence on Soviet trade is not likely to change in the near future. Belgrade consistently, and unsuccessfully, appeals to Moscow for even more oil. Thanks to its nonaligned connections, Yugoslavia can find other sources of oil relatively easily (it already imports from Nigeria, Algeria, and Libya, among others), but these would demand hard currency in payment. Furthermore, in the face of foreign indebtedness, high unemployment, rising inflation, and export difficulties in Western markets, Yugoslavia currently needs Soviet trade to keep its economy going and its workers employed.

(C) *Military Ties Essentially Unchanged*

Soviet-Yugoslav military cooperation appears to have remained unchanged, or possibly even to have lessened. Belgrade still relies in great part on Soviet military hardware, especially combat items. But with the possible exception of a rumored procurement of T-72 tanks, there have been no known major military deals in recent years.

This phenomenon may be tied to economic as well as political circumstances. Although Belgrade is concerned about military dependence on Moscow, it is economically constrained from acquiring available sophisticated Western weaponry by a lack of hard currency, and politically constrained by its reluctance to irritate the Soviets by moving closer to the West. At least two recent military deals with the US have fallen through. Minister of Defense Nikola Ljubicic has voiced his concern that Yugoslavia's economic troubles are restricting necessary military modernization, but the new regime has shown no willingness to make the hard political and economic decisions necessary to diversify procurement of needed weaponry.

Moscow has remained silent on the Yugoslav military's modernization needs. T-72 tanks, which have been supplied to only a few

nations outside the Warsaw Pact, would seem to be the extent of recent Soviet deliveries, if in fact they have been delivered. (A licensing agreement for coproduction of the T-72 has also been rumored, but nothing seems to have materialized on that score.) In any event, Moscow was never enthusiastic about supplying Yugoslavia with sophisticated arms that could be used against Soviet forces. Such earlier items as MiG aircraft probably were sold to preclude development of Yugoslav military ties with the West. With the present economic situation severely limiting Belgrade's ability to even consider Western military purchases, Moscow probably feels obliged to do little more than keep its feet in the door on military sales.

The Polish "Wild Card"

(C) The Polish crisis seems to have had little effect as yet on the substance of Soviet-Yugoslav relations, although Yugoslavia has officially pronounced against "outside" (read Soviet) interference in Poland.

(C) For Moscow, relations with Belgrade are less important than finding a solution to the Polish crisis. Belgrade, however, fears that the Polish situation may lead to Yugoslav problems with the Soviets. In the worst case, a Soviet intervention in Poland might bring renewed Soviet pressure on Belgrade to align itself with the Warsaw Pact and would raise the specter of Soviet intervention in Yugoslavia. At a minimum, Belgrade is concerned that a sharpening of East-West tensions over Poland will make it more difficult to balance relations between East and West. For these reasons, Belgrade has approached the crisis cautiously, confining its pronouncements to an insistence that Warsaw be permitted to solve its problems by itself.

(U) An exception was a particularly frank commentary in a Ljubljana daily last October. The article:

—attributed the problems of Poland and the other countries of the "so-called real socialism" to the "bureaucratic-statist structure of power" which, it was hinted, Yugoslavia is free of thanks to self-management; and

—spoke freely of potential motives for Soviet intervention: "the preservation of monolithism," "the saving of strategic equilibrium," and "the danger of contamination."

(C/NF) Similar assessments of the Polish situation privately made by Yugoslav leaders emphasize that:

—The chief causes of the crisis in Poland (and in the world communist movement in general) are Soviet policy and Soviet-style socialism.

—Democratization and the establishment of socialist self-management could save Poland.

—A Soviet or Warsaw Pact intervention in Poland would do more to harm the international communist movement than the Soviet invasions of Hungary, Czechoslovakia, and Afghanistan.

(C/NF) Privately, many Yugoslav officials have been pessimistic about the situation in Poland and consider some form of Soviet interference almost inevitable.

Repressed Soviet-Yugoslav Tensions Reemerge Over Kosovo

(C) Evidence of Belgrade's deep-seated suspicions of Moscow can be found in the prevalent assumption in Yugoslavia that the USSR has had a hand in stirring up domestic unrest, most recently in Kosovo where Albanian dissatisfactions culminated in violent demonstrations in March and April.

(C) Immediately after the Kosovo riots were quelled, near-allegations of Soviet complicity in them appeared in Yugoslav press and leadership statements; Presidium member Dolanc in a press conference maintained that "Cominform emigres" had organized the demonstrations. (Moscow's past disavowals of support for "Cominformist" elements never carried much weight in Belgrade.) Rumors are circulating in Belgrade that Moscow supplied the Kosovo dissidents with arms and that the uprising was the work of a Soviet-Albanian conspiracy to destabilize Yugoslavia by inflaming ethnic passions. The authorities apparently have no evidence of Soviet complicity in the unrest, but Belgrade's distrust of Moscow and its feeling of vulnerability on ethnic issues are so deep that evidence is of secondary import. (Belgrade similarly suspects the USSR of fueling Croatian nationalist sentiments and of encouraging Bulgaria to agitate on the status of Macedonia.)

(U) Moscow's initial reticence on Kosovo eventually gave way to a retort to Belgrade's insinuations. *Pravda*, denying any socialist bloc role in Kosovo, chided the Belgrade daily *Borba* for equating the peaceful intentions of the socialist community with the subversive intentions of the "imperialist bloc." "Such scribblings," *Pravda* declared, "are certainly to the taste of the enemies of socialism."

(C) *Borba* replied with a defense of Yugoslavia's policy of nonalignment and accused Moscow of pressuring Yugoslavia to take sides: "We do not accept lectures from anyone." *Borba* commentator Teslic, whose article set off the exchange, privately observed that the real issue, the one that has "been on the table" since 1948, is Moscow's acceptance of an independent Yugoslav road to socialism. "The Soviets," said Teslic, "have really changed nothing."

(C) *Outlook*

Poland could be the next flashpoint for Soviet-Yugoslav relations. If the USSR intervened, Belgrade undoubtedly would express

outrage and the bilateral atmosphere would chill dramatically. It seems unlikely, however, that Belgrade would be willing to cut its ties with Moscow, both because of the economic cost and because Moscow might retaliate by aggravating the always volatile nationalities issue in Yugoslavia. Historical precedents show that while Belgrade denounced Soviet action in Hungary, Czechoslovakia, and Afghanistan, it quietly maintained Soviet-Yugoslav political, economic, and military links. Yugoslavia's dedication to nonalignment and the fear of further arousing a newly aggressive Soviet regime would also seem to preclude any dramatic shift to the West. In any event, as happened after Afghanistan, Moscow would most likely redouble its efforts to reassure Belgrade that Yugoslavia was not threatened.

Barring a Polish catastrophe or other crisis, Belgrade probably will adhere to a policy of cautious rapprochement with Moscow, while periodically reaffirming its independence. But further episodes of ethnic unrest would inevitably heighten suspicions that Moscow is clandestinely exploiting Yugoslavia's inherent instability. These suspicions, warranted or not, are an important force in preserving Yugoslav unity, just as the fear of Moscow after the Afghanistan intervention prompted Belgrade leaders to make greater efforts to close ranks for the sake of domestic stability and unity.

Preoccupied as it is by the Polish crisis, Moscow can be expected to continue quietly encouraging high-level contacts and economic cooperation with Yugoslavia and to avoid polemics that would provoke Belgrade.

194. Telegram From the Department of State to the Embassy in Yugoslavia¹

Washington, September 22, 1981, 0104Z

252609. Subject: Secretary Haig's Bilateral With Vrhovec September 12.

1. (S—Entire text)

2. On September 12, the Secretary met for two hours with the Yugoslav FonMin Josip Vrhovec. Also attending, on the Yugoslav side, were Assistant Federal Secretary for West Europe and North American Affairs Milos Melovski, Assistant Federal Secretary for Multilateral Economic Affairs Kazimir Vidas; Yugoslav Ambassador to the U.S. Budimir Loncar; Foreign Office Director for North American Affairs Mirko Zaric; his deputy, Momcilo Koprivica (notetaker). On the U.S. side were Ambassador Anderson; Assistant Secretary Eagleburger, Director for Policy Planning Wolfowitz; Executive Assistant Goldberg, and Embassy Belgrade's Political Counselor Harry Dunlop (notetaker).

3. Secretary Vrhovec said he was extremely pleased to welcome Secretary Haig and his associates, noting that "our good friend" Assistant Secretary Eagleburger had returned.² This meeting is particularly welcome, he said, both for his government and for him personally, for it demonstrates that "your government, your country is continuing the politically good, useful, and friendly relations between our two countries." We wish to contribute our share to this important task, he continued.

4. Secretary Vrhovec then noted that not long before he and the Secretary had met at Cancun.³ Yugoslavia considered that meeting very successful. He had reported to his government afterwards on the good meeting they had there, and of their "frank and candid" discussion. During Secretary Haig's visit to Belgrade there would be many problems to discuss, some "very dangerous;" "new avenues" must be sought on international relations, Vrhovec said. He then suggested that

¹Source: Department of State, Secretary Haig and Shultz Memcons, 1981–1986, Lot 87 D 327, SEC/Memcons—September 1981. Secret; Immediate; Nodis. Drafted by Harry Dunlop; cleared by Alvin Adams (S/S), Nancy DeGumbia (S/S-O), Anthony Wayne (S), and Richard Erdman (S/S-O); approved by Eagleburger. Haig was in Yugoslavia for an official visit on September 12 and 13. According to an attached Executive Secretariat cover sheet, Haig's meeting took place on September 12 from 5:30 to 7:20 p.m. at the Federal Secretariat for Foreign Affairs. The cover sheet listed the participants, the subjects discussed, the action commitments, and the follow-up needed. (Ibid.)

²Eagleburger was Ambassador to Yugoslavia from June 21, 1977, to January 24, 1981.

³Haig was in Cancun from July 31 to August 2 to attend the Foreign Ministers preliminary meeting for the International Meeting on Cooperation and Development.

in the limited time available, they begin their discussions with a short exchange on bilateral matters and then return to the international scene.

5. Secretary Haig said he wished to reiterate President Reagan's attitude: While we have had differences, and some will certainly surface today, our mutual objectives, which are the most important things, are shared. The concept of nonalignment, as represented by Yugoslavia, is something we value. It is a term that has been abused by some, but our relations are on a track that allows us to absorb differences. Secretary Haig then said that he would like to address three important bilateral subjects: terrorism, economic matters, and military cooperation. In our Western democracies, the Secretary continued, there seems to be an unfortunate license which permits occasional acts of terrorism. It is our intention, he stated, that terrorism be countered with swift and sharp justice. The Secretary said that Americans were appalled at the attack on the Yugoslav DCM's residence in Washington, and he could assure his Yugoslav audience that for President Reagan, anti-terrorism is fundamental to policy. Secretary Haig recalled that the Ottawa statements on terrorism had been very strong⁴—surprisingly so, as some of our Western allies sometimes "take a bottom line approach" to this terrible problem. We in the U.S. do everything within our power to suppress terrorism.

6. Turning to the economy, Secretary Haig acknowledged that there is an international problem of great moment. The countries of the EC, for example, are suffering like all developed and underdeveloped countries. Only the ASEAN states seem to be doing well.

7. Secretary Haig said he knew that the Yugoslav balance of payments situation is not good. "We are attentive to that, and we will do what we can." He said he had recently talked to Bill Brock, and would do so again next week on Tuesday or Wednesday.⁵ Secretary Haig also said he knew there were difficulties concerning Yugoslavia's furniture exports to the U.S. He said we would do what we can. We will act, and act immediately, to help.

8. Secretary Haig then said he thought there was work to be done to improve the investment climate in Yugoslavia. Some U.S. corporations have complained, for example, about patent and copyright regulations in Yugoslavia being vague, or inadequate in the protection they afford foreign-produced products.

9. Secretary Haig then turned to the question of banking credits, which he termed one of the most difficult issues. Because of the interest rate problem and the unfortunate impact of the Polish situation, private

⁴ See the text of the statement on terrorism, July 20, in *Public Papers: Reagan, 1981*, p. 637.

⁵ September 15 or 16.

lending institutions in the West have become somewhat nervous. This may be worse in Western Europe than in the U.S., but we are sensitive to this problem and to Yugoslav needs in the coming year. The U.S. cannot actively intervene in the decision-making process of our lending institutions; should we try, they would resist strongly. But we can describe the basis soundness of the situation in Yugoslavia accurately. In the final analysis, according to the Secretary, "You must work with the institutions themselves. We assure you that we are ready to help in the areas in which we can."

10. Turning to military cooperation, the Secretary recalled that "When I was in Europe I kept closely in touch with the situation in Yugoslavia and had some influence with Cy Vance and Harold Brown.⁶ I always felt that it was important that Yugoslavia be able to provide for its own security." The Secretary said he knew that when Larry Eagleburger had been Ambassador, he had worked on some problems in this area, many of which have now been worked out. But a basic problem remains: the high cost of high technology. He said he understood the Yugoslav problem, compounded by the international economic situation, where interest rates are such that purchases are almost unmanageable. He said, however, that Yugoslavia "can rely on our cooperation in providing, within the limits of our own restraint, all the cooperation we can." He said he knew Yugoslav equipment is aging. Secretary Haig promised that in the future, when the U.S. economic situation is turned around, the U.S. will be in a position to improve its capabilities to assist. This we will do because it is in our interest and in the interest of international peace and stability to provide equipment to our friends at more reasonable rates. Secretary Haig recalled that one has to go back to the Eisenhower era to find as high a level of defense expenditures as today, about 5 percent of GNP. He said he wanted to share with Secretary Vrhovec some of the problems the U.S. faces in this area. Because the U.S. military industrial base has shrunk, we are finding it difficult to produce weapons at an adequate rate. For example, the lead time in providing Pakistan with F-16's is about 3-4 years. We are working in two ways to improve the situation; we are seeking to improve our military industrial production base, and creating a pool of equipment for emergency requirements of nations in sudden need.

11. Secretary Haig then said that the reports of drastic reductions in the U.S. defense spending are not true. The President has already cut 30 billion dollars from the current budget. Inflation has dropped below 10 percent and looks as if it will stay there. Economic experts say that one reason short-term interest rates remain so high is that the financial market does not believe that President Reagan can keep

⁶ Haig was Supreme Allied Commander Europe from December 1974 to July 1979.

the budget deficit down. Thus, we have heard there is another round of 20–30 billion dollars in budget reductions in prospect. Secretary Haig said there would not be any major cuts in defense spending. There will be some modest retrenchments in the military budget, but real spending on military items will increase at an annual rate of 7 percent over the next 5 years. One should not believe the ill-intentioned reporting of some press zealots. President Reagan will make a decision this week which will keep the defense spending levels up.

Military balance, commenting that the trend, while worrisome, is only serious if it continues. The U.S. is not in dire shape yet. But President Reagan is convinced that the only way to get the Soviets to deal realistically with us in the arms control area is to redress the military balance. Over the last 20 years, the Soviets have invested 4–5 percent in military spending annually.

13. With regard to military cooperation, Secretary Haig said he expects that in the next few years our policies will be able to be applied more flexibly than now. Our relations are on a very sound basis and despite differences they will continue to be so.

14. Secretary Vrhovec said he was pleased to hear very directly Secretary Haig's impressions of the economic situation in the U.S. He said he would try to set forth the Yugoslav situation and then would deal with the other two subjects raised by Secretary Haig: terrorism and military cooperation.

15. As you are aware, Vrhovec began, Yugoslavia is implementing a very serious program of economic stabilization. Some results have been achieved, but they are far from enough to deal with all the problems confronting us. Yugoslavia has spent too much too quickly, the major problem is our international trade balance. Restrictions are still in effect in the West—as he told Secretary Haig in Cancun—which have two-fold negative consequences: the deficit in the balance with the Western countries increases, while Yugoslavia faces even less balanced economic relations with the rest of the world. Yugoslav industries, faced with obstacles in trade with the West go where they find it most easy, to the less-sophisticated markets of the East. Such enterprises are selling and making money, but are not acting in accord “with our global policies”.

16. Secretary Vrhovec said Secretary Haig's offer of support and assistance is most welcome. “We welcome U.S. readiness to do the things which you have just expressed so clearly.” According to Secretary Vrhovec, the immediate problem is inflation. The rate has dropped 7 percent from last year, but is still running at an annual rate of 30–35 percent. The Yugoslav balance of payments improved last year and this year, but to meet its goals Yugoslavia will need financial support from abroad.

17. According to Secretary Vrhovec, Yugoslavia plans to ask for the same amount of foreign support as last year. He said that "my expert (Secretary of Finance Kostic) has asked me to try to mobilize your attention to this problem. We hope to achieve the same level of assistance as last year, 400 million dollars, or perhaps more." Loncar said last year's objective of 400 million dollars was achieved, and Yugoslavia is looking for 450 million this year. Vrhovec added that Kostic and the Governor of the Yugoslav Bank soon will be traveling to the U.S. to discuss this matter.

18. Turning to terrorism, Secretary Vrhovec recalled that he had found the first paragraph of the Ottawa statement on terrorism an "excellent definition, and Yugoslavia is ready to endorse it." Vrhovec added that Yugoslavia is satisfied that the U.S. has clearly demonstrated readiness to do everything possible to prevent terrorism. This not only broadens confidence between the bureaucracies of the two countries, but between their peoples as well. Regarding military economic relations, Vrhovec said that his military colleagues were "very satisfied" with the way relations had developed. He only hoped we would go further. There are obstacles, mainly high prices which seem to be going up at a greater rate than inflation in the U.S., and some procedures still go too slowly. He said his military colleagues had the impression there is some very sensitive technology which Yugoslavia still cannot acquire.

19. Vrhovec then noted the possibility of linking military purchases in the U.S. to the sale of Yugoslav goods. Yugoslav defense industries are under the same requirement as others to balance to the degree possible imports from hard currency areas with sales to same. Therefore, it was with great appreciation that Yugoslavia had recently concluded an agreement by which certain foodstuffs could be sold to the American military in Europe. Perhaps more could be done, such as providing vacation facilities for U.S. servicemen and their dependents. We know we must improve our own initiatives, Vrhovec said, and we will work on this.

20. Vrhovec said Yugoslavia is also pleased at the progress already achieved in providing training for Yugoslav officers in U.S. military schools. Secretary Haig said this is an item of good news for this year, and in the years ahead we hope there will be more funds for this military program.

21. Secretary Haig said that when economic difficulties are encountered we must not succumb to defeatist strategies. We are all interdependent; we need friends and have needed them since World War II. We need to keep trade lines open on an equal basis. Sometimes this requires self-sacrifice, but the alternatives are unacceptable.

22. The Secretary said he will see Soviet Foreign Minister Gromyko this month for two full meetings.⁷ These will be extraordinary talks, but he did not wish to raise expectations; there would be no dramatic outcomes. He said that the Soviets had accused the U.S. repeatedly of not maintaining the dialogue, of slamming the door. This is simply not so. There had been talks in Washington with Dobrynin before he went home and in Moscow. It is not that there has been no dialogue, “the problem is that they don’t like what they are hearing.”

23. Secretary Haig said he is convinced that the Soviets have one important concern: the U.S. awakening. At long last the American people are determined to correct their military deficiencies and the Soviet leaders have simply not yet grasped this. In the past, Moscow has been able to take advantage of the differences in our societies. For years, detente has been a one-way street. The West lost Ethiopia, South Yemen, Afghanistan; there is insurgency in Central America, stimulated by the Soviet Union, Kampuchea is in thrall to Vietnam, a Soviet-sponsored proxy. There are unprecedented encroachments of Soviet naval power in Southeast Asia, in the straits near Hawaii and along our coasts, in the Caribbean and in the Norwegian Sea. But America has finally awakened. Our people put President Reagan in office because they were disillusioned with the policies of the Carter administration, policies that had been the result of the lack of consensus which we have now turned around. In his opinion, the Secretary continued, Soviet leaders are now facing serious problems, especially in the economy. The Soviet economy has been pushed to its limits by the increased focus on defense spending. There is Poland, a situation that is worse today than before. Afghanistan is a bottomless pit for them, although it would be naive to believe that the USSR was going to collapse because of Afghanistan. One of the reasons why the Soviets are carrying such a serious burden in Afghanistan, according to Secretary Haig, is the refusal of the Nonaligned Movement to accept this unacceptable situation. Thus, our policies in seeking disarmament and arms control are based on ensuring that the Soviets realize they can no longer exploit detente to their advantage. They can no longer count on a policy designed to fracture the U.S. arms effort and to split the U.S. from Europe as they are now trying to do. “If I thought their policies were designed to achieve real disarmament, I would be genuinely pleased, but I see their thousands of Soviet missiles and their navies sailing seas never sailed by them before.”

⁷ Haig and Gromyko met during the UN General Assembly. See *Foreign Relations*, 1981–1988, vol. III, Soviet Union, January 1981–January 1983, Documents 88–91.

24. Now, Secretary Haig continued, with Gromyko, I expect we will first deal with the TNF situation. We intend to make progress in TNF negotiations. But we will make clear as I will do in Berlin⁸ that there is no way that the Soviets are likely to respond if we do not take steps to redress the military balance in Europe.

25. We will also talk trade. We are not isolationists, and we are not slamming doors. We believe there should be an incentive for the Soviets to improve their behavior on the international stage, and we will provide it, but not blindly. We will relate our trade to Soviet international behavior.

26. We will also discuss South Africa. I do not expect Gromyko would be very responsive, but we believe it is in the Soviet interest to have a dialogue on such issues, and I think Gromyko would agree. Frankly, however, we are prepared, even if the Soviets are not, for such a constructive dialogue. I believe there are severe Soviet vulnerabilities in the economy and in command and control. "If they want a difficult world to live in, we are prepared to contribute to that. However, I am an optimist, not a pessimist. I believe the Soviets have too many problems to seek a policy of confrontation."

27. Discussions with Gromyko will also include SALT. It is the U.S. determination to bring about reductions in strategic weapons, and we have worked hard to do so. In one to two weeks the President will make a decision about the U.S. strategic deterrence.⁹ There will be major increases in our spending in this area. Why? Because we are in the process of falling behind. We do not anticipate discussions on SALT before the first of the year; and those would depend on the international climate, how the TNF talks have gone,¹⁰ and on the international behavior of the USSR.

28. The Secretary said he would be glad to answer questions or hear Secretary Vrhovec's views on these subjects. For example, in Ottawa, there had been talk about strengthening COCOM. It is in our interest to tighten restrictions on high technology to Russia where military applications are involved. But we would also like to loosen up on controls for items without serious military use. He said he knew Secretary Vrhovec would perhaps be concerned by what he had heard.

⁸ Haig traveled to West Berlin on September 13 to address the Berlin Press Association. See *Foreign Relations, 1981-1988*, vol. I, Foundations of Foreign Policy, Documents 60 and 61.

⁹ See the President's remarks on October 2, which are printed in *Public Papers: Reagan, 1981*, pp. 878-880.

¹⁰ U.S.-Soviet negotiations on intermediate-range nuclear forces began on November 30 in Geneva.

29. Vrhovec said he had a few short comments. Yugoslavia attaches great importance to relations between the great powers. As much as we would like to see a dialogue, he continued, we do not wish that dialogue if it would lead to the consequences we wish to avert, i.e. World War III. But we do consider a proper dialogue the only solution. This is not just theology, Vrhovec continued, it is a very deeply held conviction based on practical considerations. We know what you profess, and what the Soviets do as well, he continued. We are also aware that after Vietnam there were a number of international events which exposed the USSR as the power to interfere for selfish goals. He was sure the U.S. had noticed that the Non-Aligned Movement after Havana¹¹ and at New Delhi¹² for the first time had exposed Soviet actions. It was extremely important, Vrhovec continued, that the movement act with complete impartiality and criticize openly and frankly “no matter who”. This shocked the Soviet Union, Vrhovec said, and made them unhappy, but it reaffirmed the non-aligned nature of the Non-Aligned Movement. This is why we so strongly stated our views that in the movement’s agenda new crises must be added to old crises. We are for any solution which has as its result the affirmation of people’s right to self-determination. We are opposed to any actions contrary to that.

30. Vrhovec continued that Yugoslavia has never criticized the presence of Cuban troops in Angola or Ethiopia, because such presence is “logical” as these countries consider themselves endangered by outside aggression. This does not mean we are happy with it. We wish to create the conditions in which Cuban troops are no longer needed in Angola. We believe real prospects lay before us. This is not only “psychology”, but is based on reality, for we know that Angola would like to be free of Cuban troops. In fact, we propose some concrete steps, such as considering the introduction of Nigerian troops which may signal the beginning of freeing Angola of Cuban presence. The main obstacle to this, of course, is South Africa’s aggressive policies and actions. But now we are hearing even from the Front-Line States that neither Cuba nor the USSR is eager to enlarge their role in Angola. Recently SWAPO head Sam Nujomo was in Belgrade and I told him very frankly our views. He told me and asked me to convey to you that he sees the future of Namibia as an independent and non-aligned country. I can tell you in confidence that I arranged a dinner for him with the Foreign Ministers of Tanzania and Zimbabwe. During that dinner they joined me in urging him to play a truly non-aligned role. He told us he is opposed to any preconditions for a settlement, but said he is prepared to give assurances that the minorities in Namibia will live in peace.

¹¹ September 3–9, 1979.

¹² February 9–13, 1981.

We told Nujomo he should also be prepared to accept the presence of foreign capital from both South Africa and Britain. We tried to explain to him why such foreign capital is necessary.

Vrhovec said he would welcome U.S. readiness to promote real independence in Namibia and elsewhere throughout Africa. This is the only way to promote the departure of Cuban troops.

31. Vrhovec also recalled that at Cancun Secretary Haig had said that the USSR would like to find a way out of the Afghanistan impasse. Yugoslavia believes the Soviets want to appear more flexible by sending Firyubin to many countries. "They will not say, they will not think, of troop withdrawal yet", Vrhovec said, but he thought they might have started to "make some move".

32. Secretary Haig said he was grateful for Vrhovec's observations. He would like now to speak very frankly about South Africa. He knows Yugoslavia's very special interest and influence there. He said, "I would like to repeat what I told representatives of the OAU two weeks ago before the UNGA. It is simply not true that the U.S. has aligned itself with the RSA, but it is true that after three years of rhetoric which isolated the RSA and drove it into paranoia, we had the RSA performance in Geneva when it repudiated UN Resolution 435.¹³ I can assure you that the RSA is powerful enough that it can just sit in splendid isolation for ten years. My Assistant Secretary and my Deputy, Judge Clark, are both engaged in extensive discussions with RSA leaders. When Judge Clark was there, he packed his bags and headed for the airport three times before he was called back to continue discussions. We may not be aligning ourselves with the Front Line States, but we are not aligning ourselves with the RSA either. The South African leaders tell us that they completely reject 435; they want no UN presence at all, no "blue helmets", which they term agents of SWAPO. There are five non-aligned independent states intimately involved with the South African economy, which could be stifled and smothered. Our policy is not to isolate the RSA. In our discussions they have begun to reveal their real concern—Angola and the Cuban-Soviet buildup there. Regrettably, they found all too convincing evidence of this recently—massive stocks of Soviet arms, tanks, rockets, artillery. They found foreign advisors, 29 in one village alone. They had been there for two years. This Soviet warrant officer they captured—he is singing like a canary, and the RSA has all its fears reinforced and regenerated. They are telling us, "We told you so."

33. The Secretary continued, "I assure you if we had a commitment, a credible commitment, that Cuba would be out of Angola tomorrow.

¹³ The text of the resolution is printed in the UN *Yearbook*, 1978, pp. 915–916.

We could deliver an independent Namibia tomorrow! I am absolutely certain of that, and it would be on the basis of 435."

We realize Angola is not really a free agent. Everyone has got to make a contribution to restoring Angola to true independence. The Angolans, the Soviets, and the Cubans have to help in their way, too.

We suggest there could be a simultaneous withdrawal, the RSA out of Namibia, and Cuba out of Angola. I don't wish to be tied up in catechisms, but it is clear to us that the Cubans are in Angola because they like to be there. They live better there than they do in Cuba. Even Portugal has told us if the RSA withdrew from Namibia first, there is no reason to believe the Cubans would then withdraw from Angola. The Secretary continued that we welcome Yugoslavia's contact with Angola. We see no reason that a formal link should be made between Cuban and RSA withdrawal, but we believe there is a recognizable relationship between the two. If Angola were truly independent, our friends in Western Europe tell us the doors will be open for assistance. It is a rich country. We want to see it like Zimbabwe, truly non-aligned. If it were so, even the RSA, I believe, would help.

We do not, of course, believe that in Angola the Soviets are behind everything that has happened, but it is true that they have a heavy hand in what has gone on there and in Central America as well.

The Secretary said that what he had just heard about Nujomo's intentions is very important. It made his entire trip worthwhile, and he would welcome further ideas from the Yugoslavs about what could be done.

34. Turning to the Middle East, the Secretary noted that he had recent talks with Sadat and Begin, as well as three hours Saturday morning with Crown Prince Fahd.¹⁴ He regards the situation in the Middle East as very dangerous, more so than in a long time. That is because the situation is in flux. Arab moderates are worried about the USSR, but frustrated by Israeli intransigence. Lebanon is a tinderbox.

The Secretary said that the Camp David peace process is nearing a crucial point; Sadat wants autonomy talks completed by April next year. Israel, for different reasons, wants the same. Otherwise, Sadat will have gotten what he wants in the Sinai and given nothing. Thus, the talks will begin this month.¹⁵ Egypt has sought a high-level U.S. presence at these talks. Secretary Haig said he did not think that would be wise. Both sides should together get down to it, but if the U.S. was there in a high profile, expectations would be unrealistically raised and neither side would make concessions. He told both sides, "You sit down,

¹⁴ Haig and Fahd met in Marbella, Spain, on September 12.

¹⁵ For additional information on the Camp David Peace Process, see *Foreign Relations, 1981–1988*, vol. XIX, Arab-Israeli Dispute.

you get an agenda, you get a deadline—three months or so—and if you convince me you have done this, then we will join.”

—The Secretary said Crown Prince Fahd told him, “You were right.”

—The Crown Prince also had a positive attitude toward the Camp David process. Saudi Arabia has also been extremely helpful in Lebanon. We were within hours of a major conflict there. Why? Israel wants to clean up southern Lebanon, to push the PLO north and create a barrier. Israel would do this today, and it would be catastrophic.

—Arafat too is in a squeeze. He has an antagonistic Syria to his north, and the Israelis to his south. His own movement is fragmented, as evidenced by the attack on the synagogue in Vienna by a splinter group with some Soviet influence, triggered to create an incident. The Israelis are looking for an excuse.

—Prince Fahd will work on the PLO, and we will work on Israel, to try to keep weapons out of Lebanon. Secretary Haig said it would be a catastrophe if we did not.

—If Lebanon quiets down, a more stable framework for negotiations could emerge. We want to solve the Palestinian problem in a constructive way, both the West Bank and the Gaza. This is not mere rhetoric. For example, Egypt and Israel are talking about cooperation in areas heretofore inconceivable.

35. Vrhovec said it was curious that the eight-point proposal which Crown Prince Fahd had been presenting was received in Cairo, Damascus, and the PLO. He asked if there was some kind of consent by the U.S. to it?

—Secretary Haig said the Fahd proposal was unacceptable in several respects. One, territory—on which 242¹⁶ had included some deliberate ambiguity. Resolution of the territorial disputes is an area for negotiation between the parties concerned. It calls for the withdrawal of all post-1967 settlements. If people are to live in peace, why is this necessary? This, too, should be negotiated. I also think Israel will not accept it. What is good is the implicit recognition of Israel’s right to exist. Secretary Haig had talked to Fahd about his proposal. Fahd accepts that the Camp David process must be pressed ahead, but it is essential that the process move now. Discussions with Fahd were not tense. He has been very helpful. We agreed that if Sadat abandons Camp David he is in jeopardy. But if it fails of itself, he may turn elsewhere.

—Vrhovec mentioned some speculation that Sadat’s position is not too good internally. Haig said Crown Prince Fahd and Israel are both aware of the possible ramifications.

¹⁶ Additional information on UN Security Council Resolution 242 is in the UN *Yearbook*, 1967, pp. 225–258.

36. According to Vrhovec, the outlook in the Middle East is “very gloomy because no one believes Begin is ready to go ahead.” There are those who even believe he will not give up the Sinai. Haig said we must create conditions which would make that impossible for Begin.

—Vrhovec said that if there were no PLO participation or negotiations, no progress is possible. Arafat is the most moderate in the Palentinian camp. Secretary Haig agreed but said that if the Lebanon situation improves as a stronger central government emerges, if we can reconcile the Christians and Moslems, and if the Palestinians and PLO contribute to this, it would greatly increase their stature. Unfortunately, the PLO is splintered. A way must be sought to stop the movement of heavy weapons into south Lebanon. This is coming from Syria and the USSR, and Israel will simply not accept it.

—Vrhovec said that until recently one of the major obstacles to accepting the PLO has been its failure to recognize the right of Israel to exist. As long as Israel operates openly against south Lebanon the PLO cannot openly recognize Israel. This is not just a matter of principle, but of practical politics. Acceptance of the Fahd proposal could signal the end of a negative process. We believe that Arafat understands that the end of the negotiations must have the complete recognition of Israel, of its right to exist.

37. Secretary Haig said that just as the RSA, Israel is very powerful. Israel can defeat any combination of the Arab states against it even without U.S. support. Maybe this is our mistake, having made them so powerful. One strike by Begin could provide ten years of security for Israel. The Camp David process has solved some problems, true. We do not intend to drive Israel into self-defeating military action. Fahd understands this but also knows the consequences if we fail.

38. Vrhovec then said there had very clearly been a useful exchange. We have addressed very important questions. We all must try to contribute to solving these complex and dangerous problems, seizing every opportunity. Haig said his Berlin speech would set a tone intended to recognize the unity and direction in Western Europe, and address some of the confusions that seem to be present there. He also said he wanted Vrhovec to know that the U.S. is aware and has proof of use of toxic weapons in Afghanistan. Vrhovec asked if documents would be published on this. Haig said they would be on Monday¹⁷ and there would be more than documents. Our evidence that thousands may well have been murdered in Afghanistan, Kampuchea, and Laos would be provided to the U.N.

Stoessel

¹⁷ September 14.

195. Telegram From the Embassy in Yugoslavia to the Department of State¹

Belgrade, January 25, 1982, 1436Z

578. Subject: The Yugoslav Economy and Western Banks.

1. (C—Entire text.)

2. Summary. I saw Federal Executive Council member Boris Snuderl on January 21, a few days before he departs for meeting with Van Lennep² and others in the OECD about the Yugoslav economic situation. I have rarely had a more gloomy conversation with a senior member of the government on the domestic political effect of the Yugoslav economic-financial condition and about what Snuderl considers abandonment of Yugoslavia by its major OECD trading partners. End summary.

3. Snuderl began by claiming bitterly that the drawn out and unsuccessful balance of payments loan syndication among North American, British and Japanese banks is a continuing embarrassment that is harmful to Yugoslavia's international reputation. Yugoslavia is not seeking charity or gifts but had hoped that the relationship with major Western trading partners (and creditors) could be expanded to include temporary financial assistance for Yugoslavia's stabilization program. However, the Western banks have in effect walked away from Yugoslavia. Snuderl mentioned that the French and Dutch in particular have begun looking on Yugoslavia as an Eastern European country having problems similar to those in Poland; Yugoslav assistance requests are being viewed in the light of that [garble].

4. Snuderl said that Yugoslav stabilization efforts, are in fact beginning to show solid results, thus making Western neglect all the more puzzling. The final 1981 balance of payments figures are not quite complete, but at this point look better than expected. The current account deficit has been held to the 1.8 billion dollar target figure and 1982 and 1983 plans call for further drastic reductions. Snuderl added that Yugoslavia's other main problem, inflation, is still serious but that he was convinced that in 1982 this too will be sharply reduced, probably not to the 15 percent official target figure but still by a satisfactory amount. Snuderl also pointed out that foreign skeptics looking at Yugoslav inflation rates ought to look at those prevailing in some other countries such as Turkey, where the West has not distanced itself from that country's economic problems as it has in Yugoslavia.

¹Source: Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Soviet Bloc Economic & Financial Situation Updates (01/25/1982). Confidential; Exdis. Sent for information to Paris for the U.S. mission to the OECD.

²Emile van Lennep, OECD Secretary General.

5. Snuderl went on to say that 1982 loan prospects in Germany are looking better and some progress is definitely being made. The Deutsche Bank had been more forthcoming in recent meetings; Snuderl was encouraged that the German banks' evident nervousness about Poland could be overcome and a satisfactory loan agreement concluded. He indicated however that the GOY is still far from happy with German bank attitudes.

6. Snuderl went on to say that Yugoslavia's unfavorable treatment in the West also extends to the press, which had been unfair in its criticism and analyses of both the Yugoslav situation and the country's economic system. Snuderl alleged that Western reserve on helping Yugoslavia has provoked a very sharp political reaction, even at the grassroots among his Slovene constituents. He hopes that he can induce Van Lennep to encourage OECD members to make a balanced, positive approach toward Yugoslavia, give them a clearer picture of its economic performance and program, and reaffirm the OECD's belief in Yugoslav progress and stability.

7. In conclusion Snuderl pointed out that under the current GOY austerity program there have been sharp reductions in real worker incomes, public consumption, consumer credits and pensions. This, combined with rent hikes and commodity shortages, adds up to political trouble for the GOY in 1982, when living standards will continue to decline. He stated that income reductions and supply difficulties might well provoke a political reaction or "excesses", with demonstrations and civil protests. Yugoslavia needs Western support and not neglect to help avoid these difficulties, he said, once again explicitly linking loan prospects to the political relationship.

8. Comment: Snuderl's asperity surely reflects frustration caused by the feeble response to the B/P loan syndication. I am however surprised that Snuderl places so much blame on the West's alleged lack of political will and so little on the acknowledged effect of Poland on the money markets, particularly as regards EE borrowers. Snuderl's dire remarks about loans and possible political reactions to austerity-shortage conditions were probably designed to underscore for me that there is a political as well as financial desirability in encouraging maximum participation by the New York banks. Nevertheless, while I still am convinced that economic and financial conditions here are not even remotely as serious as those in Poland, the Yugoslavs are after all facing a three-four year austerity cure for their economic problems. Under those conditions no one should be surprised if strike activity increases or if the Yugoslavs exercise their relative freedom of speech to grouse even more than usual and raise the volume of economic policy debate publicly.

9. The main problem for the Yugoslav leadership is going to be, if Snuderl's assessment is correct, to keep any possible wrangling

between the richer and poorer republics. Perhaps as important, if the Yugoslavs are (as I believe) as concerned about their international image as Snuderl suggests, will be the necessity for the Yugoslavs to keep Western press speculation from interpreting the unrest as signifying the beginning of the end of Yugoslav unity. I do not believe the latter to be in any way endangered, but that does not get around the fact that the Yugoslavs are in for a hard year economically, financially and within limits, probably also politically.

Anderson

**196. Telegram From the Embassy in Yugoslavia to the
Department of State¹**

Belgrade, May 25, 1982, 1149Z

4199. Subject: Yugoslav Interest in F-5G.

1. S—Entire text.

2. I understand that a meeting of the National Disclosure Policy Review Committee will be convened in Washington on May 27. The agenda is reported to include an attempt to reverse the decision reached on January 28, 1982, to authorize briefings and discussions between Northrop and the GOY concerning the possible future marketing in Yugoslavia of the F-5G-2 aircraft.²

3. The strong interest expressed in the F-5G by senior YAF officials including its chief, Lt. Col. Gen. Kulenovic, is creating for us an historic opportunity to reverse 28 years of Yugoslav military reliance on Soviet aviation technology. Nothing has occurred to change U.S. interests or U.S. policy toward Yugoslavia in the five months since the decision was reached to authorize Northrop to discuss the F-5G with the Yugoslavs. On the contrary, it remains in the U.S. national interest to diminish Yugoslavia's reliance on the Soviet Union for night technology weapons. Yugoslav reliance on appropriate levels of U.S. military aviation technology would bolster Yugoslavia's independence, thereby

¹ Source: Reagan Library, Robert H. Lilac Files, Arms Transfer: Country File, AT: Yugoslavia [January 1982–08/01/1982]. Secret; Immediate. Sent Immediate for information to the Department of Defense for the Office of the Assistant Secretary of Defense for International Security Policy.

² No records of these discussions were found.

strengthening NATO's southern flank, continuing to deny the Soviets access to the Mediterranean, and enhancing stability in this strategically sensitive area of Europe.

4. The rationale for our overall policy of expanding contact and cooperation between the U.S. and Yugoslav military establishments has been set forth repeatedly in high-level USG policy documents. It was most recently reaffirmed by President Reagan when he confirmed U.S. arms transfer policy toward Yugoslavia on June 1, 1981.³ The Assistant to the President for National Security Affairs in a memorandum to the Secretary of Defense of that date stated, *inter alia*, "This administration views a militarily capable Yugoslavia as a key element in preventing Soviet expansionism and hegemony in southern Europe." That Presidential memorandum further directed concerned U.S. agencies "to be forthcoming in approving sales of arms and equipment required for Yugoslav defensive needs as circumstances warrant."

5. I wish to emphasize in the strongest possible terms that it is in the U.S. national interest to proceed, as currently authorized, with discussion of the F-5G aircraft with the Yugoslav Air Force. I trust that the National Disclosure Policy Committee will reaffirm the existing authorization.

Anderson

³ See Document 191.

197. Letter From Yugoslav President Stambolic to President Reagan¹

Belgrade, June 20, 1982

Dear Mr. President,

The Presidency of the Socialist Federal Republic of Yugoslavia has been informed about the talk conducted by the Federal Secretary for Foreign Affairs, Lazar Mojsov, with the Secretary of State, Alexander Haig, in New York on June 17.² We consider this exchange of views highly useful.

The Presidency of the S.F.R. of Yugoslavia has attached special attention to that part of the talk which pertained to the situation in the Middle East, and in Lebanon in particular.

Having in mind the latest developments in Lebanon and the continuing great suffering of the Lebanese and Palestinian peoples, we consider that it is essential for all member countries of the United Nations which have the cause of peace and freedom at heart to take more energetic steps and to exert greater efforts aimed at halting the Israeli aggression on Lebanon. It is our deep belief that the United States can make a vital contribution to that end, which would encounter the most favorable response among public opinion in Yugoslavia and the world. Therefore, proceeding from the political and humanitarian aspects of this problem, we appeal to the government of the United States to do its utmost at this very difficult hour to put a stop to the further massacre of the Palestinian and the Lebanese peoples by Israel and to restore peace in the region.

We consider that in the search for a solution aimed at establishing lasting peace in the Middle East, it is essential to take into account the fact that the PLO is the legitimate representative of the Palestinian people and a factor of stability in the region which should not be ignored. It is very important to secure the independence and sovereignty of Lebanon while simultaneously ensuring the rights of the Palestinian people. We are convinced that attempts to destroy the PLO would greatly aggravate the situation and impede the settlement of the crisis in the Middle East.

Mr. President,

We wish to stress in particular that Yugoslavia is very much concerned about the fate of the Palestinian people and eager to see a

¹ Source: Reagan Library, Executive Secretariat, NSC Head of State File: Yugoslavia: President Stambolic (8204338–8204859). No classification marking.

² A memorandum of conversation of this meeting was not found.

comprehensive and enduring solution reached to the precarious situation in the Middle East.

Please accept, Mr. President, the renewed assurances of my highest consideration.

Petar Stambolic (signed)³

³ Printed from a copy that bears this typed signature.

**198. Letter From Yugoslav President Stambolic to
President Reagan¹**

Belgrade, July 6, 1982

Dear Mr. President,

In keeping with our established practice of exchanging messages on the highest level, which both sides deem to be highly useful, and in the spirit of the friendly relations and understanding between our two countries, I would like to take this opportunity to underline our great interest in advancing cooperation with U.S. commercial banks. Therein, in our view, the support of the government of the United States would be most helpful.

Your administration, as well as business circles and banks in the United States, have followed the efforts we have exerted over the past two years to achieve economic stabilization. This policy has yielded manifold results, particularly in terms of reducing our balance of payments deficit. In this context, our cooperation with the International Monetary Fund has been most productive. However, as you are no doubt aware, we are pursuing this policy against the background of highly unfavorable international developments, and particularly adverse economic and monetary conditions.

Although we remain firmly committed to reducing our foreign debt, at this moment new credits are essential in order to retain the complete solvency of our country and to continue our policy of economic stabilization.

¹ Source: Reagan Library, Paula J. Dobriansky Files, Yugoslavia (2). No classification marking. Printed from an unofficial translation.

Representatives of your administration have, on several occasions, reiterated their support and understanding for the course we have embarked on. We particularly value your willingness, Mr. President, which you conveyed to my predecessor, Sergej Kraigher, in Cancun,² to extend your support in securing new credits for Yugoslavia from U.S. banks.

Financial cooperation is a long-term and essential part of our economic and overall bilateral cooperation. This view was shared by preceding U.S. administrations also.

The campaign Yugoslavia launched toward the end of last year to secure new credits has not, to our regret, been brought to a close. However, I would like to inform you that the West European countries have manifested their understanding for the steps we have taken with regard to their banks.

I feel, Mr. President, that you are fully aware of the economic and political import that successful long-term cooperation between Yugoslav and U.S. banks has in terms of relations between our two countries. In view of our renewed efforts to secure the medium-term and short-term credits that we need, your personal attention, Mr. President, and the support of your administration in this regard would be highly appreciated.

I avail myself of this opportunity to express great pleasure at the successful development of relations and fruitful cooperation between our two countries on long-established principles which have an enduring value.

Please accept, Mr. President, the renewed assurances of my highest consideration.

Petar Stambolic (signed)³

² Reagan was in Cancun from October 21 until October 24, 1981, to attend the Inter-Meeting on Cooperation and Development.

³ Printed from a copy that bears this typed signature.

199. Telegram From the Embassy in Yugoslavia to the Department of State¹

Belgrade, July 15, 1982, 1035Z

5590. Subject: Yugoslav Borrowing: The Numbers Crunch.

Ref: A) State 191710,² B) Belgrade 5555,³ C) Belgrade 5572.⁴

1. C—Entire text.

2. Summary. The GOY has given us balance of payments and loan data which they are providing to their Embassy in Washington as backup for the appeal in Stambolic letter (Ref A). We believe the assumption behind some of these figures may be overly optimistic. If current efforts to find emergency financing should fail, we think the consequences could be even more severe than the Yugoslavs are willing to consider at this time. End summary.

3. Subsequent to Charge's call on Smole (Ref C), Director of FonOff Economic Section Djordje Stojkovic provided Econ Counselor with following data he said was being prepared to transmit to Yugoslav Embassy in Washington:

A. Total repayment obligations second semester 1982, including long-, medium- and short-term, principal and interest: 2.4 billion dollars (rounded upward). Breakdown among above headings had not been requested by Ambassador Loncar, Stojkovic said. Breakdown by months, which had been requested, was difficult because interest rates were uncertain due to rollovers of short-term credit at new interest rates and some variable interest rate loans. Nevertheless, July is month of heaviest repayments, nearly 600 million dollars, with August almost as heavy. Asked about December, Stojkovic said he had not been given the data but knew independently that it would be virtually the same as July. He also agreed that the gross figure of 2.4 billion dollars would be subject to fluctuation with changing interest rates.

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Soviet Bloc Economic & Financial Situation Updates (07/30/1982). Confidential; Noform; Immediate; Exdis.

² Telegram 191710 to Belgrade, July 11, documented the July 10 meeting between Loncar and Eagleburger. Loncar delivered Stambolic's letter to Reagan, which is printed as Document 198. (Department of State, Central Foreign Policy File, D820359–0767)

³ Telegram 5555 from Belgrade, July 14, outlined efforts by Citibank to raise from North American banks a \$200 million to loan to Yugoslavia. (Department of State, Central Foreign Policy File, D850470–0300)

⁴ Telegram 5572 from Belgrade, July 15, reported Citibank's trouble in raising the full amount for the loan to Yugoslavia. (Department of State, Central Foreign Policy File, D850478–0823)

B. Planned medium-term borrowing for all of 1982, 1.65 billion dollars; secured to date 1.1 billion dollars; remaining, 550 million dollars. This assumes a balance of payments deficit for the year of 500 million, Stojkovic said; it could be less. Since medium-term borrowing is not going according to plan, current efforts are being oriented more toward the short term, hence the request conveyed in Washington for 300 million in short-term credits to be followed by 200 million dollars in medium-term. Some of the latter would be used to repay some of the former, Stojkovic said, so that the total short- and medium-term borrowing for the remainder of 1982 would be less than 500 million dollars. (Embassy note: This is apart from supplier credits). No effort is being made to duplicate certain financial information already being supplied on a monthly basis to the IMF, Stojkovic said, which in any event omits interest and short-term loans. Stojkovic did not have in front of him a complete itemized breakdown of the 1.1 billion dollars in loans already obtained, but mentioned from memory: IMF standby, 700 million dollars (less repayments); Kuwait loan, 250 million dollars; FR Germany DM (rpt DM) 150 million; and Italian and IBRD credits in amounts he did not recall.

4. Embassy comment: From our discussions with Smole and Stojkovic, we have the impression that it should be possible to obtain a more detailed breakdown of the above figures if needed. Data on reserves, however, might be another matter. The assumptions behind the projected B/P deficit of 500 million dollars for all of 1982 were not spelled out, nor was it made clear whether they are on track as of mid-year. We think the deficit projection may be low, however. We are already seeing signs of substantial slippage in planned-for increased exports to hard-currency areas and increased tourism receipts; we suspect disappointments may also be forthcoming in workers' remittances from abroad. At some point, therefore, the GOY's heroic intention of cutting imports to bridge any B/P gap it cannot cover by borrowing could prove actually impossible to carry out. Extraordinary import cuts are already dampening production, including some production for export. We can envision a point at which further cuts not only fail to close the payments gap but also, by crippling exports, would cause it to open again. Thus, if the current search for emergency financing should fail, the Yugoslav economy could head into a vicious downward spiral.

Gilmore

200. Letter From President Reagan to Yugoslav President Stambolic¹

Washington, September 13, 1982

Dear Mr. President:

I was glad to receive your letter of June 20 expressing your concern over the present crisis in Lebanon.² Events have followed at a rapid pace, and I am now able to give you a full assessment.

Since the outbreak of the current crisis, the United States has been actively involved in efforts to find a solution which would not only end the bloodshed in Lebanon but also ensure a long-term settlement in that country and the entire region.

As you know, Ambassador Habib negotiated a plan,³ agreed to by the parties, and the PLO has now left West Beirut in accordance with this plan. An important element of the plan was the introduction of a multinational force into West Beirut to assist the Lebanese government in assuring the safe departure of the PLO. The force, which consists of contingents from the United States, France, and Italy, was introduced into West Beirut, at the request of the Government of Lebanon, to perform its important mission.

Now that the evacuation of the PLO from West Beirut has been completed, we will turn our attention to negotiating arrangements for the withdrawal of Syrian, Israeli and remaining PLO forces from Lebanon. We will continue to work closely on such issues with the Lebanese government, as we encourage it to exert maximum effort to strengthen its institutions, expand its authority throughout its sovereign territory and promote a genuine reconciliation among Lebanon's many communities. It is generally agreed that certain international peacekeeping arrangements in an extensive area of southern Lebanon will have to become part of a general solution. In this context there can be no return to the situation in which southern Lebanon can be used as a staging area for military attacks against Israel.

¹ Source: Reagan Library, Executive Secretariat, NSC Head of State File, Yugoslavia: President Stambolic (8204338–8204859). No classification marking. Drafted by McGonagle; cleared by Milam, Davis, Jeremy Azrael (PM), Sestanovich (S/P), Palmer, and Elinor Constable (EB). A draft of the letter is *ibid*.

² See Document 197.

³ Philip C. Habib was President Reagan's Special Envoy to the Middle East. See *Foreign Relations, 1981–1988*, vol. XVIII, Lebanon, April 1981–August 1982.

The United States is determined to exert every possible effort to alleviate the enormous human and material losses which the Lebanese people and other innocent inhabitants of Lebanon have sustained, as well as to create conditions in Lebanon which will prevent a recurrence of the present tragedy. The United States has already provided \$50 million in emergency humanitarian assistance and an additional \$50 million has been authorized to begin meeting the urgent needs of those in Lebanon who need help. We hope the World Bank will take the lead in coordinating international reconstruction efforts for Lebanon.

We are also fully aware of the need to make progress toward a resolution of the problem of the Palestinian people. My government is determined to work energetically toward the fulfillment of the Camp David accords,⁴ which seek to address through negotiations the legitimate rights of the Palestinian people. We expect to resume efforts toward this goal as soon as the conditions appear propitious.

Sincerely,

Ronald Reagan

⁴ See *Foreign Relations*, 1977–1980, vol. IX, Arab-Israeli Dispute, August 1978–December 1980, Document 57.

201. Action Memorandum From the Acting Assistant Secretary of State for Economic and Business Affairs (Morris) and the Assistant Secretary of State-Designate for European Affairs (Burt) to Secretary of State Shultz¹

Washington, November 3, 1982

SUBJECT

Yugoslavia in its Hour of Financial Need; U.S. Options

ISSUE

Whether the US should take the lead in arranging a “modest” financial assistance package for Yugoslavia.

ESSENTIAL FACTORS

Yugoslavia is in deep financial trouble. A debt rescheduling is inevitable absent official financial support, a resurgence of confidence among private lenders and further significant actions by the GOY. Thus, we have three options: (1) take the lead in marshalling official assistance at a level sufficient to insure Yugoslavia against the need to reschedule its debts, (2) arrange a more modest support package, counting on the possibility that a concrete demonstration of Western governments’ commitment to Yugoslavia would induce a change in private sector lending behavior; or (3) candidly inform the GOY that their financial problems appear to have reached the point where a “more permanent” solution is necessary, stating that the US would accede quickly to a GOY request for an official rescheduling. These options are evaluated below. While recognizing the important gaps in our information, we seek your approval to proceed with developing the “modest” package, option (2).

ECONOMIC SETTING

External borrowing to finance burgeoning current account deficits in the late 1970’s pushed Yugoslavia’s convertible (hard) currency debt to nearly \$20 billion. The GOY has acted decisively to correct internal and external imbalances, signing on to a \$1.8 billion, 3-year IMF standby in 1980. Moreover, the Yugoslav debt service ratio, at 25%, is not excessive. However, the ripple effects of the Polish crisis and sloppy GOY foreign exchange management (failure to deal effectively

¹ Source: Reagan Library, George Shultz Papers, Official Memoranda (11/06/1982) (2). Secret; Nodis. Drafted on November 1 by McGonagle; cleared by Milam, Davis, Azrael, Sestanovich, Palmer, and Constable. Sent through Eagleburger and Wallis. A stamped notation indicates that it was received on November 3 at 6:18 p.m.

with commercial bank arrears) has sparked an abrupt decline in private lending, including the withdrawal of short-term deposits/lines of credit, and resulted in a swift depletion of official foreign exchange reserves.

Western European and Kuwaiti banks continue to provide to Yugoslavia modest amounts of medium term funds—about \$500 million in CY 1982. The UK and Canadian banks are standing back. The GOY may soon regain access to US and Japanese markets. A \$200 million Citibank-led syndicated loan should be concluded soon, subject to the elimination of small remaining arrears of a major Croatian commercial bank, Privredna Banka Zagreb (PBZ). However, the difficulty experienced in scraping the package loan together, and the fact that the participation of the New York agency of a Yugoslav bank was necessary to put the loan over the top, will dilute the hoped-for image of improved market receptivity and the positive catalytic effect on other private lenders.

The financial strain will not abate in 1983. Even if the full year current account is in balance, as expected, Yugoslav financing needs will exceed \$4.0 billion. Due to the seasonal pattern of the Yugoslav balance of payments, the entire financing requirement for the year appears in the first half. The IMF estimates first half needs of \$4.25 billion—a current account deficit of \$1.25 billion; and principal payments of \$3.0 billion, of which \$1.8 billion is on short-term debt. The IMF figures are consistent with BIS and CIA projections.

The only readily identifiable source of financing for 1983 is the expected IMF/IBRD disbursement of about \$1.0 billion. Continued private lending at 1982 levels (about \$700 million) and a rollover of all short-term debt would be necessary to reduce the Yugoslav financing gap to \$750 million. The risk is that Yugoslavia could rapidly accumulate arrearages in the first half of 1983, scuttling the IMF program, and shattering what is left of private market confidence. The immediate next step would be a general debt rescheduling.

THE POLITICAL CONTEXT

As Mojsov stressed when he met with you October 4,² the GOY believes that rescheduling would be an economic and political catastrophe—an admission of national bankruptcy, a failure of the post-Tito leadership. The GOY has also suggested that the USG would be implicated in the defeat, with adverse consequences for the US/Yugoslav bilateral relationship. While we should not let ourselves

² A memorandum of conversation of this meeting was not found.

be driven by Yugoslav perceptions—especially of the relationship between the US public and private sectors—we should keep these factors in mind as we evaluate our options.

Severe regional and ethnic animosities have complicated and delayed the process of economic adjustment. Centrifugal political forces and provincial jealousies have impeded the efficient allocation of scarce foreign exchange and have created financial confusion. The GOY, to the banks' dismay, has had only limited success in forging a coherent approach to financial management.

YUGOSLAV ADJUSTMENT EFFORTS

The GOY has acted firmly to compress the domestic economy and to reduce the current account deficit. In the past two years, it has adhered to the conditions of its three-year IMF stand-by agreement and is in the process of negotiating the terms of the third and final leg. Setting the stage for the third year of the IMF program, the GOY has devalued the dinar by a further 20%, raised interest rates and taken further steps to control the growth of credit and nominal incomes.

However, private markets remain unconvinced of the GOY's capacity to manage this situation, and with good reason. Frequent payments delinquencies and uncoordinated requests for mini-reschedulings by some regional commercial banks (especially PBZ), together with the GOY's failure to provide timely and accurate economic information, have turned off private lenders. The primary constraint on improved Yugoslav performance in this area is, as noted above, the Yugoslav domestic political situation and structure.

Moreover, GOY requests for official financial assistance, at least in their initial form, lack realism. The Yugoslavs recently approached the BIS informally concerning their interest in obtaining \$500 million in four-year money. Central bankers, stressing the short-term nature of BIS arrangements (Mexico and Hungary obtained maturities of only three and six months, respectively), reacted negatively and suggested that, when a formal request is made, it be more realistic. The GOY has not yet come back, awaiting first the completion of the current IMF review assessment.

U.S. OPTIONS

(1) *Provide financing, in coordination with other Western governments, sufficient to insure against a rescheduling.* IMF sources estimate that Yugoslavia will require, at a minimum, \$750 million from the BIS and a \$1.0 billion consortium loan from governments to "avoid default" in the first half of 1983. Our assessment is that official financing at this level would be overkill if the banks continue to lend at last year's level and hold constant their short-term exposure; it would be inadequate if private credit dries up. Increasing the amounts to cover the worst-case

scenario would constitute a “bail-out” of the banks. Moreover, any package with a US share such as above \$150 million would require a supplemental appropriation.³

(2) *Arrange a more modest package—\$750 million—through the BIS.* The US portion would be \$150–200 million, roughly consistent with our share of Yugoslavia’s external debt. The sources of funds would be the Treasury’s Exchange Stabilization Fund (ESF) and the Federal Reserve swap line with the BIS. This would decrease, but still not eliminate, the probability of rescheduling. On the assumption that such a concrete demonstration of Western governments’ political and economic support for Yugoslavia would induce a substantial change in private lending behavior, rescheduling might not be necessary. Some US banks have suggested to us that they would welcome such a signal from Western governments. In addition, the BIS loan to Hungary was apparently a factor in inducing banks to reverse their withdrawal of funds.

In return, we should require much more extensive financial information than we are now receiving, before proceeding with an official assistance effort. We will be compiling a list of specific types of information which we should require the Yugoslavs to provide and look at other measures in such areas as foreign exchange management—which could have a beneficial effect.

The Treasury and the FRB reacted skeptically to the use of ESF/FRB money at the time of the initial GOY approach to the BIS, but did not flatly reject the idea. They will expect significant action on economic reform from the GOY (so should we) and may also insist on collateral—the BIS has indicated that most of the GOY’s \$800 million in gold is unpledged (which will need to be verified). GOY actions would also be essential to spark a positive catalytic effect in the private sector, and thus would be critical to the success of the exercise.

The costs of US participation in a loan package for Yugoslavia are reduced flexibility to respond to similar crises in other countries and the risk of non-repayment. (Collateral would insure us against non-repayment.) Rescheduling would reduce the non-repayment risk as it would release substantial amounts of foreign exchange. The BIS funds would not be rescheduled.

(3) *Candidly inform the GOY that their financial difficulties have reached the point where a “more permanent” solution is necessary, noting that the U.S. would accede quickly to a GOY request for an official rescheduling.* We should select this alternative only “by default,” i.e. only after having reached the conclusion that rescheduling is an unavoidable foregone

³ Shultz highlighted this sentence by drawing a line in the right-hand margin.

conclusion. Our present projections indicate that, given some outside assistance, rescheduling is not inevitable because Yugoslavia's debt service ratio is only 25%, the maturity structure of the debt is favorable, with the short term component only 10% of total outstanding obligations and economic policy is moving in the right direction. We are currently updating the balance of payments forecasts, and seeking a detailed maturity schedule. We are also seeking from the GOY detailed information on the size and location of gold and foreign exchange reserves.

Obviously Option 2 may fail, either because of a shortfall in private lending or on the current account. Rescheduling may still be necessary. If so, we should encourage the GOY to face reality, stressing that a buildup of arrears would lead to a broken IMF program and thus to an extended period of financial uncertainty.

CONCLUSION

We conclude that the U.S. should take the lead in arranging a modest assistance effort of about \$750 million through the BIS (U.S. share would be about \$150 million). Such a package would (1) reduce the probability that the GOY will have to reschedule; (2) provide another concrete example (along with Mexico) that Western governments are prepared to act forcefully to provide liquidity to countries caught in the present "liquidity trap" as private banks try to reduce foreign exposure willy-nilly; (3) avoid a "bail-out" of the banks—as success would hinge on the private banks' maintaining at least their present exposure in Yugoslavia, implying that they wish to avoid a rescheduling; and (4) would minimize the negative bilateral political fallout should a rescheduling prove necessary.

An IG/SIG process will begin with an IG meeting November 9,⁴ to examine in detail the Yugoslav economic/political situation and the appropriate U.S. response thereto. We will be initiating discussion of the Yugoslav crisis with our key allies next week at the Quad, and would hope to proceed to a SIG this month, leading to a National Security Decision.

RECOMMENDATION

That you authorize us to develop with other agencies agreement on a "modest" official assistance package for Yugoslavia. We may at some point need your assistance to sell the idea to Regan and/or Volcker.⁵

⁴ See Document 202.

⁵ Shultz initialed the "Approve" option. A stamped date below the "Approve" line reads, "Nov 6 1982."

**202. Memorandum From the Executive Secretary of the
Department of State (Bremer) to the Interagency
Group on Yugoslavia¹**

Washington, November 17, 1982

SUBJECT

Circulation of IG Memorandum and Draft NSDD

The interagency group on Yugoslavia met November 15 to review an analysis and options paper regarding U.S. policy options toward the Yugoslav debt situation.²

Attached is a revised version of the IG paper tabled November 15, an executive summary, and a draft NSDD. The last document draws up in succinct form the substance on which White House decisions will be required. Addressee agencies are requested to review the package, particularly the executive summary and draft NSDD, at a senior policymaking level (Under Secretary or above). Comments or clearance are requested by telephone to Mr. Tain Tompkins at 632-5804 by COB Friday, November 19. Based on the results, we will plan to move the package either to a SIG meeting November 24³ or, if SIG-level agreement can be obtained in this clearance round, to the White House for Presidential approval.

L. Paul Bremer, III⁴

¹ Source: Reagan Library, Robert H. Lilac Files, Arms Transfer: Country File, AT: Yugoslavia [11/17/1982] (2). Confidential. The memorandum was sent to Donald Gregg (OVP), Michael Wheeler (NSC), Raymond Lett (Agriculture), Thomas Cormack (CIA), Helen Robbins (Commerce), John Stanford (Defense), William H. Draper (EXIM Bank), Charles Siegman (Federal Reserve), Alton Keel (OMB), David Pickford (Treasury), and Dennis Whitfield (USTR).

² The undated discussion paper is *ibid.*

³ See Document 203.

⁴ Alvin Adams signed for Bremer above Bremer's typed signature.

Attachment 1**Draft National Security Decision Directive⁵**

Washington, undated

UNITED STATES POLICY TOWARD YUGOSLAVIA

I have reviewed the interagency report on United States policy toward Yugoslavia. I have determined that the U.S. should maintain its policy of support for the independence, territorial integrity and national unity of Yugoslavia, and should continue to encourage Yugoslavia's gradual liberalization. An independent, economically viable, stable and militarily capable Yugoslavia—in a position to resist pressures from the Soviet Union and the Warsaw Pact—serves Western and U.S. interests. Yugoslavia is an important obstacle to Soviet expansionism and hegemony in southern Europe. An independent and economically viable Yugoslavia is also a useful reminder to other countries in Eastern Europe of the advantages of independence from Moscow and of friendly relations with the West.

In implementing this policy, the U.S. Government will continue to pursue the now-traditional political dialogue with Yugoslav leaders on issues of mutual interest and concern. In doing so, we recognize Yugoslavia's choice of nonaligned status, and that U.S. and Yugoslav positions on major international issues may differ. Our dialogue enables us, however, to encourage Yugoslavia to play a moderating role within the nonaligned movement and to counter Cuban and Soviet influence in that organization.

The U.S. will also seek to expand economic relations with Yugoslavia in ways which benefit both countries and which strengthen Yugoslavia's ties with the industrialized democracies. We wish to promote the trend, already well underway in Yugoslavia, towards a more market-oriented economy.

In line with the established U.S. arms transfer policy toward Yugoslavia, the U.S. Government will seek to expand military cooperation with that country. We will be forthcoming in approving sales of arms and equipment required for Yugoslav defensive needs as circumstances warrant, and encouraging our Western European Allies to follow similar policies.

⁵ Secret; Sensitive.

The severe financial situation facing Yugoslavia is cause for serious concern and makes the successful implementation of U.S. policy more difficult, but no less important to U.S. strategic interests. An economic crisis so severe as to require a general rescheduling of foreign debts and/or entailing an extended period of Yugoslav financial weakness and uncertainty carries serious political implications for Yugoslavia and the West. Our Allies and all of the major industrial democracies have a stake in the preservation of Yugoslavia as an independent, viable bulwark on the Warsaw Pact's southern flank. I have noted the interagency report's conclusion that, unless Western Governments are able to generate a substantial amount of financial assistance for Yugoslavia, that country will probably be forced into a general rescheduling in early 1983.

In order to seek to avoid the uncertainties and possible dangers of a general rescheduling in a country as politically sensitive and potentially vulnerable to Soviet pressures as Yugoslavia, I direct that the following measures be undertaken:

—The U.S. Government will complete on an urgent basis a contingency financial assistance package for Yugoslavia. This package will be drawn from a variety of sources, including CCC guarantees and, as appropriate, the Economic Support Fund, as well as from U.S. participation through the BIS in a short-term loan bridged to a larger multilateral package. The U.S. contribution to a BIS loan would be provided by the Department of the Treasury's Exchange Stabilization Fund. In addition, the U.S. Government would be receptive to Yugoslav requests for a stretch-out of EXIM maturities on uncompleted projects. Western, including U.S., financial assistance should not be a "bail-out" of Yugoslavia, and pressure should be kept on the Yugoslavs through international organs such as the IMF or BIS to proceed with needed domestic fiscal and economic reforms.

—The U.S. Government will seek, in consultation with other friendly countries, to work out a sufficiently large multilateral assistance package to help Yugoslavia solve its financial difficulties without a general rescheduling. If other countries are willing to participate in a significant multilateral effort, the U.S. package will go forward as one of its components.

If U.S. efforts with the Allies and other countries are not successful in arranging a satisfactory multilateral assistance package, the U.S. Government will continue to evaluate on their merits specific Yugoslav Government requests for trade-related financing. Should a general Yugoslav rescheduling prove unavoidable, the U.S. Government will cooperate fully with other official creditors and the Yugoslavs in seeking a mutually acceptable agreement.

Attachment 2**Executive Summary of a Paper Prepared by the Interagency Group on Yugoslavia⁶**

Washington, undated

*I. U.S. SUPPORT AND ASSISTANCE FOR YUGOSLAVIA**Executive Summary*

In accordance with NSDD–54 of September 2, 1982⁷ (United States Policy Toward Eastern Europe), which provided that Yugoslavia be treated in a separate NSDD, an Interagency Group has reviewed the implementation of U.S. policy toward that country in light of the current serious Yugoslav economic and financial crisis. The group agreed that the U.S. should maintain its policy of support for the independence, territorial integrity and national unity of Yugoslavia, and should continue to encourage Yugoslavia's gradual liberalization. An independent, economically viable, stable and militarily capable Yugoslavia—in a position to resist pressures from the Soviet Union and the Warsaw Pact—serves Western and U.S. interests. It was also agreed that Yugoslavia is an important obstacle to Soviet expansionism in southern Europe. The Group noted that an independent and economically viable Yugoslavia is a useful reminder to other countries in Eastern Europe of the advantages of independence of Moscow and of friendly relations with the West.

The Group believes that the U.S. Government should employ a combination of political, economic and other measures in the implementation of our policy. The Group noted the value of high-level visits and discussions and felt that the U.S. Government should seek to expedite progress in those fields of cooperation already underway, especially in the military area. The group noted that the basis for this already exists in the reaffirmation of U.S. arms transfer policy toward Yugoslavia, as stated in the White House Memorandum of June 1, 1981 to the Secretary of Defense.⁸

The Group reviewed the Yugoslav economic situation and concluded that Yugoslavia faces a severe financial crisis. The group believes that, without special measures by the Yugoslavs themselves and help from foreign governments and/or banks, the country faces the

⁶ Secret; Sensitive.

⁷ See Document 18.

⁸ See Document 191.

likelihood of being forced soon to reschedule its large foreign debt. The Group noted with concern increasing indications that a major rescheduling could have serious domestic political consequences within Yugoslavia and for Yugoslav foreign policy. It was the Group's view that a protracted Yugoslav economic crisis could undermine Yugoslavia's ability to withstand Soviet pressures and undercut Yugoslavia's relationship with the West. The Group felt strongly that other Western countries also have a major stake in preserving Yugoslavia as an independent bulwark and as an alternate model for the communist world. The Group noted that the U.S. by itself is probably not in a position to provide sufficient assistance to enable Yugoslavia to meet its massive foreign debt burden without a major rescheduling. The Group believes that the Allies should be closely consulted and encouraged to participate in arranging for the provision to Yugoslavia of Western financial assistance.

The Group concluded that, to deal effectively with the immediate economic and financial crisis facing Yugoslavia, the U.S. Government should prepare on an urgent basis a contingency financial assistance package for that country. The Group considered various options for such a package and decided that it should be drawn from a variety of sources. These should include CCC guarantees and, as feasible, the Economic Support Fund, as well as U.S. participation through the BIS for a short-term loan bridged to a larger governmental package. The U.S. contribution to a BIS loan would be provided by the Treasury Department's Exchange Stabilization Fund. In addition, the U.S. Government would be receptive to Yugoslav requests for a stretch-out of EXIM maturities on uncompleted projects, on a project-by-project basis.

The Group agreed that the U.S. Government should seek, in consultation with other friendly countries, to work out a sufficiently large total assistance package to help Yugoslavia solve its financial difficulties without a general rescheduling. It was the Group's view that such assistance should not be a "bail-out" of Yugoslavia or of the Western commercial banks, and that pressure should be kept on the Yugoslavs through international organs such as the IMF or BIS to proceed with needed domestic fiscal and economic reforms. The Group agreed that an international assistance package, to be successful in meeting U.S. policy objectives, must be completed as soon as possible. It was decided by the Group that, if other countries are willing to participate in a significant multilateral effort, the U.S. package will go forward as one of its components.

If such efforts are not successful in arranging an appropriate multilateral assistance package, the Group decided that the U.S. would not provide the U.S. part of the package, but would continue to evaluate on their merits specific GOY requests for trade-related financing.

The Group felt that, should a general Yugoslav rescheduling prove unavoidable, the U.S. Government should cooperate fully with other official creditors and the Yugoslavs in seeking a mutually acceptable agreement.

Attachment 3

Paper Prepared by the Interagency Group on Yugoslavia⁹

Washington, undated

II. U.S. SUPPORT AND ASSISTANCE FOR YUGOSLAVIA

Preambular Statement

The purpose of this study is to reaffirm the U.S. policy of support for Yugoslavia's independence and gradual liberalization—and to examine its implementation in light of Yugoslavia's financial crisis. The study addresses in particular the question of whether the U.S. Government, in upcoming consultations with key Allies regarding the Yugoslav situation, should encourage a special Western effort to assist the Yugoslavs to meet their foreign debt payment obligations and avoid a general rescheduling. The study examines the possible nature, sources, and size of the U.S. share of such a Western assistance package. The study concludes with policy recommendations for consideration by the National Security Council and, subsequently, for decision by the President.

I. The Problem

Yugoslavia is in deep economic trouble. Two and one-half years after the death of Tito, the country is at a political and economic crossroads. We and our Allies will need to consult closely in coming weeks regarding the political and strategic implications for us of Yugoslavia's looming crisis. How we respond now to Yugoslavia's problems could be a critical factor in sustaining Western interests over the long-run in this independent country on the Warsaw Pact's southwestern flank.

In this connection, we need to consider what the U.S. can do to help secure Yugoslavia's anchor to the West during what promises to be a period of unusual difficulty and uncertainty. The immediate crisis demands particular attention to the economic and financial areas. Our long-term success, however, in keeping Yugoslavia independent

⁹ Secret; Sensitive.

of Soviet influence and moving in the direction we want also requires attention in coming months to our political and military relations.

II. U.S. Policy Towards Yugoslavia

It has been the policy of the United States over the past three decades to support the independence, territorial integrity and national unity of Yugoslavia, and to promote its gradual liberalization and integration into the West. This basic policy was most recently reaffirmed in the June 1, 1981 (secret) memorandum from the White House to the Secretary of Defense, confirming U.S. arms transfer policy toward Yugoslavia. The 1981 memorandum also reaffirmed that a militarily capable Yugoslavia is a key element in preventing Soviet expansionism and hegemony in southern Europe.

III. U.S. Interests

Yugoslavia's unity and stubborn independence of "blocs" has served our strategic interest in the Balkans and Mediterranean as well as our political interest in encouraging the attenuation and eventual dissolution of the Soviet empire:

a. Geopolitical

The Adriatic is an open sea, the Warsaw Pact is denied bases there, and the Soviet threat to NATO Allies Greece and Italy and to the Middle East is, as a consequence, substantially less. Yugoslavia controls the only air corridor from the Warsaw Pact to the Mediterranean and the Middle East through non-NATO airspace. The Soviets are denied Adriatic airfields. Thus they have no tactical air support for the Soviet Mediterranean Fleet. The Yugoslav ground defense is primarily geared to repelling an attack from the Warsaw Pact. It is presumably determined to block any move through northern Yugoslavia by Pact forces seeking to enter northern Italy via the Gorizia Gap.

b. Economic

U.S. economic interests in Yugoslavia are substantial, relative to other countries in Eastern Europe. The Yugoslavs have purchased billions of dollars worth of U.S.-made industrial equipment, agricultural products, and manufactured goods (\$6.3 billion since 1965). Yugoslavia welcomes foreign private investment and, despite currently restrictive Yugoslav laws relating thereto, the U.S. is the largest foreign equity investor. Yugoslavia is a full member of the GATT, the IMF, and the World Bank. The presence of well-known U.S. and other Western products throughout the country constantly underscores the efficacy of the industrial democracies in producing a rising standard of living and the material well-being associated with Western life.

The Yugoslavs have continued to work toward a market-oriented economy, seeking to stimulate their firms to greater efficiency through

competition with foreign firms, both in export and domestic markets. This takes place under a system that is nominally socialist, greatly magnifying the Yugoslav example's impact on its neighbors to the East. In part due to lingering ideological bias but mainly because of other factors peculiar to Yugoslavia's internal situation, further structural change in the direction of a more market-oriented economy is a slow process. Yugoslavia's decentralized economic and banking system, controlled for the large part at the level of the republics, reflects a delicate internal political balancing act. Structural reform has been complicated by the difficulty in reconciling the various, and often competing, interests of the ethnic and national groupings comprising Yugoslavia.

It is in U.S. interests to support the determination by the current Yugoslav leadership to better coordinate transactions by the country's regional banking institutions. The ability of the current pragmatic and market-oriented top Yugoslav leaders to carry out badly-needed, long-range basic structural economic reforms depends on their getting over the near-term debt hump without losing political credibility. The Yugoslav leadership hopes to overcome the current fiscal crisis without having to turn the clock back on economic decentralization in general, which has become a Yugoslav political as well as economic hallmark.

c. Political

Yugoslavia, the prize that eluded Stalin in 1948, has not been forgotten in the Kremlin. The U.S. gave Tito the help that was essential to keep Yugoslavia independent while he began the slow process that has resulted in opening Yugoslavia to the West and permitted evolution in the direction of pluralism, and fostered receptivity to Western attitudes and culture. As a result, Yugoslavia is now well along a course that is the envy of the Eastern European countries of the Warsaw Pact (with the partial exception of Hungary), and has made significant progress toward liberalization. What happens in Yugoslavia has obvious implications for future developments with respect to Romania and other Eastern European countries.

As a coalition of historically-warring national groups and economically-disparate regions, Yugoslavia is not easy to govern—especially by committee with no strong leader—even in times of prosperity. Growing economic strains could interact with the latent nationality problem, leading to increased domestic unrest. Major instability in Yugoslavia, especially during a period of uncertainty regarding Soviet policy, is no more in our interest than it is the Yugoslavs'. The choices before the top Yugoslavs over the next few months pose a serious test of the post-Tito leadership and perhaps the greatest challenge since the 1948 break with Stalin. If the present leaders are discredited,

the old-style, directed-economy types would be in a position to pose a serious challenge. A shift back toward communist orthodoxy in the economic area would likely be accompanied by a parallel move toward tighter and more repressive political controls, undoing progress over the years in that country's gradual democratic evolution.

U.S. interests in Yugoslavia are affected by that country's perception of our commitment. The Yugoslavs recognize that their independence hinges on internal stability and the country's economic viability. They also believe that American perceptions and interests coincide with their own in this respect. This seems to explain why the leadership, despite its suspicions and desire to avoid dependence on either "super power," has turned first to us. Examples include then-President Kraigher's discussion with the President at Cancun, Foreign Secretary Mojsov's westward-looking inaugural foreign policy address this summer, and President Stambolic's July letter to the President asking support for Yugoslavia's loan effort.¹⁰

As Yugoslavia's economic situation becomes more critical and Western commercial banks decline even normal roll-over of loans, we are hearing comments from influential Yugoslavs that the West, and the U.S. in particular, have decided to "abandon" Yugoslavia. Some of this is a form of pressure, but most of these persons are well-disposed to the West and all of them want Yugoslavia to remain truly nonaligned and politically and economically independent of the USSR. Yugoslav leaders have shown concern over the expansion of the Yugoslav trading relationship with the Soviet Union, as Yugoslavia's ability to buy and sell in Western markets has diminished.

Yugoslav top political leaders have expressed their stubborn opposition to major debt rescheduling. This point was made forcefully by Yugoslav Foreign Secretary Mojsov in his October 4 meeting in New York with Secretary Shultz. The reasons are more political than economic. The top leaders are worried that a worsening of the financial situation, to the point where a general rescheduling became necessary, would be widely interpreted outside Yugoslavia as symbolizing the failure of the Yugoslav alternative to traditional, centralized communist control. It would also, in their view, project weakness so serious as to leave the country vulnerable to outside pressures. Foremost, of course, is Yugoslav concern over potential Soviet pressures for concessions in political and military areas.

We do not underestimate Yugoslav toughness and resolve in dealing with the Soviets, even from a weakened position—so long as the Yugoslavs continue to count on at least some backing from the West. There is currently no significant, organized "pro-Soviet" faction in

¹⁰ See Document 198.

Yugoslavia. This could change over time, however, if the current crisis spawned an anti-Western xenophobia. U.S. interests would suffer if the trend to blame the West for “abandoning” Yugoslavia became widespread and if suspicions gained ground that the West (as well as the East) was hoping to be able to take advantage of an economically prostrate Yugoslavia.

A protracted Yugoslav economic crisis accompanied by a loss of faith in the West could lead that country in several possible directions, none of them in our interests. At a minimum, the Yugoslav model would stand as a less powerful example of the benefits of pluralism for the communist world, and could be seen as a negative example of the results of closer association with the West. A prolongation of Yugoslavia’s problems could lead to serious internal instability, threaten that country’s independent course and seriously weaken its resolve and ability to withstand Soviet pressures.

IV. U.S. Military Cooperation

The U.S. is involved in other forms of political support—especially military cooperation—which are important to our overall relationship with Yugoslavia. The central elements of U.S. arms transfer policy toward Yugoslavia are:

- To support the independence, territorial integrity and national unity of Yugoslavia.

- To be forthcoming in approving sales of arms and equipment required for Yugoslav defensive needs as circumstances warrant.

- To expand further the International Military Education and Training program for Yugoslavia commensurate with Yugoslav desires, U.S. disclosure policies, and available funds.

- To encourage our Western European Allies to follow similar policies.

Areas of military cooperation receiving particular attention now include:

- Procurement of U.S. weapons systems. A significant group within the GOY leadership is concerned by the degree to which Yugoslavia is dependent upon the Soviet Union for military hardware. U.S. policy has sought to assist the Yugoslavs in the procurement of specialized weapons systems based on the premise that diversification of supply would strengthen Yugoslavia’s independence from Moscow. Yugoslavia’s severe financial constraints have compromised our efforts to develop a meaningful military sales program. There are, however, a number of areas where we see scope for close military cooperation with the Yugoslavs over the long run, and where major purchases would not take place for a number of years.

—F-5G2 and release of the PW1120 aircraft engine.¹¹ Discussions for the purchase of the F-5G2 are at a relatively advanced point. The next step is to obtain NDP approval. If Washington approval for release of classified information and an eventual sale is forthcoming, a possible sticking point will be financing for the aircraft and the degree of off-set purchases that Northrop may be willing to accept. We may wish to encourage Northrop to be flexible in this area, but as a matter of policy the USG does not become involved in the specifics of commercial off-set arrangements. We may also wish to explore the possibility of FMS credits, although this approach does not look promising during the FY 85 budget cycle in view of current budget stringency. (Heretofore the Yugoslavs have seen FMS credits as inconsistent with their nonaligned status.) The planned visit of Secretary Weinberger to Belgrade in early December will provide an occasion for discussions on this topic.

—IMET Training. While not a substitute for expanded cooperation in arms procurement, an expanded IMET program in FY 85 would provide an important signal to the Yugoslavs and enable us to monitor more effectively attitudes in the Yugoslav armed forces. Our access to the upper echelons of the Yugoslav military should be enhanced as officers with exposure to the U.S. military move up the command chain. Our current program for FY 83 and 84 will fund about six students. We should be able to give Yugoslavia a high priority if IMET funds become available late in FY 83 for reprogramming.

V. Bilateral High-Level Dialogue

Visits by senior U.S. officials can complement the measures listed above and have an intrinsic value of their own because they visibly give value to and stimulate the bilateral relationship. The recent conversation in New York between Secretary Shultz and Secretary Mojsov is a good example of the worth of high-level talks. The GOY expects, however, that material support will be linked with these exchanges. In other words, there must be substance to such bilateral exchanges as the prospective visit of Secretary Weinberger, in order to achieve the desired intact.

VI. Encouraging the NATO Allies

There is only so much that the USG can do to help the Yugoslavs economically and to bolster their confidence in our general support. Much depends upon the U.S. and international commercial banking community, over which we have some influence but no control. Other

¹¹ An unknown hand placed checkmarks above "F-5G2" and "PW1120" and wrote beneath the paragraph, "Should go. PW1120 refused once—I called Lantos and Rudd. We support—"

Western countries have as great a stake as we do in preserving Yugoslavia as an independent bulwark and as an alternate model for the communist world. Our own bilateral measures need to be in a larger framework of actions by others. The Allies should be encouraged to initiate bilateral actions of their own, namely debt relief, bilateral trade, as well as joint Franco/Anglo/German initiatives to alleviate EC trade policies which have hampered Yugoslav trade with western Europe. We will need to consult closely with our key allies regarding multilateral measures as well.

VII. Economic/Financial Outlook and Measures

Yugoslavia is winding up 1982 with a current account deficit for the full year which is larger than anticipated, foreign exchange reserves equal to less than one month's imports, and strong inflationary pressures which will be exacerbated by its recent 20 percent devaluation. It has run into difficulty in wrapping up a recent \$200 million loan syndication and a request for a \$500 million three year loan from the BIS is on hold for a number of reasons. In a broader context, Yugoslavia suffers from a lack of strong leadership to rationalize the economy and consolidate power which is segmented among the various regions.

The immediate problem is one of cash flow. Yugoslavia will soon enter the first and cyclically weak half of 1983 with the need to finance a large current account deficit, roll over short term debt, and meet existing amortization payments. The economic situation in the second half of 1983 should ease as the current account is expected to shift into surplus. But if the Yugoslavs are unable to increase reserves, they will face the beginning of 1984 in a similar situation to the one they face today.

a. Magnitude of Financing Requirement in 1983

It is not clear exactly how significant Yugoslavia's cash flow problem is for the first half of 1983 and for the year as a whole. Our best estimates indicate that the Yugoslavs will have an overall 1983 financing requirement of \$4.2 to \$4.7 billion dollars, of which some \$3.8 to \$4 billion will have to be raised in the first half. Potentially available short and medium-term credits will total \$2.6 to \$2.8 billion, and even this amount is not assured. The financing gap could be appreciably smaller or larger depending on the strength of Yugoslavia's export performance, how much further room there is for cuts in imports, the size and volatility of worker remittances and withdrawals from private foreign exchange accounts, and Yugoslavia's ability to attract new net medium term-capital.

The most volatile and difficult element to estimate in assessing Yugoslavia's financial needs is short-term capital flows. Yugoslavia's year end stock of short-term credits stands at \$1.6 billion and matures in roughly half a year. Unless the private banks agree to roll over the

majority of these credits in 1983, there is little chance that Yugoslavia can avoid requesting a debt rescheduling. In this regard, Yugoslavia's current efforts to secure its \$200 million syndication are key, for far more than the \$200 million is at stake. Should the Yugoslavs fail to reach an accord with the banks, the banking community's confidence in Yugoslavia's ability to roll over the short-term debt will be severely weakened.

The attached table¹² projects Yugoslavia's sources and use of funds for 1983 in a manner that demonstrates its weak first semester, and relatively stronger second semester. Two points are key: (1) it assumes that the bulk of Yugoslavia's short-term debt is rolled over; and (2) it assumes a \$600 million buildup in Yugoslav reserves in the second half. Without this, Yugoslavia will face the first half of 1984 in much the same position they are in today.

The conclusion which emerges is that there is an urgent need for some timely U.S. and allied government financial assistance—without prejudging the amount or nature of that assistance—to help Yugoslavia through the first half of 1983, and to put them on a stronger footing in the latter part of the year to deal with the first half of 1984.

b. U.S. Objectives:

Any U.S. assistance effort for Yugoslavia must be geared to accomplish a number of key objectives:

—Preserve the U.S.-Yugoslav bilateral relationship and avoid negative political fall-out from the current Yugoslav economic crisis.

—Contribute to a long-range solution to Yugoslavia's economic problems. Stop-gap measures to see the Yugoslavs over their immediate liquidity crisis, such as a short-term governmental bail-out, might not leave the GOY in an appreciably strengthened position going into the first half of 1984. Thus, we might consider including a substantial medium-term component to any financing package we select. In addition, appropriate conditionality should be affixed to any Western assistance package.

—Support the IMF structural adjustment program. To put the Yugoslav economy on a sound medium-term footing, the GOY must act decisively to create a rational industrial structure, eliminate distortions in foreign exchange and capital markets, and gain more control over the process of wage/price determination. Yugoslavia's IMF program focusses on reforms in a number of areas designed to improve Yugoslavia's external competitiveness, reduce underlying inflationary pressures from the system of wage/price formation, and improve the

¹² Attached but not printed.

efficiency of the domestic resource allocation process through basic price reforms. So far, however, Yugoslav adjustment efforts have proven inadequate. U.S. economic assistance should therefore be predicated on improved Yugoslav action in these areas, and in particular on reform of the domestic banking system, foreign exchange markets, and credit policies.

—Ensure equal burden-sharing both among the U.S. and its NATO allies and between governments and private bank creditors. The U.S. share of a joint assistance package for Yugoslavia would be based most appropriately on the U.S. share in total Yugoslav external indebtedness, i.e. roughly 20 percent. Every dollar of U.S. assistance would therefore be leveraged 5 times with the West Europeans and Japanese contributing the balance. However, it is by no means clear how receptive our allies will be to such an assistance effort, and consultations would be necessary before any U.S. financial commitment could be made.

More problematic is the comparable undertaking that we would expect from the private banks, whose exposure in Yugoslavia dwarfs that of the governments by a factor of more than 5 to 1. We wish to avoid at all costs a situation where governments bail out the private banks. For the short run, private bank willingness to maintain existing short-term credit lines is thus a *sine qua non* for going forward with a governmental assistance package. This, together with a sound stabilization program, could pave the way for a lagged private sector response to help Yugoslavia through the first half of 1984.

c. Rescheduling vs. Balance of Payments Assistance

There are two basic ways in which Yugoslavia could close its 1983 financing gap: a) through a general rescheduling of Yugoslavia's 1983 debt service obligations—which can only come through Yugoslavia's request, or b) through new governmental/private economic assistance and financing, assuming the banks are willing to maintain their short-term exposure. The pros and cons of rescheduling versus providing new financial assistance are presented below:

Rescheduling

Pros

—Since the private banks would not appear to reject a parallel rescheduling exercise, the governments would achieve public/private comparability.

—From the Western point of view, it would be easier to organize a rescheduling than a multilateral assistance package.

—The Allies might favor rescheduling over new official assistance.

—A rescheduling could “clear the air” and could lead to the resumption of private lending, especially if accompanied by a satisfactory IMF-approved stabilization program.

—The rescheduling—if large enough—could permit some rebuilding of Yugoslav reserves even if the banks do not resume medium/long term lending.

Cons

—The Yugoslav top political leaders remain opposed to any major rescheduling (and made this point forcefully to Secretary Shultz on October 4). Rescheduling (especially the timing thereof) is a GOY, not a U.S., decision. Given GOY attitudes toward rescheduling there is a substantial risk that the Yugoslavs will wait too long, building arrears and breaking the IMF program. As the U.S. and other Western banks would not agree to reschedule absent a new IMF program, a considerable period of financial uncertainty would loom (a la Romania). In this case, an ultimate rescheduling would probably not “clear the air”.

—A Western rescheduling of Yugoslav debt might have an adverse impact on Hungary.

—Rescheduling would eliminate the prospect of using the CCC program to gain market shares in Yugoslavia and to reduce surplus U.S. stocks of agricultural commodities.

—While we should not be pushed around by Yugoslav “rescheduling paranoia”, we should recognize that the GOY might be right—a rescheduling may be interpreted as a confession of failure and could thus shake the post-Tito leadership.

—Rescheduling, combined with failure of the West to avert it, would damage our bilateral relationship.

New Multilateral Financial Assistance

Pros

—New governmental assistance would provide the most tangible proof of Western support for Yugoslavia.

—USG funds could be used as “seed money” to leverage (at a 5 to 1 ratio) the remaining funds out of the Europeans and Japanese, whose combined economic trade interests in Yugoslavia are substantially greater than ours.

—A major portion of the USG financing could come from CCC and would provide domestic political benefits by helping reduce our agricultural surpluses and increase our market share in Yugoslavia.

—Use of the Economic Support Fund, though nominal, would signal the high degree of political importance we attach to Yugoslavia (we used ESF for Poland).

—New governmental money, particularly medium-term money, would constitute a public vote of confidence which would in turn help restore private confidence and private lending.

—We are considering more CCC/EXIM financing unless a rescheduling seems imminent. By adjusting the timing and packaging of these programs, we could lever the money upward, helping ourselves and the Yugoslavs.

Cons

—There is no assurance that other governments will follow the U.S. lead and fill 80 percent of Yugoslavia's financing gap.

—The Administration could be accused of violating the spirit, if not the letter of the CCC and EXIM statutes, if these funds were used in a period of imminent rescheduling.

—Use of ESF and PL-480 Title I monies may be constrained by possible negative congressional reaction to the necessary Presidential certification required under section 620 (f) of the FAA, though we did get a waiver for Poland, a Warsaw Pact country.

—If the Economic Support Fund is used, money will have to be taken from other countries that are also important to U.S. interests.

—The governments will be putting new money in Yugoslavia, while private banks may nevertheless reduce their exposure. If so, governments would be bailing out the private banks rather than helping the Yugoslavs avoid a liquidity crunch and rescheduling.

d. Possible Sources for a Financial Medium Term Assistance Package

Potential sources of medium-term USG financing that would also not involve recourse to supplemental appropriations are listed in addendum 2 to this paper.¹³ An optimum financing package should be: (a) quick disbursing; (b) large enough to reduce the probability of rescheduling directly, and indirect through its positive impact on private lending behavior; and (c) should present a minimum risk of non-repayment. There are three basic options, none of which would entail additional budgetary outlays. In each case, the size of the overall package is predicated on the assumption that the US would contribute 20 percent of the total, an amount consistent with the US share of total Yugoslav hard-currency debt. The options are as follows:

—Medium-term Credits Option. The total package would be \$875 million. On the U.S. side, the main components would most likely be CCC guarantees (\$150 million) and the Economic Support Fund (\$25 million). There are, of course, competing claims on ESF monies and the

¹³ Not found attached.

opportunity costs of providing such funds to Yugoslavia will have to be considered. There is also a \$90 million dollar EXIM line of credit earmarked for earthquake assistance in Montenegro. However, it is highly unlikely that these funds would be disbursed in the short run. Moreover, the disbursements would be linked to imports for specific projects, which would not have been initiated in the absence of EXIM financing. Thus, such lending would not reduce the "financing gap".

The primary advantage of medium-term assistance is that it avoids saddling Yugoslavia with more short-term debt, thus putting the country in a better financial position as it enters 1984. In addition, we understand from banking sources that medium-term official assistance might have a more powerful catalytic effect on private lending than would a short-term "bailout" arrangement.

—Short-Term "Bridge" Finance Option. This would be a loan backed by Yugoslav gold (if they can do so) of about \$750 million through the BIS with payment due in less than one year. The US portion would be \$150 million, provided by the Treasury's Exchange Stabilization Fund. It would be quick-disbursing, but it would not be large enough to ensure the GOY against rescheduling or be seen as a "bailout" of private banks. Yet, it reduces the probability of rescheduling and minimizes the negative bilateral political fallout should a rescheduling prove necessary. Moreover, because the financing would be general balance of payments support, the financing gap would be reduced by the full amount of the assistance. The chief disadvantage of a BIS option is that the bridging loan implies the existence of a future source of funds from which the Exchange Stabilization Fund (and its equivalent in other countries) would be repaid at maturity.

—Combination Package Option. A blend would combine a \$300 million BIS participation (a lower level than option two with the US share about \$60 million) with the entire \$875 million medium-term package from option one (US share about \$175 million), for a total of \$1.175 billion. Due to its larger size and medium-term component, this option would be more likely to bring along the private banks and thus to reduce the probability of rescheduling. By staggering the timing of the short and medium-term components, the BIS element could be bridged directly to a medium-term package and the issue of gold collateral could be avoided. The advantages of this approach are that it would provide quick-hitting balance of payments support with a firm bridge. The main disadvantage is that it would be hard to orchestrate. This alternative also combines some of the disadvantages of options one and two. Yugoslav drawings on the CCC portion may proceed slowly, and the extent to which the CCC guarantees would reduce the funding gap is not clear. Moreover, despite the link to medium-term assistance, money is "fungible", and there is a risk of non-repayment.

Any given financing option could also be combined with a stretch-out of EXIM maturities on uncompleted projects, when requested by the Yugoslavs and justified on the basis of project-by-project needs. We could add the savings to the Yugoslavs, generated by such a stretch-out, directly to the US share of an overall package, leveraging upward the allied contribution. Alternatively, the stretch-out could serve to fend off possible allied pressure to raise the US share of the financing package above the 20–25 percent level. We have had indications that the private banks may also be willing to refinance on loans for selected major projects, outside of the context of a general rescheduling. With the stretch-out, we would be in a position to suggest that the banks take “comparable” action.

VII. Recommendation

That, on the basis of its long-standing policy of support for the independence, territorial integrity and national unity of Yugoslavia, the U.S. Government pursue a strategy in coming months consisting of political, economic and military elements intended to: a) protect and further our bilateral relationship and interests during a time of Yugoslav economic difficulty; and in particular, b) assist Yugoslavia in maintaining its economic viability and its ability to resist pressures from the Soviet Union and the Warsaw Pact.

In implementing this strategy, the U.S. Government will seek to reinforce the U.S.-Yugoslav consultative dialogue, which has become an important underpinning of our bilateral relationship, through continued high-level visits and discussions. The U.S. Government will also seek to expedite further progress in various fields of cooperation important to U.S. long-term interests in Yugoslavia, especially in the area of sales of U.S. military equipment.

To deal with the immediate economic and financial crisis facing Yugoslavia, the U.S. Government will complete on an urgent basis a contingency financial assistance package for Yugoslavia. This package, which would commit the U.S. Government up to \$235 million, based on 20% of the total multilateral package, will be drawn from a variety of sources, including CCC guarantees and, as feasible, the Economic Support Fund (both in the category of medium-term assistance), as well as U.S. participation through the BIS for a short-term loan bridged to a larger governmental package. The U.S. contribution to a BIS loan would be provided by the Treasury's Exchange Stabilization Fund. In addition, the U.S. Government would be receptive to Yugoslav requests for a stretch-out of EXIM maturities on uncompleted projects, on a project-by-project basis.

The U.S. Government will seek, in consultation with other friendly countries, to work out a sufficiently large total assistance package to help Yugoslavia solve its financial difficulties without a general

rescheduling. If other countries are willing to participate in a significant multilateral effort, the U.S. package will go forward as one of its components. Financial assistance should not be for a "bail-out" of Yugoslavia. Appropriate conditionality should be affixed to any multilateral Western assistance so as to encourage the Yugoslavs (through such international organs as the IMF or BIS) to proceed with needed domestic fiscal and economic reforms. If efforts are not successful to arrange a multilateral assistance package, the U.S. will continue to evaluate on their merits specific GOY requests for trade-related financing. Should a general Yugoslav rescheduling prove unavoidable, the U.S. Government will cooperate fully with other official creditors and the Yugoslavs in seeking a mutually acceptable agreement.

203. Summary of Conclusions of a Meeting of the Senior Interagency Group on Yugoslavia¹

Washington, November 23, 1982, 3 p.m.

SUBJECT

SIG Meeting on Yugoslavia, November 23

PARTICIPANTS

See List Attached²

SUMMARY OF CONCLUSIONS

The SIG convened to discuss the draft IG memorandum and NSDD on Yugoslavia. Three points emerged from the discussion.

On the issue of technology transfer, a difference of view exists between State and Defense on the likelihood of compromise of high technology sold to Yugoslavia. Chairman Eagleburger asked the two agencies to produce alternate language for decision in an NSC meeting.

On the issue of short term credit measures versus long term bilateral policy toward Yugoslavia, it was Treasury's view that the immediate credit crisis faced by Yugoslavia should be dealt with in the SIG-IEP

¹ Source: Central Intelligence Agency, Office of the Director of Central Intelligence, Job 84B00049R: Subject Files (1981-1982), Box 5, Folder 118: SIG Meeting Re: US Policy Toward Yugoslavia 23NOV82. Secret. Drafted on November 26. The meeting took place in Whitehead's conference room. The memorandum was Sent to Gregg, Wheeler, Lett, Cormack, Robbins, Stanford, Draper, Siegman, Keel, Pickford, and Whitfield.

² Attached but not printed.

in parallel with similar credit issues involving other countries. Treasury therefore objected to the appearance in the NSDD of detailed financial prescriptions for the Yugoslav problem. State and NSC took the view that an overall study and NSDD had been mandated in NSDD 54 and were due the White House. Yugoslavia's condition increased the urgency of this task. After an animated discussion, it was decided to remove the details of the short-term financial prescriptions from the draft NSDD and redirect this issue to the SIG–IEP for consideration in a meeting to be held Monday, November 29.³ The draft NSDD would be revised to focus on the larger policy questions, including the need for a major financial effort to help Yugoslavia, and would be circulated to the SIG membership for approval as soon as possible.

On the issue of CCC credits for Yugoslavia, Agriculture took the position that the CCC program was being improperly used in the NSDD as the centerpiece of a financial relief program. The CCC mandate allowed it to lend to expand markets or reduce risk, but not for general foreign policy aims. In rebuttal, the NSC noted that CCC credits had been approved in 1981 for another East European country on political grounds and that the President had the option of so deciding. The SIG had a duty to set forth the options available to the President. State and Agriculture agreed to develop language to address this issue.

Chairman Eagleburger closed the meeting with the hope that the credit-related work in the present texts would be useful in the SIG–IEP meeting November 29. He also stressed the urgency of getting on with a U.S. financial package and consultations with key allies.

ACTION ASSIGNMENTS

1. State and Defense are to insert alternative language on the subject of technology transfer.
2. State will remove the details of the short term credit package from the NSDD and study package and rework the package along larger policy lines.
3. State and Agriculture will develop language on the role of CCC in U.S.-Yugoslavia relations.
4. Treasury and State will move ahead on the financial package as a matter of urgency, including early consultations with key allies.

³ A summary of conclusions for this meeting was not found.

204. Draft Telegram From the Department of State to the Embassy in Yugoslavia¹

Washington, undated

Subject: Reply to Yugoslav President Stambolic From President Reagan.

1. The following text of a reply has been approved for delivery to Yugoslav President Stambolic by Defense Secretary Weinberger during his December 3–4 visit to Yugoslavia. Weinberger will not rpt not be carrying a signed version of the reply, and Post should prepare text for the Defense Secretary to deliver.

2. Begin text: Dear Mr. President: Some time ago you informed me of your country's efforts to achieve closer cooperation between Yugoslav and American banks and to secure additional credits to help provide the foundation needed for your government's economic stabilization program. I am particularly pleased that the arduous and protracted negotiations between American and Japanese lenders and Yugoslav financial institutions have now resulted in the signing of a \$200 million loan syndication.

I have followed your stabilization measures with close attention and can assure you that many Americans admire the Yugoslav people for the sacrifices they are making now to improve Yugoslavia's future economic and financial situation. We are aware that your country faces a difficult period during the first half of 1983. In view of the importance which we place on our relationship with Yugoslavia and our desire that your stabilization program have the best possible chance to succeed, I have instructed U.S. authorities to reexamine carefully ways in which our financial cooperation can be strengthened in the crucial months ahead. As you are well aware, the general international financial situation is at a difficult and complex stage. You can rest assured, however, that the United States, like other Western countries with whom Yugoslavia enjoys good relations and mutually beneficial economic ties, is concerned that everything appropriate and feasible be done during this period to assist. My representatives will continue to work closely with your authorities as we pursue concrete measures.

Please accept renewed assurances of my highest consideration and warm personal regards. Sincerely, Ronald Reagan. End of text.

¹ Source: Reagan Library, Paula J. Dobriansky Files, Yugoslavia (3). Confidential; Immediate. Drafted on November 29 by George Humphrey (EEY); cleared by Palmer, McGonagle, Davis, Burt, and Assistant Secretary of the Treasury for International Affairs Marc Leland. A sent copy of this telegram was not found.

3. Department plans no release of the text of this reply, but has no objection if the GOY wishes to release it.

205. Telegram From Secretary of Defense Weinberger to President Reagan¹

December 4, 1982, 2007Z

86970. Subject: My Visit to Yugoslavia.

1. (S) I have just concluded a 24 hour visit to Yugoslavia, during which I found the Yugoslavs to be very warm and gracious and obviously pleased to have me visit. I might add that they are also an intensely patriotic group, very frank in their dealings, and deeply proud of their neutral, non-aligned status. They were also extremely adaptable as weather prevented us landing at Belgrade as planned, and we diverted to the coastal city of Dubrovnik on the Adriatic Sea. I met with my counterpart, Admiral Mamula, and his key staff, laid a wreath at the tomb and memorial of former President Tito in Belgrade, and concluded my visit with a one hour meeting with President Petar Stambolic. He was very grateful for your letter² and expressed great satisfaction at its content. The general substance of our conversations and discussions in Yugoslavia follow.

2. (S) Political: Yugoslavia is deeply committed to its neutral and non-aligned status. While they are acutely aware that some of their policies will not coincide at all times with ours, they are nevertheless appreciative that we are willing to accept Yugoslavia in the non-aligned role. They have great hopes for a settlement of the Middle East crisis and appear appreciative of your Mid-East initiative³ and the efforts of Phil

¹ Source: Reagan Library, Executive Secretariat, NSC Agency File, Department of Defense (10/29/1982–12/05/1982). Secret. Sent for information to Clark, Shultz, and Carlucci. Sent while Weinberger was aboard a Special Air Mission. Poindexter wrote in the upper right hand corner of the telegram, "W[illiam] C[lark] said in Pres' wkly report. JP." A stamped notation indicates that it was received in the White House Situation Room on December 4 at 9:30 p.m.

² See Document 204.

³ See *Public Papers*: Reagan, 1982, vol. II, pp. 1093–1097; and *Foreign Relations*, 1981–1988, vol. XIX, Arab-Israeli Dispute.

Habib. They indicated that Yassir Arafat, President Mubarak, Mengistu and Quaddafi had all been to Belgrade in the recent past and seemed hopeful that elements of our Mid-East proposal and the Fez proposals could be brought together into a proposal that both sides could accept. They indicated that Libya and Ethiopia wanted better relations with the United States. President Stambolic indicated that during his recent visit to Moscow for the Brezhnev funeral, he had met with Andropov to reiterate the basis of Yugoslavian-Soviet relations—complete independence and non-alignment. He did not characterize the response if indeed there was one from Andropov. On several occasions he characterized Yugoslav-U.S. relations as having been on an upward trend since the war, with only a few “oscillations.”

3. (S) Economic: President Stambolic went into some detail regarding their economic condition, which he termed serious. He was quick to point out, however, that the leaders and people of Yugoslavia had charted a course for the next several years to get their fiscal house in order by themselves. The people had just taken a ten percent reduction in their standard of living, rationing of petrol and electricity was obvious in the city, and their banking institutions were undergoing some changes to make them more efficient. He was particularly pleased with the help of the United States and other Western banks and again referred to the content of your letter as being the hand of friendship and understanding. Admiral Mamula spent some time discussing reciprocal trade balances between the United States and Yugoslavia. Although most of the imbalance was in the military area, he made a general plea for the United States and the West to buy additional goods from his country. They are obviously proud of their industrial capability and the sophistication they have achieved.

4. (S) Security/Military: It is obvious the Yugoslavs want to end their dependence on the Soviet Union and Warsaw Pact for their military equipment and munitions. They want to increase activity between our two countries in this area and are aware of our concerns regarding safeguarding our military technology, a concern which we reemphasized repeatedly. They assured us several times that the threat to Yugoslavia was from the east and north and not from the west. Whatever technology the United States provided would be closely held, and they expressed their willingness to enter into whatever kind of terms or agreement which would satisfy our concerns. They realized there would be some technology we simply would not be able to provide, and they would accept a straightforward “no” on those technologies we considered to be highly sensitive. They asked us to assist them

in building a new supersonic fighter, realizing it would be several years (early 1990s) before they could afford to do so. But planning had to begin soon on the general size, performance and capability of such an aircraft. They also stated their interest (in fact Admiral Mamula told me “they had decided to buy—we have made our decision”) in purchasing the Northrop F-5G2 aircraft as the first step in modernizing their air force. They have never purchased an aircraft from the United States and made it very clear that Soviet equipment is the least desirable for Yugoslavia. They have formally requested briefings from the manufacturer of the F-5G2 at our earliest convenience and will thereafter submit a request for the first twenty (20) F-5G2, if we can work out the details. We agreed in principle to permit the sale of this aircraft, subject to adequate technology safeguards and suitable financing arrangements. I believe it likely that Yugoslavia may well ask for information regarding Foreign Military Sales credits.

5. (C) Finally, I believe this was a significant visit in that it came at a critical time when Yugoslavia is attempting to overcome its economic difficulties, is gearing up for what promises to be a tough belt-tightening period, and is in need of strong support, both morally and materially in the years ahead. The Embassy will be following up with a more detailed report and analysis of the visit. I was assured, however, by both our Ambassador (who is doing an extremely effective job and is very well liked and respected), and by Admiral Mamula that they felt the visit had gone exceptionally well and had been most useful.

Cap Weinberger

206. Minutes of a Senior Interdepartmental Group-International Economic Policy Meeting¹

Washington, January 12, 1983, 4 p.m.

ATTENDEES

Treasury

Secretary Regan
Beryl Sprinkel
Marc Leland

State

Secretary Shultz
W. Allen Wallis
Robert Morris

Defense

Fred C. Ikle
Don Goldstein

Agriculture

Seeley G. Lodwick

Commerce

Gus Fiske
Lionel Olmer

Interior

Robin West

Energy

W. Kenneth Davis
George Bradley

CIA

Henry Rowen
Maurice Ernst

USTR

Ambassador William Brock
John E. Ray

OMB

Alton G. Keel
Fred Khedouri

CEA

Martin Feldstein

OPD

Roger B. Porter

NSC

Henry Nau
Norman Bailey (Executive Secretary)
Roger Robinson
William F. Martin

The Chairman opened the meeting by asking for a review of the debt situation of Yugoslavia, Poland and Romania.

Yugoslavia

A Swiss-chaired meeting was held in Bern in early January to discuss multilateral assistance for Yugoslavia. The Fund stated the nature of the Yugoslav problem and set the size of the financing gap at \$1–\$1.5 billion. Most countries indicated their willingness to proceed with the pledging exercise on the basis of the Fund's proposed program. The United States pledged \$222 million in medium-term credits, an amount equal to 20 percent of total pledges of \$1.14 billion. Most pledges were in the form of export credits which may not necessarily provide balance of payments financing needed by Yugoslavia.

¹ Source: Reagan Library, George Shultz Papers, Official Memoranda 1/18/88 (1). Confidential. The meeting took place in the Roosevelt Room. No drafting information appears on the minutes.

The Yugoslavs also requested a three-month, once renewable, bridging credit from the BIS, the feasibility of which will depend on whether a sound IMF program and a satisfactory medium-term loan package can be arranged and appropriate collateral provided for such a bridge.

[Omitted here is the portion of the minutes not related to Yugoslavia.]

207. Memorandum From the Executive Secretary of the Office of the Secretary of Defense (Stanford) to the Executive Secretary of the Department of State (Bremer)¹

Washington, March 15, 1983

SUBJECT

Revised Policy Study, Summary and NSDD on Yugoslavia (U)

(S) The Department of Defense cannot concur with the draft NSDD² because it fails to ensure that adequate safeguards to protect U.S. technology transfers to Yugoslavia will be put in place.

(S) Yugoslavia has a long history of close ties to the U.S.S.R. and Warsaw Pact countries, including transfers of Western technology. We have no satisfactory agreement with the Yugoslavs to ensure that future transfers of U.S. technology in either civil or military areas will be sufficiently protected. We believe that, at a minimum, a Memorandum of Understanding between the U.S. Government and the Government of Yugoslavia needs to be concluded similar to those we have negotiated with Sweden and Austria, that would secure Yugoslav Government commitments that sensitive manufacturing and end-use technologies will be safeguarded. Efforts to obtain Yugoslav agreement to a General Security of Military Information Agreement should be revived and further transfer of classified military equipment should be contingent upon Yugoslav adherence.

¹ Source: Reagan Library, Executive Secretariat, NSC: National Security Decision Directives (NSDD) Records, NSDD 133 3/14/1984 (2). Secret.

² Bremer sent the revised draft NSDD to the Interagency Group on Yugoslavia under cover of a March 1 memorandum. He also forwarded a draft summary of conclusions of a SIG meeting, noting that it had been decided "to set aside the IG study, much of which has been superseded by the ongoing effort to provide multilateral financial support for Yugoslavia." (Ibid.) For the IG study, see Document 202.

(S) We believe that the CIA evaluation of December 10, 1982³ fails to address the real risks of future sensitive technology transfers to Yugoslavia. In particular, that study apparently focuses on a period in which little sensitive military technology had been transferred to Belgrade. Moreover, since 1975 large amounts of sensitive COCOM controlled dual-use technology have been sold to both Yugoslav industry and military facilities with very little review or monitoring. Therefore, there has been no real test of Yugoslav intentions or capabilities to protect such technologies.

(S) We believe that a highly cautious attitude toward technology transfers to Yugoslavia should be indicated in the text of the NSDD. The NSDD should contain clear language indicating the necessity of a credible Yugoslav assurance that they will protect our technology prior to any transfer taking place.

John H. Stanford⁴
Colonel, USA

³ Not found.

⁴ Stanford signed "John Stanford" above his typed signature.

208. Paper Prepared in the Department of State¹

Washington, undated

DEPARTMENT OF STATE POSITION PAPER: YUGOSLAVIA AND THE QUESTION OF MILITARY TECHNOLOGY TRANSFER

The Department of State disagrees with a number of the key assumptions and judgments in the Department of Defense's memorandum of March 15 on military technology transfer to Yugoslavia—in particular the inference that a credible basis is lacking upon which to assess Yugoslav intentions and capabilities to protect U.S. technology.

¹ Source: Reagan Library, Executive Secretariat, NSC: National Security Decision Directives (NSDD) Records, NSDD 133 3/14/1984 (2). Secret. No drafting information appears on the paper.

In describing Yugoslavia as having had “a long history of close ties to the USSR and Warsaw Pact countries” the DOD memorandum is misleading. In point of fact, while Yugoslavia has active economic ties and correct political relations with these countries, Belgrade’s posture toward the Soviet Union and the Warsaw Pact since the 1948 break has been rooted in distrust and wariness. Yugoslavia has no illusions that Moscow has reconciled itself to Tito’s establishment of a “renegade” and independent communist country, defiant of Moscow’s control. No Yugoslav leaders are known to favor accommodation to Soviet foreign policy goals. Soviet efforts over the years to seek special influence with the Yugoslav secret police have not borne fruit and are judged unlikely to do so in the foreseeable future (SNIE 15–83).² The Yugoslav military is loyal to the central government and, with its proud tradition as a successful partisan force during World War II, owes nothing to the Soviets. In fact, the Yugoslav order of battle is oriented to the north and east, not to the west.

We have no evidence that Yugoslavia has transferred sensitive U.S. weapons technology to the Warsaw Pact. Such transfer would in fact be against Yugoslavia’s own professed vital defense interests. Yugoslav political and military leaders have asserted to us that Yugoslavia has not and will not provide the Warsaw Pact—its most serious potential adversary—with information regarding sensitive Western items that are now or might someday be part of the Yugoslav military inventory. As the CIA evaluation of December 10, 1982 stated about the issue of future sensitive technology transfers to Yugoslavia: “It is our judgment that Belgrade would protect as best it could against unauthorized transfers to the USSR and other Warsaw Pact countries. They may even be more sensitive to these transfers than our COCOM partners, who have not always agreed with U.S. concerns in this area.”

This CIA evaluation, however, made no claim to having exhaustive proof of Yugoslav performance. On the commercial side, there is more that the U.S. could do—were travel funds available—under the terms of existing arrangements with the Yugoslavs in effect since 1976 to monitor end-use of non-military technology. That the military area is more difficult to monitor is a reflection of the determination with which the Yugoslavs safeguard their vital security. This concern to prevent penetration—aimed especially at the Soviets—is typified by a guarded attitude towards all outsiders, East or West. Even given the inherently closed nature of the Yugoslav military establishment, we disagree with the statement in the DOD memorandum that there is too little data to justify a judgment regarding Yugoslav intentions and capabilities.

² Available in the CIA’s Freedom of Information Act Electronic Reading Room, document number 0000273239.

There is adequate empirical evidence to support the conclusion, based on abundant indications of Yugoslav concern for their own security, that Belgrade can and will safeguard our technology against its transfer to Soviet hands.

The Yugoslav need to replace aging Soviet equipment, matched by the U.S. view that a militarily capable Yugoslavia is a key element in preventing Soviet expansionism and hegemony in southern Europe, led the White House to reaffirm in a June 1, 1981 memorandum to Secretary Weinberger the U.S. arms transfer policy towards Yugoslavia.³ A central element of this policy is that the U.S. will be forthcoming in approving sales of arms and equipment required for Yugoslav defensive needs. The offer made during Secretary Weinberger's December 1982 Yugoslavia visit⁴ to sell the F-20 aircraft was an important step in the implementation of this policy.

We disagree with the proposal in the referenced memorandum that further transfer of classified military equipment be made contingent upon Yugoslav acceptance of a General Security of Military Information Agreement (GSMIA). The Yugoslavs regard such a general agreement as unacceptably intrusive and inconsistent with Yugoslavia's nonaligned status. Belgrade's break-away relationship with the USSR and its balancing act as an independent communist country between East and West place much greater constraints on Yugoslavia's freedom of action in military cooperation with the U.S. than is the case with Sweden and Austria. These latter countries are neutral but not nonaligned, and their security situations differ fundamentally from Belgrade's.

Yugoslav military representatives indicated to us in 1981 and 1982 fundamental opposition to a GSMIA, when this idea was broached. Insistence now by the U.S. on a GSMIA would be seen by the Yugoslavs as a reversal and a hardening in our arms transfer policy. If the Yugoslavs were to refuse to sign a GSMIA, as we judge likely, further military sales to Yugoslavia would be precluded and our bilateral political relationship would also suffer. While the Yugoslavs need and want our cooperation in the military area, they will not enter an arrangement which would appear to alter their formal stance of maintaining equidistance from the superpowers. Over a period of years it may be possible to bring Yugoslavia closer to the status of a Sweden or Austria, but in the meantime we will have to deal with Yugoslavia as it is.

We continue to believe that it is in the U.S. national interest to be forthcoming in approving sales of arms and equipment required for Yugoslav defensive needs. As with Secretary Weinberger's offer regarding the F-20, any sale involving expensive and modern technology

³ See Document 191.

⁴ See Document 205.

should be handled on a case-by-case basis, subject to reaching satisfactory financial arrangements for payment and appropriate technology safeguards for the particular transaction. Should Yugoslavia opt for the F-20, a first step would be to work out a mutually acceptable technical data transfer schedule.

We believe that the section of the draft NSDD relating to technology transfer adequately reflects the Yugoslav situation and the need for normal prudence, consistent with existing directives. Nonetheless, we would have no objection to expanding this section (on page 2) to read: “—The U.S. will seek, in accordance with our established arms transfer policy toward Yugoslavia, as reconfirmed in the White House Memorandum of June 1, 1981 to the Secretary of Defense, to expand military cooperation with that country. We will be forthcoming in approving sales of arms and equipment required for Yugoslav defensive needs on a case-by-case basis, subject to appropriate technology safeguards and financial arrangements. The U.S. will encourage Western European Allies to follow similar policies.”

In sum, the Department of State opposes revisions to the NSDD suggesting a need for extreme caution, questioning Yugoslav intentions or credibility, or requiring prior Yugoslav agreement to a GSMIA as a precondition for further transfers. Such revisions are not justified by the facts and could undercut U.S. policy toward Yugoslavia at a crucial time.

209. Paper Prepared by the Interagency Group on Yugoslavia¹

Washington, undated

U.S. SUPPORT AND ASSISTANCE FOR YUGOSLAVIA

Conclusions of the Interagency Group on Yugoslavia

In accordance with NSDD-54 of September 2, 1982 (United States Policy Toward Eastern Europe), which provided that Yugoslavia be treated in a separate NSDD, an Interagency Group reviewed the implementation of U.S. policy toward that country.

¹ Source: Reagan Library, Executive Secretariat, NSC: National Security Decision Directives (NSDD) Records, NSDD 133 3/14/1984 (2). Secret; Sensitive. No drafting information appears on the paper.

The group agreed that the U.S. should maintain its policy of support for the independence, territorial integrity and national unity of Yugoslavia, and should continue to encourage Yugoslavia's gradual liberalization. It was agreed that Yugoslavia is an important obstacle to Soviet expansionism in southern Europe and that an independent, economically viable, stable and militarily capable Yugoslavia—able to resist pressures from the Soviet Union and the Warsaw Pact—serves Western and U.S. interests. The Group noted also that an independent and economically viable Yugoslavia is a useful reminder to other countries in Eastern Europe of the advantages of independence of Moscow and of friendly relations with the West.

The Group reaffirmed that the U.S. Government should continue to employ a combination of political, economic and other measures in the implementation of our policy. The Group noted the value of high-level visits and discussions and agreed that the U.S. Government should seek to expedite progress in those fields of cooperation already underway. With respect to security assistance, the group noted that the White House Memorandum of June 1, 1981 to the Secretary of Defense, reaffirming U.S. arms transfer policy toward Yugoslavia, provided a basis for further progress in the area of military cooperation.

With respect to Yugoslavia's economic situation, the Group concluded that vigorous implementation of a U.S. policy of support for Yugoslavia will be particularly important during the current period of Yugoslav economic and financial weakness. The Group noted the impression that the Government of Yugoslavia has that a major rescheduling could have serious domestic political consequences within Yugoslavia and for Yugoslav foreign policy. It was the Group's view that a protracted Yugoslav economic crisis could undermine Yugoslavia's capacity to withstand Soviet pressures and Yugoslavia's constructive relationship with the West.

The Group affirmed that other Western countries also have a major stake in preserving Yugoslavia as an independent entity on NATO's southeastern flank and as an alternate model for the communist world. The Group agreed that the Senior Interagency Group for International Economic Policy will serve as the coordinating body for cooperative efforts by U.S. Government agencies in international financial assistance measures to assist Yugoslavia.

210. Memorandum From Secretary of Defense Weinberger to the President's Assistant for National Security Affairs (Clark)¹

Washington, May 19, 1983

SUBJECT

Defense Comments on Proposed NSDD on Yugoslavia (U)

(S) The Department of Defense does not concur with the draft NSDD on Yugoslavia because it fails to ensure adequate safeguards to protect U.S. transfers of sensitive military or civil technology to Yugoslavia will be put in place.

(S) It is not sufficient to make such transfers subject to “appropriate” technology safeguards, as stated in the last paragraph of the draft NSDD. We believe the U.S. Government should require explicit commitments from the Government of Yugoslavia no less credible than we have negotiated with Sweden and Austria, to ensure that future transfers of sensitive U.S. technology, in both military and civil areas, will be sufficiently safeguarded.

(S) Yugoslavia has a long history of close ties to the U.S.S.R. and Warsaw Pact countries, including transfers of Western technology. We have no satisfactory agreement with the Yugoslavs to ensure that future transfers of U.S. civil or military technology will be sufficiently protected.

(S) We believe the CIA evaluation of December 10, 1982 fails to address the real risks of future sensitive technology transfers to Yugoslavia. In particular, that study apparently focuses on a period in which little sensitive military technology had been transferred to Belgrade. Moreover, since 1975 large amounts of sensitive COCOM controlled dual-use technology have been sold to both Yugoslav industry and military facilities with very little review or monitoring. Therefore, there has been no real test of Yugoslav intentions or capabilities to protect such technologies.

(S) We believe the last paragraph of the draft NSDD should be revised to require that two agreements be negotiated with Yugoslavia to assure that sensitive U.S. (1) military and (2) civil technology will be protected, prior to any transfer taking place.

(S) *I recommend:* (1) the last paragraph of the draft NSDD be revised in accordance with the Defense language, attached, and (2) a SIG or NSC meeting be called to discuss interagency differences, if required.

Cap

¹ Source: Reagan Library, Executive Secretariat, NSC: National Security Decision Directives (NSDD) Records, NSDD 133 3/14/1984 (2). Secret. Above the recipient line on the memorandum, Weinberger handwrote, “Bill.”

Attachment 1**Paper Prepared in the Department of Defense²**

Washington, undated

DEPARTMENT OF DEFENSE COMMENTS ON
PROPOSED NSDD ON YUGOSLAVIA

Defense recommends the last paragraph be revised as given below.³

—The U.S. will *consider*,⁴ in accordance with our established arms transfer policy toward Yugoslavia and consistent with the policies established in NSDD-5, *facilitating*⁵ military cooperation with that country. We will *consider*⁶ sales of arms and equipment required for Yugoslav defensive needs on a case-by-case basis, subject to appropriate technology safeguards and financial arrangements, *to include commitments from the Government of Yugoslavia no less credible than those we have negotiated with Sweden and Austria, to ensure that future transfers of sensitive U.S. technology in both military and civil areas will be sufficiently protected. Specifically, at a minimum:*

—*The U.S. will negotiate a General Security of Military Information Agreement between the U.S. Government and the Government of Yugoslavia. Further transfer of classified military equipment will be contingent upon Yugoslav adherence and their credible assurance that they will protect our technology, prior to any transfer taking place.*

—*The U.S. will negotiate a Memorandum of Understanding between the U.S. Government and the Government of Yugoslavia, similar to those we have negotiated with Sweden and Austria, which will secure Yugoslav Government commitment that sensitive manufacturing and end-use technologies will be safeguarded.*

—The U.S. will encourage Western European Allies to follow similar policies.

²Secret. No drafting information appears on the paper.

³The italicized words and passages were additions proposed by the Department of Defense.

⁴"Consider" replaced the word "seek."

⁵"Facilitating" replaced the words "to expand."

⁶"Consider" replaced the phrase "be forthcoming in considering approval of."

211. Telegram From the Embassy in Yugoslavia to the Embassy in Romania¹

Belgrade, September 18, 1983, 0834Z

7641. Subject: Vice Presidential Visit to Yugoslavia: Talks With Vice President Zarkovic.

1. (C—Entire text.)

2. Summary. In three hours of discussion September 16, Vice President Bush and his host, Vidoje Zarkovic, Vice President of the SFRY Presidency, focussed on the negative impact of the Korean airliner shootdown on East-West relations, China, bilateral relations, and North-South issues. End summary.

3. East-West relations. The Vice President said frankly that U.S. relations with the Soviet Union “are not good.” He emphasized that it was extremely important the the Yugoslavs understand how deeply outraged all the people of the United States—whether on the left or the right of the political spectrum—are about the Soviet destruction of the Korean airliner. The Soviets have behaved badly: first by denying that it happened, second, by claiming the airliner was on an intelligence operation, which the Vice President as former CIA Director could attest is an “absurd” charge, and thirdly, by heartlessly saying they would do it again. As to the Soviet claim that the U.S. and Japan should have steered the airliner back on course, the Vice President pointed out that Soviet uncooperativeness produced a gap in the civil radar coverage between Alaska and Japan.

4. The “hot rhetoric” on the part of the President and other American political leaders reflected honest anger in the United States. However, the Yugslavs should have noted that our reactions have been reasoned. We would continue disarmament negotiations including INF, START, MBFR, and chemical weapons. In response Zarkovic expressed familiar Yugoslav concern over “the deterioration of the international situation” and for the first time in recent memory said this deterioration could lead to a “war” that would be a catastrophe for mankind. Zarkovic’s comment on the KAL downing did not go beyond the tepid Yugoslav official statement of September 15 (Belgrade 7632).²

¹ Source: Reagan Library, Paula J. Dobriansky Files, VP Bush Trip to N. Africa/E Europe 9/83 (3). Confidential; Niact Immediate. Repeated on October 4 from Belgrade to the White House. Bush was in Belgrade September 16–18, one of several stops on his trip through North Africa and Eastern Europe.

² Telegram 7632 from Belgrade, September 16, conveyed the Yugoslav Federal Secretariat for Foreign Affairs statement on the Korean airliner incident. (Department of State, Central Foreign Policy File, D830537–0492)

5. In conclusion, the Vice President said the KAL disaster has beclouded the entire U.S.-Soviet relationship and has confirmed the President's belief that the Soviets are not to be trusted. Coming on top of other East-West difficulties—Poland, Afghanistan, and severe restrictions on emigration from the East—the disaster cannot be seen as just a passing incident. Nevertheless President Reagan wishes to continue U.S.-Soviet dialogue, even at the highest level.

6. Yugoslav-Soviet relations. Zarkovic restated the principal outcome of Soviet Premier Tikhonov's visit in April, namely that the differences between Yugoslavia and the Soviet Union on international issues, such as Kampuchea and Afghanistan, had been accepted by the Soviets as a permanent aspect of the bilateral relationship. On trade, Zarkovic said Yugoslavia exchanges food and finished goods for Soviet raw materials but wishes to avoid dependence.

7. China. Zarkovic, who returned from China earlier in the week, said that he had been told Taiwan and technology transfer were the present difficulties in U.S.-Chinese relations. The Vice President responded that relations with China remained as strong as they were when the Shanghai Communique was signed,³ that the Taiwan issue was manageable, and that the two sides were well on the way to resolving the technology transfer problem. Finally, the Vice President expressed his view that Andropov's accession did not mean there would be a Sino-Soviet rapprochement as the problems between those two countries are abiding and pre-date Andropov.

8. Bilateral relations—overview. The Vice President began by characterizing bilateral relations as "excellent," stating clearly that he was reflecting the views of the President. He reiterated strong U.S. support for Yugoslavia's sovereignty, independence, and unity, and U.S. respect for Yugoslavia's non-alignment, drawing attention to his September 14 Algiers speech.⁴ Zarkovic responded that he had read the speech; he did not comment otherwise. Continuing, he said the Yugoslav side "assesses bilateral relations positively," and that U.S.-Yugoslav cooperation has been on an ascending line for the past ten years without "the oscillations" of the previous period.

9. Bilateral relations—economic. The Vice President took note of intensified U.S. support for the Yugoslav economy over the past year. He announced that USDA had approved a Yugoslav request for a reallocation of dollars six million in CCC credits from the purchase of wheat to soybeans.

³ Issued on February 28, 1972. Printed in *Foreign Relations*, 1969–1976, vol. XVII, China, 1969–1972, Document 203.

⁴ See Document 21.

10. The Vice President explained that the inter-relationship between the U.S. economy and the economies of the developing world is heavily influenced by:

—High U.S. unemployment, and resulting domestic political pressures for protectionism;

—The high federal budget deficit, which the President believes has a major impact on interest rates in the U.S. capital market to which many developing countries must turn.

11. North-South. Speaking as a representative of a developing country, Zarkovic expressed appreciation for the Vice President's description of U.S. economic problems. Nevertheless Zarkovic said the U.S. also bore the burden of developing countries. The Vice President, in response, emphasized President Reagan's strong view that the United States must have a disproportionate responsibility for the welfare of the people of the world, regardless of their political systems. For example, there was considerable pressure in Congress to reduce the federal deficit. [garble] President Reagan was now seeking a larger U.S. contribution to the IMF. The Vice President also stressed that U.S. foreign aid levels were at their highest under this administration. Keying on Zarkovic's statement of continuing Yugoslav interest in access to U.S. capital markets the Vice President observed that this access could be facilitated by making U.S. private investment in Yugoslavia easier through amendment of Yugoslav joint venture legislation.

12. Further Yugoslav needs. Zarkovic barely touched on specifics in discussing economic cooperation, mentioning in passing Yugoslav interest in retaining benefits under GSP and in co-production. He said external factors, namely the world recession and the second oil price shock, had contributed to Yugoslavia's poor economic performance in recent years. However Zarkovic admitted that the principal problems were Yugoslavia's own: productivity and exports had not kept pace with the country's economic development that was fueled by heavy new borrowing in the 1970's. To correct this Yugoslavia intended to rely more on market forces, increased labor productivity, targeted production for export, and movement toward a rational relationship between wages and prices. This long-term program would enable Yugoslavia to honor its foreign obligations. In the interim Yugoslavia was benefitting from short-term financial assistance provided by the "friends package", which Zarkovic said would have to be replicated over the next few years, albeit at a lower amount with each passing year.

13. Bilateral relations—terrorism. After expressing appreciation for "the significant contribution made to bilateral relations by actions taken by U.S. law enforcement authorities in suppressing hostile Yugoslav terrorist emigre activities," Zarkovic reiterated prevailing Yugoslav worry over non-violent political activities of anti-Yugoslav

organizations abroad, which have their "largest financial centers" in the United States.

14. Military cooperation. Zarkovic raised this subject and returned to it several times during the discussion. Despite Yugoslavia's large degree of self-sufficiency, it must turn to outside sources for the most sophisticated military equipment. Seeking to diversify its sources, the Yugoslavs were anxious for more purchases from the U.S. The Vice President expressed appreciation for Yugoslav cooperation, mentioning the general officer visitor program, Sixth Fleet port visits, and the recent agreement to facilitate U.S. military tourism in Yugoslavia. Zarkovic, who was most animated during this part of the discussion, stressed Yugoslav interest in "counter-trade" whose present level the Yugoslavs found disappointing. Military tourism and purchases of Yugoslav meat for U.S. commissaries in Europe amounted to only 5–6 percent of Yugoslav military purchases from the U.S., Zarkovic said.

15. Comment. The talks went much longer than originally planned. Zarkovic was his usual straightforward self, uncomplicated, a proud Montenegrin of military background. He spoke extensively from notes and generally listened with interest and close attention to the Vice President's remarks. Zarkovic seemed discomfited only at the several instances when the Vice President lashed out at the Soviets over the KAL tragedy. All in all, a very good and useful exchange of views although (as some of the Yugoslavs admitted to us privately) Zarkovic may have gone on a bit too long with some of his discourses. Such is the nature of diplomatic conversation in the Balkans.

Anderson

212. Telegram From the Embassy in Yugoslavia to the Department of State and the White House¹

Belgrade, September 22, 1983, 0936Z

7788. Subject: Vice Presidential Visit to Yugoslavia: Talks With President Spiljak.

1. C—Entire text.

2. Summary. In a meeting otherwise devoted to the Middle East, President Spiljak expressed genuine pleasure at receiving President Reagan's invitation to visit the U.S., which he accepted straight away. Spiljak said the Yugoslavs regarded interference by Arab states as "the greatest danger" to Yasser Arafat's political position. Still, Arafat remains a political factor in the Middle East. However, in the Yugoslav view he is stymied in finding a peaceful political solution to the Palestinian question. The Vice President countered that Arafat has one more crucial card to play, namely renunciation of the pledge embedded in the Palestinian national charter to "destroy" Israel. This renunciation, said the Vice President, would gain for Arafat a direct Palestinian dialogue with the U.S. and a political standing and credibility in the U.S. which the Palestinians do not now have. The Vice President also stressed that the Lebanese situation had become so acute that it must be brought under control before further progress could be made on the Palestinian issue. The Yugoslav side noted there had been a number of frustrating failures to mediate the Iran-Iraq war and that now the best hope was that both sides would simultaneously exhaust each other and the conflict would dwindle away into a "propaganda war." End summary.

3. Spiljak opened the meeting by warmly accepting straight away President Reagan's invitation to visit the U.S., which he said could be arranged at a mutually convenient time.

4. Middle East—Palestinian issue. Spiljak gave an appreciation of Arafat's political strengths and weaknesses. During his visit to Belgrade July 27–28, Arafat had been preoccupied with "pressure and interference" from Syria and Libya which had exacerbated tensions and disagreements within Fatah ranks. Arafat had successfully blunted Libyan efforts to undermine him. However, the Syrians remained a problem. Arafat did not deny that he would have faced internal difficulties in any case but made it plain that they would have been "far less without

¹ Source: Reagan Library, Paula J. Dobriansky Files, VP Bush Trip to N. Africa/E Europe 9/83 (4). Confidential; Immediate. Printed from a copy that was received in the White House Situation Room.

Syrian interference." Spiljak said the Yugoslavs regard the interference by Arab states as "the greatest danger" to Arafat's political position. Nevertheless Spiljak said that Arafat had managed to preserve his organization and deepen the support of Palestinians in the occupied territories and thus, in the Yugoslav view, Arafat remains a political factor in the Middle East.

5. Arafat also told the Yugoslavs that he drew back from agreeing to deputize King Hussein to represent the Palestinians in negotiations with Israel because he, Arafat, feared he could not sustain the Palestinian unity that Arafat sees as essential to achieve the goals of the Palestinian people. Moreover, Arafat said, the interference of Arab states had increased the dissatisfaction within Palestinian ranks and enhanced the possibility that more and more Palestinians would favor a resort to terrorism despite Arafat's own objections to such a course. Spiljak pressed strongly for "a solution to the Palestinian question" as the essential element to a stable and peaceful Middle East. While saying that a place for the Palestinian people "must be found," he did not press explicitly for an exclusive role for the PLO.

6. Vice President Bush said that the Yugoslav analysis of Arafat's strengths and weaknesses did not diverge from ours. He added that he understands that Arafat, in private, comes across as a far more moderate politician than his public image as a gun toting, unshaven, wild-eyed figure. He also drew attention to the fact that the Israelis, the Fez group, and the PLO had all found positive elements in President Reagan's peace initiative. He made it plain that the next major step is up to the Palestinians, and to Arafat in particular, to renounce the pledge embedded in the Palestinian national charter to "destroy" Israel.

7. Spiljak said that Arafat had told him he does not see what the Palestinians would gain from such a renunciation. The Vice President responded that there would be two very significant results, namely:

- a direct Palestinian dialogue with the U.S.; and
- a political standing and credibility in the U.S. which the Palestinians do not now have.

The Vice President emphasized that this step was admittedly Arafat's last card but that the time had come for him to play it. Until he does, it will be difficult to go forward with the peace process.

8. Lebanon. Moreover, the Vice President continued, the Lebanese situation was becoming so difficult that it too had become an obstacle to resolving the Palestinian question. The Vice President briefed President Spiljak on the military and diplomatic state of play, emphasizing the importance of withdrawal of all foreign forces, the reconstitution of a Lebanese government of national unity and security for Israel's northern border region. He also pointed out the spoiler role which Syria had adopted since Israel had agreed to withdraw completely from Lebanon.

Spiljak said he accepted the Vice President's characterization of the Lebanese situation and agreed with the three objectives of U.S. policy, but said the Yugoslavs believe that the solution in Lebanon depends on the solution to the Palestinian problem. The Vice President responded that the Lebanese situation had become so acute that it must be brought under control first.

9. Soviet intentions. Asked about the Soviets, Spiljak said they are intent on preserving "their presence" in the area.

10. Iran-Iraq. Spiljak noted the succession of frustrating mediation attempts by the nonaligned, the Islamic Conference, and others. After the outbreak of the war, Yugoslavia did not take sides; it had promptly curtailed its military cooperation with Iraq. Nevertheless, Iran had seen Yugoslavia as favoring Iraq, and exploited documents stolen from the U.S. Embassy in Tehran to accuse Yugoslavia of cooperating with the U.S. against Cuba during the 1979 Havana summit. It had taken two years to "normalize" Yugoslav-Iranian relations. Foreign Secretary Mojsov, at Spiljak's invitation, presented the Yugoslav assessment that there are only slim chances that the war can be ended in the foreseeable future. The danger, said Mojsov, is that one side will collapse completely, producing a power vacuum and a regional conflict. The best hope, said Mojsov, is that both sides will become exhausted simultaneously and the conflict will dwindle away into a "propaganda war."

11. Comment: Spiljak was obviously pleased with President Reagan's invitation. He was his genial self throughout and listened intently to the Vice President, who clearly impressed Spiljak with his understanding of the intricacies of Middle East issues. Without being explicit Spiljak showed frustration over the behavior of several countries, including Syria, Libya, Iran, and Iraq.

Anderson

213. Telegram From Secretary of State Shultz to the Department of State and the Embassy in Yugoslavia¹

New York, October 6, 1983, 1407Z

Secto 10043. Subject: Secretary's Meeting With Yugoslav Foreign Secretary Mojsov.

1. Confidential—Entire text.

2. Summary: Mojsov's main focus was upon the need to establish "collateral" channels of communication to compensate for what Yugoslavs see as temporary break-off of U.S.-Soviet dialogue. He agreed with the Secretary's observation that recent Soviet statements suggest an unwillingness to engage in constructive dialogue, and said that the Soviets are unlikely to be more positive this year and are serious about INF counter-deployments. To provide "collateral" channel, the Yugoslavs have proposed to Swedish Prime Minister Palme that for the opening of CDE in Stockholm in January, Foreign Ministers from two or three smaller NATO and Warsaw Pact countries be invited, as well as all Foreign Ministers of the NNA group. Mojsov explained the GOY decision not to attend the IPU conference in Seoul² as a one-time, "pragmatic" step prompted by intense North Korean pressure on Belgrade, including a threat "almost to sever relations". But he said that the Yugoslavs have informed the North Koreans they will attend the Seoul Olympic Games³ and other meetings in South Korea. On bilateral relations, Mojsov expressed appreciation for the Vice President's visit to Belgrade last month⁴ and expressed gratitude for the U.S. role in the 1983 financial assistance package. End summary

3. Mojsov was accompanied by Ambassadors Loncar and Colob (U.N.) and FSFA notetaker Kostic. DAS Palmer and EUR/EEY officer Lang (notetaker) also attended on the U.S. Side.

4. U.N. meetings. Mojsov began by expressing appreciation for the U.S. approach to this year's UNGA. He said the GOY was impressed by the constructive general assessment made in President Reagan's

¹ Source: Reagan Library, George Shultz Papers, Official Memoranda (10/6/1983) (1). Confidential; Immediate; Exdis. Sent Priority for information to Zagreb, the mission to the UN, Seoul, Moscow, Stockholm, Prague, Bonn, Paris, and London. Drafted in EUR/EEY; cleared by Palmer and James Covey (S/S); approved by Shultz. Shultz was in New York for the UN General Assembly meeting.

² The Inter-Parliamentary Union conference was held in Seoul October 3–10.

³ The games were scheduled for September 17–October 2, 1988.

⁴ See Documents 211 and 212.

address,⁵ which was virtually a “keynote speech.” In addition, the summit called by Mrs. Gandhi had provided a good opportunity for an informal, unstructured exchange of views, primarily on North-South issues, during which leaders of important Western countries (France, Canada, Austria, Finland, the Netherlands) demonstrated their sensitivity to the need to address important problems. (Later in the meeting, Mojssov said that problems of development, if unaddressed, could lead to economic and social upheaval). Taken together, these events demonstrate the continued importance of the U.N. as a place where dialogue can take place, despite its failure to deal with many problems and endless debate over resolutions. This is particularly important at times of difficulty in international relations.

5. U.S.-Soviet relations. The Secretary agreed with Mojssov that unstructured sessions often provide the best means to assess reality and begin to consider solutions to difficult problems. He asked for Mojssov’s assessment of the Soviet Union’s present relationship to the U.S. and the Western world as a whole. He said that our impression of Moscow’s reaction to the KAL incident, but even more the general tone of its responses to the President’s proposals on arms control, is that the USSR is unwilling to engage in the kind of constructive dialogue which Mojssov advocated. Mojssov agreed, stating that the most recent exchange following President Reagan’s speech⁶ had confirmed his view that “the end of the year” will witness a serious blow to relations. The Soviets will not be positive this fall and are serious about counter-deployment. In Mojssov’s view, this is a decision taken some time ago. Based upon his knowledge of “the Soviet diplomatic dictionary,” he has known for a long time that this would happen. Mojssov added that, while the KAL incident served as the “trigger” for the present impasse in relations, something else would have been found for this role if it had not occurred. What we are dealing with is a longstanding Soviet state of mind, not a new element. The consensus among East European Foreign Ministers with whom he has talked is that counter-deployments will proceed and that we are entering “a new ice age;” Czechoslovak Foreign Minister Chnoupek, for example, told Mojssov that the GOC will have to mount an extensive public relations campaign to explain emplacement of Soviet missiles in Czechoslovakia to the Czechoslovak population.

6. Mojssov said that, given this situation, “collateral” channels of communication must be found to keep open discussion until U.S.-Soviet dialogue resumes, which, in his view, will be within a fairly short time.

⁵ The text of Reagan’s September 26 speech is printed in *Public Papers: Reagan, 1983*, Book II, pp. 1350–1354. It is also printed in *Foreign Relations, 1981–1988*, vol. I, Foundations of Foreign Policy, Document 169.

⁶ See *Foreign Relations, 1981–1988*, vol. IV, Soviet Union, January 1983–March 1985, Document 120.

Along these lines, he said that the Yugoslavs have suggested to Swedish Prime Minister Palme in New York that the January CDE meeting in Stockholm open with Foreign Ministers from two–three NATO Nordic countries (Denmark, Iceland, Norway) and two or three of the smaller Warsaw Pact countries—as well as all the NNA Foreign Ministers. This would provide a “bridge for dialogue” and help to calm European public opinion during a difficult period. The Secretary agreed that dialogue should be kept open, and noted that we have been trying to do so by sending our Ambassadors back to Geneva with new proposals. There has been no positive response, however; we have the impression that our proposals are being rejected even before they are made.

7. Seoul IPU conference. The Secretary said that the U.S. considers the Yugoslavs’ decision not to send a delegation to Seoul to be extremely regrettable. Mojsov said that the decision had been very difficult. It followed six months of internal debate within the GOY, balancing the desire of the Yugoslav parliamentarians to attend against intense pressure from the North Koreans not to send a delegation. They even had sent Vice President Zarkovic to see Kim to try to convince him that Yugoslavia should attend. But Kim had been adamant including a threat “almost to sever relations” if the Yugoslavs went. The “crux of the problem,” in the GOY’s view, was that the Yugoslavs, dating back to the Tito-Kim personal relationship, have been trying to bring North Korea into a position of nonalignment with respect to the USSR and China, or, as the North Koreans express it, into a policy of “self-reliance.” The Yugoslavs feared that the North Koreans, in retaliation for sending a GOY delegation to Seoul, would “turn to alignment” and jeopardize the political/military balance in that part of the world, which recent events have shown to be very important. Mojsov stressed that this decision had nothing to do with Soviet views on the IPU conference. The Soviets, he said, had decided quite early to send a delegation and had urged the Yugoslavs to do likewise. By contrast Yugoslavia had been considering what to do for six months. Mojsov said that the Yugoslav decision not to go to Seoul was a “pragmatic” decision, not “a principled Yugoslav position,” and would not be repeated; the Yugoslavs have informed the North Koreans that they will participate in the Seoul Olympic Games and in other future meetings in South Korea.

8. Bilateral relations. Mojsov expressed appreciation for Vice President Bush’s visit to Belgrade in September and noted that the full Presidency had been very pleased with the outcome. He said that the GOY was especially pleased with President Reagan’s invitation to President Spiljak to visit the United States next year. Mojsov then expressed gratitude for the United States’ role in the 1983 financial assistance package to Yugoslavia. He said that Yugoslav industrial production has shown signs of positive growth in the second half of the year after flat performance during the first half, the crop was good and

foreign trade results have been positive. There therefore is reason to hope for a surplus in 1984. Despite these favorable developments, however, there will be a need to repeat Western financial assistance along the same lines to keep Yugoslav economic stabilization proceeding on course. The Secretary observed that the prognosis is more favorable than at this time last year not only because this year's assistance package is in place and the Yugoslav situation is better but also because there now are signs of a worldwide economic upturn—which will be beneficial to both our economies.

Shultz

214. Report Prepared in the Bureau of Intelligence and Research¹

768-AR

Washington, January 31, 1984

(U) YUGOSLAVIA: THE MUSLIM NATIONALIST PROBLEM

(C) *Summary*

Yugoslav and Bosnian officials are concerned over the growth of Muslim nationalism and Islamic fundamentalism, particularly in the ethnically diverse republic of Bosnia-Herzegovina, where Muslims are the largest nationality/religious group. The trials of a dozen Islamic extremists in Sarajevo last summer underscore the regime's effort to curb domestic Muslim militants and the influence of radical fundamentalist Islamic/Arab countries on Yugoslavia's Muslim population.

Muslim nationalist and religious activity hostile to the regime appears to have abated since the trials in Sarajevo and currently poses no threat to internal stability. However, the regime must still cope with historic nationality/ethnic frictions and animosities—which have undeniably increased since Tito's death in May 1980. Regime attempts to deal with serious political and economic problems have at times had the effect of exacerbating these frictions and of intensifying republic-federal differences over constitutional prerogatives and policy formulation.

* * *

¹ Source: Reagan Library, Paula J. Dobriansky Files, Yugoslavia (5). Confidential. Drafted by Paul J. Costolanski and Viktoria Herson; approved by Mautner.

Muslims in Yugoslavia: A Historical Perspective

(U) Migrant Serbs settled parts of the area now known as Bosnia-Herzegovina in the seventh century A.D. From the 10th through the 15th centuries, the area was in constant turmoil as the Roman Catholic and Eastern Orthodox Churches fought to proselytize the inhabitants. This situation was further complicated by the introduction from Bulgaria of Bogomilism, an ascetic heretical Christian cult, during the 12th century. The chaos created by this internecine religious struggle made Bosnia-Herzegovina a tempting prey for the Ottoman Turks, once they defeated the Serbs in 1459.

(U) The Turks conquered Bosnia in 1463 and Herzegovina in 1482. For more than four centuries Bosnia-Herzegovina served as the European outpost of the Ottoman Empire. While under Turkish rule, many Catholic Croats, Orthodox Serbs, and Bogomils converted to Islam and adopted Turkish customs, dress, cuisine, etc., largely to ease their living conditions. There was, however, little intermarriage between Turks and Slavs.

(U) In 1875, Bosnian peasants revolted against the Turks. Serbia and Montenegro declared war on Turkey, hoping to annex territory in the event of victory. At the final peace settlement at the Congress of Berlin (1876), however, Bosnia-Herzegovina was placed "temporarily" under the administration of Austria-Hungary, despite Serbia's protests. Vienna annexed the province in 1908 and made it part of the empire. This unilateral action precipitated an international crisis: Serbia and Montenegro mobilized for war, but backed down when Russia failed to support them.

(U) World War I impelled many members of the three main religious communities in Bosnia-Herzegovina to choose sides: Catholics leaned toward Catholic Croatia, then part of the Austro-Hungarian Empire; Orthodox Serbs favored the Kingdom of Serbia, which sided with the Allies against Austria-Hungary; and the Muslims (some 1 million of them at the time) appeared divided—depending largely on whether they identified with their Croat or Serbian antecedents. As had been true for hundreds of years, Serbs and Croats vied for the loyalty of these Muslim Slavs.

(U) Serb-Croat rivalry in Bosnia-Herzegovina continued during the interwar period, mirroring the political and religious differences between the two states. In 1941, the Nazis invaded Yugoslavia; Bosnia-Herzegovina became part of the "independent" state of Croatia. From the outset, the Ustashi rulers adopted an anti-Serb policy of massacres, expulsions, and forced conversion to Catholicism. (Almost one-third of the 6.3 million inhabitants of the reconstituted Croatian state were Serbs.) Some Bosnian Muslims supported the Croats and joined in the

pogroms against the Serbs; these Muslims subsequently were condemned as fascist collaborators and criminals.

(U) The 1941–45 civil war in Yugoslavia was at once political, religious, and ethnic in nature—not only in Bosnia-Herzegovina but elsewhere in the country. All factions committed atrocities: some estimates allege that half of the 1.7 million Yugoslavs killed were direct victims of civil war.²

(U) After World War II, Serb-Croat rivalry for the allegiance of the Bosnian Muslims continued (while some communists were boasting that the regime would forever resolve the nationality problem). In an effort to end the Serb-Croat struggle over the Slav Muslims in Bosnia-Herzegovina, Yugoslavia's Muslims were granted separate nationality status: A 1971 law gave them parity with the Croats, Serbs, Montenegrins, Macedonians, and Slovenes.³

(U) The creation of a Muslim nationality added a new dimension to the regime's nationality problems; Yugoslavia's Muslims began to take a more active interest in Islam and in asserting their political rights and potential. This activism was particularly evident in Bosnia-Herzegovina, where Muslim nationalists tried to enhance their political influence at the expense of the Serbs and Croats.

(U) Some Muslim leaders gained prominence by demanding greater Muslim representation in party and state bodies. There were also demands that separate Muslim institutions be established in Bosnia-Herzegovina to promote Muslim interests there (i.e., distinct from Serb and Croat interests). Even though Muslims in Bosnia-Herzegovina were the largest nationality group, their representation in the bureaucracy at both the federal and republic levels had not been commensurate with their numbers. It was not until 1979 that a Muslim from Bosnia-Herzegovina was appointed to the Yugoslav party presidium; until then, the Bosnians in top party positions had been Serbs or Croats. This 1979 appointment was reported to have been made only after strong protests and pressures from Muslims in Bosnia-Herzegovina.

(C) Since acquiring full nationality status, Bosnian Muslims have markedly increased their influence in the party and government

² (U) On November 19, 1983, Bosnian party leader Branko Mikulic claimed that 700,000 persons (one-third of the World War II population of Bosnia-Herzegovina) lost their lives through Nazi occupation and civil war. He stated that entire families were massacred simply because they were Serbs, Croats, Jews, etc. [Footnote is in the original.]

³ (U) Albanians, Romanians, Slovaks, Turks, Hungarians, etc., in Yugoslavia do not have the same status. Although all nationalities and minorities have the same rights to cultural, religious, and political expression, the regime claims that the "matrix" of these minorities exists outside Yugoslavia's frontiers—i.e., in the states of Albania, Hungary, Romania, etc. [Footnote is in the original.]

apparatus in Belgrade (federal level) and in Sarajevo, capital of Bosnia-Herzegovina. (Muslims from other republics and autonomous provinces have served in the party and government hierarchy: e.g., the late Premier Dzemal Bijedic was a Muslim from Montenegro. Various ethnic Albanians from Kosovo also serve in the federal bureaucracy, but it would have been impossible to exclude Albanian Muslims from office because the population of Kosovo is almost 80 percent ethnic Albanian.) Yet despite the improved representation, resentments undoubtedly still exist among Muslims in Bosnia-Herzegovina that Croats and Serbs (particularly Serbs) exert undue influence and enjoy privileged representation in the higher party and government ranks—despite progressive declines in the Serb and Croat population in Bosnia-Herzegovina.

(U) *The Muslim Population in Yugoslavia*

Yugoslavia's 4 million Muslims constitute 18 percent of the population and the country's third largest religious denomination. They are concentrated mainly in Bosnia-Herzegovina and Kosovo and in the border regions of western Macedonia, southern Serbia, and Montenegro (i.e., areas contiguous to Albania). These Muslims are divided between almost 2 million Slavic Muslims and 2 million Albanians and Turks (1.1 million Albanians in Kosovo, 350,000 Albanians in Macedonia, and another 230,000 Albanians in southern Serbia and Montenegro). About 90 percent of ethnic Albanians in Yugoslavia are said to profess Islam as their religion.⁴

Almost half of the 4 million Muslims specifically opted for a Muslim nationality; 1.7 million others declared themselves to be Albanian by nationality; and another 100,000, Turkish. In Bosnia-Herzegovina, 1,629,000 persons declared themselves to be Muslim by nationality: The proportion of Muslims in the republic's population increased to almost 40 percent while that of the Serbs declined from 37 to 32 percent and of the Croats from 20 to 18 percent between the 1971 and 1981 censuses.

⁴ (C) The ethnic Albanian who practices Islam is less likely to pose a political-security problem for Yugoslav authorities than the one who owes allegiance to Marxism-Leninism and Albanian party leader Hoxha. While the Islamic Albanian well may be disaffected and disgruntled over living conditions and perceive himself to be a second-class citizen in a predominantly Slav state, he has not been the main instigator of the turmoil and unrest that have wracked Kosovo since the 1981 riots. The Albanian "nationalists and irrendentists" who provoked the riots and engage in subversive, antiregime activities derive their inspiration mainly from Marxism and from the Stalinist Hoxha who has formally outlawed all religion in Albania. Moreover, the avowed aims of the ethnic Albanian dissidents in Kosovo and Macedonia are almost wholly political, e.g., raising the status of Kosovo from that of an autonomous province to that of a republic, merging Kosovo and other Albanian-inhabited areas of Yugoslavia with the Tirana regime into a "Greater Albania," or realizing an "ethnically pure Kosovo" by forcing the emigration of Serbs and Montenegrins from the province. [Footnote is in the original.]

Official Attitudes Toward Muslim Activism

(U) Once full nationality status was obtained (removing, in effect, the taint of being second-class citizens in a Christian state), Yugoslavia's Muslim community felt more encouraged to pursue political aims and practice its religious beliefs. Muslim religious leaders gained a wider audience and enhanced their influence as they defended Islamic interests. However, the activities of some of the more dogmatic brought warnings from Yugoslav authorities, who, in turn, began to pay closer attention to the Muslim community.

(U) Despite occasional official and media criticism of perceived Muslim excesses, Yugoslav authorities appeared reluctant in the early 1970s to move forcefully against the community, in part because of Belgrade's close ties with the Arab and Islamic world. During the late 1970s, however, Yugoslav officials and media were more willing to criticize Muslim clergy for "abuse of religion for nationalist, anti-state purposes." The Mufti of Belgrade, for instance, was one of several high-ranking Muslim religious leaders warned for allegedly seeking to disrupt national unity. Also issued were warnings that religious functions and gatherings must not be used to disseminate pan-Islamic, nationalist ideas or to create religious and ethnic tensions among the population.

(U) Hamdija Pozderac—the first Muslim from Bosnia-Herzegovina to serve in the Yugoslav party presidium and currently chairman of the republic party—in 1979 condemned the misuse of Islam for political purposes and rejected the concept of pan-Islamic nationalism. Pozderac was the first Bosnian Muslim political leader to attack zealots in the Muslim community. A Bosnian party secretary, also a Muslim, charged that some Muslims in Bosnia were abusing Islam to gain supremacy in the republic and to "degrade Serbs and Croats to the role of intruders in Bosnia."⁵

(U) The theme of reactionary religious forces abusing religious feeling for nationalist/political purposes has been employed by the Yugoslav regime against Catholics, Orthodox Serbs, and Muslims since the end of World War II. Its fears on that score are well founded, because religious affiliation generally has been synonymous with ethnic, nationality, or republic interests in Yugoslavia. Not only has this led to fratricide among the country's religious communities and peoples, but it also has complicated church-state relations.

⁵(U) Some Bosnian Muslims feel that their religion and cultural heritage is superior to that of the Christian Serbs and Croats. The Muslims consider themselves the original inhabitants of Bosnia-Herzegovina and the Serbs and Croats as subsequent interlopers. As a result, these Muslims have steadfastly resisted assimilation by the "inferior" Serbs and Croats. [Footnote is in the original.]

(C) After the 1981 Albanian riots in Kosovo, regime authorities were concerned that the “irredentists” might establish ties with other Muslim militants in Bosnia-Herzegovina, Macedonia, and other areas. Closer attention was paid to Yugoslavia’s Muslim population, particularly as the regime was forced to cope with the nationalist spillover of the riots—including concern among various Yugoslav republics and nationalities over rising Serbian nationalism and Serbian perceptions that federal authorities had mishandled Kosovo from the outset and that stricter controls had to be instituted over the autonomous provinces of Kosovo and Vojvodina, etc.

(U) The nationalist arguments also involved media polemics between Serbia and Bosnia-Herzegovina. In 1982, for instance, a Serbian professor in Belgrade charged that Muslim nationalists in Bosnia-Herzegovina wanted to establish a Muslim republic and link it to foreign pan-Islamic centers. He further charged that these Bosnian Muslim nationalists enjoyed powerful political support from certain Bosnian political leaders.

(U) In response to criticism from Serbs, Bosnia’s political leaders denied that Muslim nationalism and Islam constituted a threat to Yugoslavia. Mikulic, among others, refuted press and other unofficial charges that Muslim nationalism was a special problem in Bosnia-Herzegovina. His March 22, 1983, speech, however, launched an official and media offensive against Muslim nationalism and Islamic fundamentalism.

(U) Campaign Against Muslim Nationalism and Islamic Fundamentalism

Eleven Muslim activists—including two imams—were arrested in Sarajevo on April 8, 1983, on charges of engaging in “hostile propaganda” and maintaining links with “reactionary circles abroad” which sought to undermine the Yugoslav Federation. The arrests coincided with an escalating media campaign against “greater Muslim nationalism,” “Islamic clericalism,” and “pan-Islamic fundamentalism.” The arrests were announced on the same day that Mikulic had a “long talk” with the head of the Islamic community in Yugoslavia and the Bosnian party presidium discussed the “activities of hostile elements from positions of nationalist chauvinism.” The presidium concluded that, although increasing numbers of Muslim, Serbian, and Croatian nationalists were being exposed, individuals and groups continued to act from “clericalist and nationalist positions.”

Pozderac added his voice to the media campaign. He claimed Muslim nationalism was increasing and criticized Muslim intellectuals who denied that Muslim nationalism was a threat to Yugoslavia. He also accused those who maintained that Bosnia-Herzegovina was an “artificial creation” of essentially refuting the existence of a

Muslim nationality. Such an attitude, he said, contributed to resurgent Muslim nationalism. He warned of the growing secular impact of pan-Islamicism on Bosnian Muslim youths who were susceptible to hostile foreign influences. Finally, he accused Islamic religious officials in Bosnia-Herzegovina of “passivity” toward militant Muslims and complained that Muslim intellectuals in Sarajevo had too much influence in the universities, publishing houses, and press.

In addition to official and media denunciations were those by mass organizations, which met to condemn Muslim nationalism, along with other efforts by domestic religious and secular groupings to sow dissension among the population and interfere in Yugoslavia’s relations with Arab and Islamic countries.

Trials of Muslim Activists

(U) The trials of 12 Muslim militants began in Sarajevo on July 18, 1983. (A 13th person initially had been arraigned but was not tried because of ill health.) Four of the defendants had served prison terms for involvement in the *Mladi Muslimani* (Young Muslims)⁶ and “for serious criminal offenses against the people and the state.” The defendants were mostly middle-aged intellectuals; they were accused of seeking to create an “ethnically pure Bosnia as a theocratic Islamic state, in line with the aims of extreme pan-Islamic fundamentalism and its ambitions to create a Muslim state extending from Bosnia to the Philippines.” The group was further charged with links to “foreign reactionaries” and émigrés hostile to Yugoslavia.

(U) During the month-long trial, the prosecution presented 58 witnesses. Much of its case centered on the “Islamic Declaration,” written in 1970 by one of the main defendants, and on confiscated literature. The declaration allegedly demanded the Islamization of Yugoslavia’s Muslims, proclaimed that Muslims and non-Muslims were incompatible, and called for the excommunication of all Muslim communists. It declared that the Islamic revolution could not succeed without a political revolution.

(C) The prosecution reportedly sought to appeal to the traditional prejudices and fears of non-Muslim Slavs, particularly the Serbs. It linked Bosnian Muslim fundamentalism with Albanian Muslim disturbances in Kosovo. The defendants were said to have called for the establishment of an “ethnically pure Islamic state” that would have incorporated Bosnia-Herzegovina, Kosovo, and parts of southern

⁶ (U) The Young Muslim movement was active as a militant organization during the interwar period. It has a reputation of terrorism and of supporting the Nazi occupiers. In the immediate postwar period, the movement opposed the communists, and some of its members were forced into exile. [Footnote is in the original.]

Serbia. In order to realize this aim in Bosnia-Herzegovina, Croats were to be expelled to Croatia and Serbs were to be killed.⁷

Defendants Deny Charges; Harsh Sentences Meted Out

(U) The author of the "Islamic Declaration," a retired lawyer, defended himself vigorously. He denied all the charges against him, claiming that not a single word in the declaration applied to Yugoslavia but only to other Islamic countries. He said that he had never participated in any discussions that were not religious in nature and denied ever having seen five of the defendants.

(U) Other defendants—represented by lawyers from Belgrade, Zagreb, and Sarajevo—maintained that their trips abroad had been only for tourist purposes. They denied seeking foreign support for their cause. One defendant, however, voiced opinions similar to those expressed in the Islamic Declaration: He said that Muslims in Yugoslavia were "endangered and exposed to constant pressure from Serbs and Croats," endured endless humiliation, and were denied promotions regardless of "expertise."

(U) The trials ended on August 20. Eleven defendants were sentenced to prison terms; the 12th received a probationary sentence of six months but was released at once. Even though various defendants were charged with the same criminal offense, their differing sentences appeared to depend on their conduct in the courtroom and the strength of the case against them. The two main defendants were sentenced to 14 and 15 years, respectively, for counterrevolutionary activities; four got sentences ranging from 6 to 10 years for membership in a hostile organization; and six got sentences ranging from 5 to 6½ years for hostile propaganda.

(C) Despite the denials of Yugoslav officials and media, the defendants were sentenced for their religious, political, or ideological beliefs, not for actual physical violence against persons or sabotage against the regime. The prosecution admitted that no violence had taken place but charged that the group was preparing to move from political and religious propaganda to more violent acts, including terrorism. The heavy-handed action of the prosecution and tendentious press coverage of the trials reportedly aroused some sympathy for the defendants among Muslims in Sarajevo and even Serbs in Belgrade.⁸

⁷ (U) The difference in treatment allegedly to be meted out to Serbs and Croats underscores the fact that relations in Bosnia-Herzegovina between Muslims and Croats traditionally have been better than those which either maintains with the Serbs. [Footnote is in the original.]

⁸ (C) As in many of its punitive measures against perceived or actual dissidents, the regime may well have overreacted. In Kosovo, for instance, young ethnic Albanians

(U) The presiding judge—a Slav Muslim—maintained that the defendants had been prosecuted not for their religious convictions but for political goals disguised with religious rhetoric. He claimed that they had propagated “national intolerance and hatred” and that their trips to an Islamic country (read Iran) had been of an “exclusively inimical character,” not for religious or tourist purposes.

(U) *Tanjug* declared that the judge’s verdicts were not merely a defense of the Yugoslav Constitution but also were intended to preserve the traditional good relations between Yugoslavia and the non-aligned countries of the Middle East, Africa, and Asia. Other press articles strongly endorsed the verdicts but became defensive when forced to counter charges from some Islamic countries (e.g., Iran, Libya, and Pakistan) that Muslims in Yugoslavia encountered religious and political discrimination.

(C) Official Concern Over Foreign Contacts of Muslim Activists

The Islamic militants indeed had established active contacts with Iran—not only with Khomeini’s ayatollahs in Tehran but also with the Iranian Ambassador in Vienna.⁹ Some had made several trips to Tehran; it was after one such trip that the arrests were carried out and large quantities of “hostile subversive literature” confiscated. Although the literature from Iran did not directly attack Yugoslavia, it called for the establishment of pure Islamic states, eventually to be united in a world Muslim federation. As such, it was seen as aimed against the territorial integrity of Yugoslavia.

Although Yugoslav officials and media did not explicitly accuse Iran of complicity, widespread criticism of “Khomeini-style Islamic fundamentalism” before and during the trials left no doubt that the authorities were fully aware of the contacts between the Iranians and the defendants. In addition, some Yugoslav officials claimed the defendants had links to foreign intelligence services that sought to destroy the Federation. Other Muslim nationalists were linked to Croatian,

have been arrested and tried and received sentences out of all proportion to the offenses committed. This has proved counterproductive: Not only have the convictions produced a new group of Albanian “martyrs” and even more intransigent opponents, but they also have increased the resentment of Albanians vis-a-vis Serbs and Montenegrins, who are seen as instigators of the trials, political purges, and other anti-Albanian actions in Kosovo. The hardening Albanian “irredentism” in turn has definitely provoked a Serbian nationalist backlash. This has raised fears among some Croats, Bosnians, Macedonians, Slovenes, and Hungarians in Vojvodina that the Serbs again are trying to exert hegemony over other nationalities and republics in Yugoslavia. [Footnote is in the original.]

⁹(U) Members of the group appeared to be attracted to Khomeini’s brand of fundamentalism for secular reasons, i.e., because they were Sunnis rather than Shiites. Almost all of Yugoslavia’s Muslims are Sunnis—including the Young Muslims. [Footnote is in the original.]

Serbian, and Albanian nationalists and to Bosnian/Islamic émigré groups allegedly collaborating with Chetnik and Ustashi émigrés.

Little information is available on the financial and other support that Bosnia's Islamic militants have received from Iran, Libya, or other radical Arab/Islamic countries—although some have provided direct financial assistance for the construction of mosques and for travel and study abroad by Yugoslavia's Muslims. Many Bosnian Muslim students have attended Middle Eastern universities, and clerics have been trained in Iran, Iraq, Libya, and Egypt. Some of the students and clerics undoubtedly have returned to Yugoslavia strongly influenced by Islamic fundamentalism and determined to propagate it.

(C) Muslim Nationalism Currently Under Control

Since the Sarajevo trials, Muslim nationalist and Islamic fundamentalist activities appear to have abated—perhaps because the most active and potentially dangerous threat to stability in Bosnia-Herzegovina has been eliminated with the regime crackdown. There is no evidence that the convicted militants commanded widespread support. No protests or demonstrations in their behalf have been reported, underscoring the view of some Bosnian officials that Muslim political/religious activism has been largely restricted to a few intellectuals and religious zealots. Moreover, the failure of Muslim activists to attract broad support among the Muslim community in Bosnia-Herzegovina perhaps explains the absence of dismissals, purges, and other disciplinary measures in political, economic, religious, and cultural institutions—unlike the purges in Croatia during 1971–72 and in Kosovo following the 1981 riots. (The political and security situation in Bosnia-Herzegovina bears no comparison to that in Kosovo—with its almost daily reports of graffiti, dissemination of antiregime literature, incidents involving Albanians and Serbs, arrests and trials of “nationalists and irredentists,” high-level party and government meetings in Belgrade, Pristina, and elsewhere to discuss emigration of Serbs and Montenegrins, etc.)

Although Muslim nationalism currently poses no threat to the authorities, there is still apprehension over its potential to do so under certain conditions. Given the Bosnia-Herzegovina Muslims' undoubted perceptions that they long have been victims of political and religious discrimination, they remain susceptible to nationalist appeals, particularly if adverse economic and political developments appear to affect them more than other nationalities, above all Serbs and Croats.

(C) Nationality Divisions and Their Impact on Regime Stability

Nationality divisions remain a potential threat to stability, particularly at a time of economic crisis. Vast economic disparities exist among ethnic groups and geographic regions in Yugoslavia. Efforts by federal authorities over the years to narrow them have not been successful. The

austerity and stabilization measures implemented by Tito's successors have adversely affected some groups and regions more than others and have provoked resentment that economic burdens are not being shared equitably.

Yugoslavia's youth has been hard hit by the economic crisis. Widespread unemployment and bleak employment prospects over the next several years have increased discontent and alienation with the system. In Bosnia-Herzegovina, for instance, 85 percent of the 180,000 unemployed are 17–27 years of age (16 percent of the republic's population is unemployed). Bosnian officials have warned that some Muslim youths are susceptible to foreign ideologies and nationalist demagogues. As in Kosovo, growing numbers of university-trained, but unemployed, young people constitute a reservoir of opposition and a priority target for antiregime elements.

Official Bosnian concern over the potential threat that unemployment poses to stability may in part be reflected in the opposition of Bosnian political leaders to various economic reform proposals from Belgrade which would have the effect of temporarily increasing unemployment but eventually leading to greater economic efficiency or improving future employment prospects. In addition, some Bosnian leaders, among the most conservative in Yugoslavia, probably object to some economic reform proposals because the Serbs support them; the Bosnians suspect Serbian support is but a stratagem to centralize the regime and, thereby, enhance Serbian "hegemony" over the Federation.

On the other hand, Yugoslavia's Serbs, already apprehensive over Kosovo, fear that Muslim assertiveness in Bosnia-Herzegovina threatens the Serbian community there. As a result, most Serbs likely would favor close surveillance and possibly tighter controls over Yugoslavia's Muslims, whether in Kosovo, Macedonia, or Bosnia-Herzegovina. Since the 1981 Kosovo riots, Serbs have charged that ethnic Albanians have accelerated their efforts (begun after the fall of the Serb Rankovic in 1966¹⁰ and the Albanian riots in 1968) to expel Serbs and Montenegrins in order to attain an "ethnically pure Kosovo"—similar to charges that Muslim extremists seek an "ethnically pure Bosnia." Although Serbs maintain that they merely want to exercise their constitutional rights vis-a-vis the autonomous provinces of Kosovo and Vojvodina and to protect their Serb brethren in other parts of the Federation, non-Serbs have countered with allegations that the Serbs are again trying to dominate Yugoslavia. Insinuations also have been made that Serbs in

¹⁰ Aleksandar Rankovic, Tito's heir apparent, was expelled from the Executive Committee of the Yugoslav Communist Party on July 1, 1966, and from the Party on October 4, 1966. See *Foreign Relations, 1964–1968*, vol. XVII, Eastern Europe, Document 183.

Belgrade and in Bosnia-Herzegovina instigated the attacks on Bosnia's Muslims and Croats in order to regain a preeminent position there.

Although the Serbs are the *bête noire* of Yugoslavia's Muslims—above all, the ethnic Albanians—there is little likelihood that the Slavic and Albanian Muslims would ever cooperate closely against the Serbs. Bosnia's Slav Muslims have a tendency, as do Yugoslavia's other Slavs, to regard Albanians as primitive and inferior. (Similarly, other Yugoslavs regard the Bosnians as primitive.) Despite concern of some authorities over possible common action by Slav and Albanian Muslims for antiregime purposes, little evidence exists that any such cooperation has been achieved—although isolated efforts to establish contacts for essentially antiregime purposes cannot be discounted.

Albanian "nationalism and irredentism" currently constitute Yugoslavia's most serious and insoluble nationality problem, given the historic hatreds and suspicions between Serbs and Albanians. But the Albanian problem is containable and by itself poses no immediate threat to Yugoslavia's territorial integrity, if only because all the country's Slavs seem determined to thwart Albanian demands for republic status or for union with Tirana. If another ethnic group or republic (e.g., Croats and Croatia) were to come to the assistance of the Albanians vis-a-vis the Serbs, however, the threat to Yugoslavia's stability and territorial integrity would increase considerably.

Serb-Croat rivalries and a resurgence of a virulent Serbian nationalism pose a much greater threat to regime stability and national unity than do Albanian or Muslim nationalism. As a result, federal officials—to the extent that they are able to exercise authority—can be expected to monitor closely and control all manifestations of nationalism.

Nationality, ethnic, and republic-federal differences over constitutional prerogatives and political/economic issues have increased since Tito's death in May 1980. These differences have played a direct role in eroding the authority of the post-Tito leadership, especially at the federal level. The inability to resolve them has even raised doubt within Yugoslavia and abroad about Yugoslavia's continued existence as a viable multinational state. Given the pragmatism and flexibility that have characterized the Yugoslav leadership since the 1948 break with the USSR, however, there is cogent reason to assume that a viable solution to the country's political, economic/financial, and constitutional problems will be obtained without threat to Yugoslavia's independence and unity.

215. Memorandum of Conversation¹

Washington, February 1, 1984, 11:30 a.m.–1:40 p.m.

SUBJECT

Memorandum of the President's Meeting with Yugoslav President Mika Spiljak

PARTICIPANTS

United States

(Participants for all meetings)

President Ronald Reagan

Vice President George Bush

Robert C. McFarlane, Assistant to the President for National Security Affairs

Acting Secretary of State Kenneth Dam

Under Secretary of State Lawrence S. Eagleburger

United States Ambassador to Yugoslavia David Anderson

Paula Dobriansky, NSC Staff Member (Notetaker)

(Additional Participants/Cabinet Room/Residence) Deputy Secretary of the Treasury

Timothy McNamar

R. Mark Palmer, Deputy Assistant Secretary of State

Roger Robinson, NSC Staff Member

Yugoslavia

(Participants for all meetings)

President Mika Spiljak

Federal Secretary for Foreign Affairs Lazar Mojar

Yugoslav Ambassador to the United States Mico Rakic

Federal Executive Council Vice President Zvone Dragan

(Additional Participants/Cabinet Room/Residence)

Ambassador Zivojin Jazic, Foreign Policy Advisor to the President

Ambassador Dusan Marinkovic, Director for North American Affairs,

Federal Secretariat

Pavle Jevremovic, Counselor, Yugoslav Embassy

Colonel Nikola Novkovic, Military Assistant to the President

Tea Tos, Staff Member, State Presidency

Photo Session—Oval Office 11:30–11:40 a.m.

President Reagan opened the meeting by welcoming President Spiljak to the United States and extending his best wishes for the success of this winter's Olympic Games.² (U)

¹ Source: Reagan Library, Paula J. Dobriansky Files, Yugoslavia—Spiljak Visit 2/1/84–2/2/84 (4). Secret. The meeting took place in the Oval Office, Cabinet Room, Old Family Dining Room, and Diplomatic Entrance. Kimmett sent a copy of the memorandum of conversation to Hill and Hicks under a February 16 covering memorandum. (Ibid.) Spiljak's official visit was from January 31 to February 2.

² The winter Olympics were held in Sarajevo, February 8–19.

President Spiljak thanked the President and stated that the Olympic Games constitute a manifestation of friendship and rapprochement among all nations. (U)

President Reagan mentioned that the consultations between U.S. and Yugoslav officials on Olympic security have been useful. He noted that we deplore all terrorist attacks and would strive to do all that we could to prevent them from occurring in the future. (C)

President Spiljak added that his government wanted to avoid any crises during the Olympics and thus, it was essential to have these consultations. (C)

At this time, *President Reagan* commented on the origins of the Olympics. Specifically, he mentioned that the Olympic Games were always held even in times of war. (C)

President Spiljak asserted that all wars should stop so that the Olympics could take place. He then remarked that he is the first official visitor to meet with President Reagan since he made his reelection announcement.³ Thus, Spiljak congratulated the President and said that he was pleased to have accepted the President's invitation to visit the United States. The President also mentioned that despite changes in leadership in both countries, Yugoslavia wants lasting cooperation and good relations with the United States. (C)

President Reagan agreed with Spiljak's assertion and reaffirmed U.S. support of Yugoslavia's independence, unity and territorial integrity and respect for its policy of non-alignment. (C)

Cabinet Room Meeting—11:40 a.m.–12:15 p.m.

President Reagan congratulated President Spiljak on Yugoslavia's improvement in its balance of payments in 1983, and its efforts to implement economic reforms. He added that the U.S. will continue to give Yugoslavia its full support to stabilize and reform the economy. In particular, he mentioned that we intend to continue to play a leading role in the multilateral assistance package. (C)

President Reagan also commented that we value military consultations and cooperation with Yugoslavia. He stated that he was pleased to inform President Spiljak that we will be able to give a favorable response to the Yugoslav request for technical data on a U.S. jet engine for their planned supersonic fighter aircraft. The President added that Secretary Weinberger would discuss this issue in greater detail during his scheduled meeting with President Spiljak.⁴ (S)

³ Reagan made his reelection announcement on January 29. See *Public Papers: Reagan, 1984*, Book I, pp. 109–110.

⁴ A memorandum of conversation of this meeting was not found.

At this time, *President Spiljak* noted that the world economic situation has become more grave. He mentioned that with the departure of President Tito, a new government structure arose in Yugoslavia—a collective leadership. There is currently no disagreement over the present Yugoslav state system; yet, there is a considerable debate on broad economic issues and methods of leadership. These discussions are intended to foster new ideas and to help solve economic problems. The President stated that the government has worked out a new economic stabilization program. Although it has been hard to get a consensus in Yugoslavia on this issue, the implementation of the program has already begun. (C)

President Spiljak remarked that Yugoslavia has paid its interest costs and has been able to improve its balance of payments in 1983. He cited that in 1981, Yugoslavia's deficit totalled \$3.0 billion, and in 1982, it dropped to \$1.5 billion dollars. In 1983, there was a surplus of \$100 million. He stated that Yugoslavia's improvement in its balance of payments resulted from the austerity measures imposed last year. However, as a result of these measures, personal consumption and the standard of living were reduced. President Spiljak asserted that this was the price of economic stabilization necessary for long-term economic betterment. (C)

He also indicated that Yugoslavia needs to invest more in energy, raw materials and food. It is necessary for them to learn how to deal with the debts and losses of their various enterprises. He further mentioned that they want to impose still more severe measures to restructure the economy. Specifically, they would like to alleviate the problem of their large inflation rate. Toward this end, they have imposed a price freeze. (C)

President Spiljak then raised the issue of Yugoslavia's negotiations with the IMF on a new stand-by agreement. The negotiations are presently stalled due to disagreements over Yugoslavia's foreign exchange law. Specifically, the Fund wants to impose conditions on Yugoslavia which cannot be met. The President contended that the IMF's conditions are too rigid and thus, would trigger internal political and social problems. Moreover, it would lead to stagnation and a decline in production. The President remarked that if they capitulated to the IMF's terms, the Yugoslav leadership would not be able to maintain the support of its people. At this time, the President remarked that the State Presidency will still be kept to a one-year term of service. Thus, the rotational system will continue. (C)

President Spiljak went on further to discuss U.S.-Yugoslav bilateral relations. He mentioned that even though we have different social and economic systems, this has not hindered our bilateral relations. He

asserted that our economic relations are very important. Yugoslavia wants a lasting balance of trade; it does not want increased U.S. imports unless Yugoslavia's exports to the United States increase as well. He also expressed the hope that preferential tariffs would still be continued.

President Spiljak then raised other bilateral issues. He mentioned that Yugoslavia is interested in expanding scientific cooperation with the United States. He hailed our cooperation on the tourism agreement and also reported that presently Yugoslavia's foreign investment laws are being reexamined and some key legislation governing foreign investment should be passed soon. He expressed the hope that there will be continued expansion of economic cooperation with the United States. Finally, the President mentioned that Yugoslavia is appreciative of all U.S. efforts to deal with terrorism. (C)

President Reagan thanked President Spiljak for his remarks and asked Deputy Secretary of Treasury McNamar to comment on the economic issues raised. (C)

Deputy Secretary McNamar lauded the economic progress Yugoslavia has made thus far. In particular, he noted the potential changes in Yugoslav foreign investment laws. With regard to the trade imbalance, he asserted that approximately half of all Yugoslav imports to the United States come under a generalized system of preferences (GSP), and a large percentage of U.S. exports are tied to agricultural CCCs. He mentioned that we hope this subsidization of two-way trade will only be a temporary situation. (C)

On the issue of the IMF, Deputy Secretary *McNamar* stated that the Administration was pleased to hear that Federal Executive Council Vice President Zvone Dragan's conversations with Mr. De Larosiere (IMF Managing Director) on the IMF proposals have progressed well. The Deputy Secretary expressed the hope that the negotiations with the IMF will move more quickly and that Yugoslavia will be able to explain its position to the IMF with respect to interest rates, the dinar exchange rate and other matters of contention. In addition, he mentioned that although Yugoslavia has been very successful in its exports, its enterprises have held their money outside the country and have not reinvested it in Yugoslavia. He added that the United States cannot tell the IMF what to do. However, we will strive to be of as much assistance to Yugoslavia as possible. (C)

At this point, *Acting Secretary of State Dam* made several points. First, he indicated that he shared Deputy Secretary McNamar's views. He also stated that the commercial banks would act positively on the financial assistance package to Yugoslavia and reaffirmed the importance of concluding the standby agreement. (C)

On trade, *Secretary Dam* mentioned that President Reagan is for free and open trade. There are measures especially in the area of trade promotion that should be implemented to increase the volume of bilateral trade. Secretary Dam indicated that we are pleased with the overall tenor of our bilateral relations and the lack of major contentious issues. He reaffirmed the desirability of further strengthening cooperation in a variety of areas and specifically mentioned terrorism as an example. (C)

President Spiljak replied that this is true.

Old Family Dining Room—12:20–1:20 p.m.

President Reagan opened the discussion by asking President Spiljak to share his views on U.S.-Soviet relations. He also commented that the U.S. is seriously committed to seeking a constructive relationship with Moscow and cited Secretary Shultz's recent exchange with Foreign Minister Gromyko⁵ as a positive development. However, he expressed regret over the unjustified Soviet decision to suspend INF talks which he contended should remain separate from both the START and MBFR talks.⁶ The President remarked that we are encouraged that the Soviets have agreed to set a date for the resumption of the MBFR talks.⁷ (C)

Finally, *President Reagan* stated that we have no reservations about making even the most far reaching disarmament proposals. The President cited President Eisenhower's admonition that the use of nuclear weapons would not lead to a victory by one side or the other, but would bring about the ultimate destruction of mankind. (C)

In response, *President Spiljak* asserted that the Soviet leadership is interested in cooperating with the United States. However, they mistrust U.S. intentions and view U.S. actions with suspicion. He commented that he has looked carefully at all of President Reagan's speeches and statements, and he believes that there are overlapping U.S.-Soviet interests which could serve as a basis for improved relations. In order to overcome mutual mistrust, there is a need for dialogue and lasting agreements. The President said whatever the U.S. may think of the Soviet system, it should realize that there is a desire in Moscow to attain peace with the United States. (S)

President Reagan responded that the United States is ready to resume negotiations at any time. He went on to say that the United States has always been drawn into wars and yet, we have never started any wars. He contended that the real source of U.S. mistrust of the Soviet Union

⁵ Shultz and Gromyko met in Stockholm on January 18. See *Foreign Relations*, 1981–1988, vol. IV, Soviet Union, January 1983–March 1985, Documents 159 and 160.

⁶ See *Foreign Relations*, 1981–1988, vol. IV, Soviet Union, January 1983–March 1985, Document 141.

⁷ Documentation on U.S. policy toward MBFR is in *Foreign Relations*, 1984–1992, vol. X, European Security Framework, 1984–1992.

and the subsequent difficulties in U.S.-Soviet relations is the series of Soviet international aggressions. The record of Soviet expansionism and empire-building is the major stumbling block to improved relations and a menace to international peace. (S)

President Spiljak stated that he thinks the Soviet leadership realizes that the current situation cannot continue and acknowledges the need for contact and lasting agreements. He repeated, however, that due to a lack of trust, it will not be easy to improve bilateral relations. It is essential for both sides to persevere in negotiating efforts. He stated that if a summit evolves, it would foster better U.S.-Soviet relations. *President Spiljak* cited the example of how John F. Kennedy's exchange with Khrushchev affected U.S.-Soviet relations positively during that period. (S)

President Reagan replied that we are ready. He pointed out the existence of a Washington-Moscow back channel and noted that through this channel we have candidly informed the Soviets that we are looking for concrete deeds and not rhetoric on their part. He also mentioned that one result of the back channel operations was the lifting of the grain embargo.⁸ Yet, he referenced our disappointment that despite U.S. overtures to ease tensions, the Soviets have continued their military build-up and, in particular, their strategic nuclear build-up at an alarming rate. (S)

At this time, *Secretary Dam* posed a question to *President Spiljak*. He queried that given examples of Soviet aggressive behavior in Czechoslovakia, Cambodia and Afghanistan, how can such expansionist behavior be prevented in the future. He also asked whether the Soviets might want to reach an agreement not only on arms, but on moderating regional conflicts? (S)

President Spiljak replied by saying that today there is more willingness for dialogue on both arms control and regional issues. (S)

Foreign Minister Mojsov interjected at this time that the last Soviet aggressive action occurred in 1979 in Afghanistan. Before Afghanistan, the Soviets intervened into other countries on almost a yearly basis. However, from 1979 to 1983, they did not invade any new countries. For this reason, he asserted that Soviet behavior since 1979 has been restrained. He partially attributed this restraint to burdens associated with Afghanistan. He said that Soviet expansionism also appears to have stopped as a result of a feeling of greater confidence due to enhanced military strength. However, Moscow knows that unabated military buildup cannot go on forever. In fact, both Washington and Moscow agree that use of nuclear weapons would be suicide. Thus, the

⁸ See *Foreign Relations*, 1981-1988, vol. IV, Soviet Union, January 1983-March 1985, Document 76.

Foreign Minister asserted that there are very valid, logical grounds for dialogue and for some compromise in various areas. Nothing can be achieved by force. He pointed out that Stockholm⁹ represented a first step and confirmed the need to expand bilateral dialogue. (S)

At this point, *Vice President Bush* inquired about Andropov's health. He wanted to know to what extent his condition affected Soviet ability to deal with other countries. (S)

In response, *Foreign Minister Mojsov* remarked that the present state of Andropov's health is a grave state secret. His health, however, appears to be improving and he is in control of the system. From all the information they have, he is consulted on a daily basis, even though he has failed to be present in a number of ceremonial obligations. (S)

President Spiljak added that Andropov's domestic policies are very interesting. He began some things that if continued can constitute substantial changes within the Soviet Union. In fact, if these changes were continued, they would have a dramatic effect on the general state of international affairs. (S)

President Reagan went on to say that one reason as to why Soviet behavior may be somewhat restrained is because they are not doing well in Afghanistan. However, he noted that through surrogates, Moscow has been threatening the Western Hemisphere and has sought to spread revolution. In fact, he cited a recent case whereby the Soviets sent a ship laden with military supplies to Central America. Despite their promise to permit the press to be present during the unloading of the cargo, the Soviets allowed only the Cuban reporters to be observers. (S)

President Reagan went on to ask *President Spiljak* how much of Soviet aggressive policy should be attributed to the fact that the Russians have always maintained a suspicious attitude of the rest of the world. He stated that pre-revolutionary Russia had internal passports and permission was required to travel abroad. Yet, the unrelenting pattern of Soviet expansionism is hard to explain by alleged Soviet security. To Americans, it appears that the Soviet Union is seeking to dominate the world. (S)

President Spiljak answered by stating that we often ask ourselves that same question. He added that there is indeed continuity between Czarist Russian and Soviet foreign policies. (C)

President Reagan also remarked that during World War II, despite the U.S.-Soviet alliance, the Soviets did not allow U.S. aircraft to use Soviet territory on their return from bombing raids against Germany. (S)

⁹ Documentation on U.S. policy toward CDE and the Stockholm conference is in *Foreign Relations, 1984–1992*, vol. X, European Security Framework, 1984–1992.

President Spiljak then stated that Moscow clearly fears Western presence. For years, the Russians have lived in isolation. He mentioned that during World War II and the Cold War, the Soviet Union remained isolated. Presently, there are those within the USSR that feel the constraints of a closed system. Andropov has tried to address some of their concerns in his domestic programs. *President Spiljak* said there is a need for more positive steps. Small steps can have an impact on the way Moscow develops its overall policies. (S)

President Reagan commented that he never thought that popular sentiment in the Soviet system would engender changes in policies. Rather, only modifications in the leadership's perspectives would produce changes within the system. (S)

President Spiljak replied that he had visited the Soviet Union several times. During those visits, he noted that there were many changes within the government bureaucracy and within the country itself. He also sensed that at different levels, there were various dispositions and perspectives of U.S.-Soviet relations. He asserted that there were many people in the Soviet Union who want peace, democracy and cooperation with the entire world. If those elements within the USSR who want peace, democracy and cooperation are supported, this will have an impact on the leadership composition and Soviet policies. (S)

At this time, *President Reagan* commented that in 1981, when he was in the hospital, he wrote a letter to Brezhnev.¹⁰ It was a hand-written letter, in which he mentioned that the people of our two countries want the same things. He also said that when he was Governor of California he had met Brezhnev. He expected an answer that would be sympathetic to the appeals that he had made on behalf of the American people. Rather, Brezhnev's answer was not hand-written, and was the usual propaganda.¹¹ The President added that maybe he should write another letter to Andropov. (S)

President Spiljak pointed out that the discussion thus far, had addressed small steps and gestures that could be taken to improve U.S.-Soviet relations. He stated that Yugoslavia wholeheartedly agrees that such small steps need to be taken in order to alleviate mistrust. Mistrust is a grey area which must be conquered. He said that maybe we are deceiving ourselves, but we still believe that something can be achieved between the United States and the Soviet Union. (S)

President Reagan commented that he didn't think there were any people who want war except in the Middle East. (C)

¹⁰ See *Foreign Relations*, 1981-1988, vol. III, Soviet Union, January 1981-January 1983, Document 39.

¹¹ See *Foreign Relations*, 1981-1988, vol. III, Soviet Union, January 1981-January 1983, Document 40.

President Spiljak laughed, and said that the situation is very bad in the Middle East. He mentioned that Yugoslavia is very concerned about all Middle Eastern developments as that area is close to Yugoslavia. He asserted that if the situation becomes worse there would be more pressure applied on Yugoslavia. If only because of that, Yugoslavia will continue to strive to seek a solution to the Middle East crisis. (C)

President Reagan stated that this Administration will persist in finding a diplomatic solution. The present obstacle to that solution is Syria's policies. There is a need to overcome Syrian obstinance and let the Lebanese settle their internal problems. (C)

At this time, Assistant to the President for National Security Affairs *Robert McFarlane* stated that small steps need to be taken in order to eventually arrive at broader solutions. He said that in Lebanon, Israel had already taken a small step which, in fact, should lead to further progress. He remarked that now the Soviets should try to influence the Syrians to make a reciprocal gesture in Lebanon. (C)

President Spiljak asked for the Administration's opinion of Arafat and its appraisal as to why he has turned lately to Jordan and Egypt. (C)

Mr. McFarlane replied that it is useful for the Palestinians to have others involved in their movement who are not of a radical persuasion. In particular, it is important to have the Palestinians cooperating with King Hussein. Frankly, *Mr. McFarlane* stated that Arafat's actions to date are not sufficiently forthcoming. Both King Hussein and Mubarak have been positive about prospects of greater Palestinian moderation, but thus far, it has not been reflected in Arafat's statements or actions. He commented that the experience of a generation of Palestinians growing up during three disastrous wars in 12 years apparently has not affected Arafat's approach. He has not strived to lead the Palestinian people out of this violence. *Mr. McFarlane* remarked that he hopes that Arafat will at some point have the courage to do so. (S)

Foreign Minister *Mojsov* mentioned that President Spiljak will soon visit the countries of this region and is very interested in U.S. views on these issues. He also said that he, too, hopes that Arafat will be bolder and will not use violence, but rather diplomatic channels to achieve his goals. The Foreign Minister added that it is necessary to solve the Palestinian problem first in order to resolve the overall Middle East crisis. He pointed out that the Palestinians are in a desperate situation, hence, they seek desperate solutions. *Mojsov* contended that we need to give the Palestinians a chance. (C)

Robert McFarlane commented that the U.S. did what it could to extract concessions from the Israelis on the territorial issue. He indicated that when the Administration announced its Middle East peace initiative in September 1982, Arafat had an opportunity to compromise. Presently, given the support from Hussein and Mubarak, Arafat

has the same opportunity. If Arafat is able to reach a compromise with the support of Mubarak and Hussein, the United States will do what it can to induce reciprocal actions by the Israelis. He cited the case of when Arafat and Hussein appeared to be on the verge of agreeing to let Jordan represent the PLO in negotiations with the Israelis, but Arafat in the end succumbed to the pressures of radical Palestinians and broke off the talks. In fact, these radical Palestinians were the same ones who, supported by Syria, drove Arafat out of Lebanon. Arafat made the mistake of trying to win back this radical faction that had betrayed him when he was trying to help the Palestinian people. (C)

President Spiljak asserted that Arafat has turned recently to Egypt and Jordan in order to gain support for a moderate policy. He will strive to enhance his position with other moderate Arab countries. President Spiljak asked if there are any prospects for solving the Palestinian question. The President further mentioned that Hussein set forth a proposal which none of the other countries have so far supported. The proposal calls for the Palestinians to establish a federation with Jordan. This is a proposal which Yugoslavia supports. President Spiljak added that every perspective must be examined. If all doors are closed, the situation will become even more unfortunate. (C)

President Reagan mentioned again that in our September Middle East initiative, this Administration indicated that there must be a fair settlement of the Palestinian question. (C)

At this point, *President Spiljak* thanked President Reagan for the meeting and added that he looks forward to continuing his discussions with the President's Cabinet members. (U)

President Reagan thanked President Spiljak and closed by stating that the discussions had been mutually beneficial. (U)

Diplomatic Entrance—1:30–1:40 p.m.

Upon conclusion of the departure ceremony, *President Spiljak* turned to President Reagan and invited him to visit Yugoslavia.

President Reagan replied that he would be delighted to do so.

216. Memorandum From Paula Dobriansky of the National Security Council Staff to the President's Assistant for National Security Affairs (McFarlane)¹

Washington, February 29, 1984

SUBJECT

NSDD on "U.S. Policy Toward Yugoslavia"

In accordance with NSDD-54 (U.S. Policy Toward Eastern Europe), a separate directive has been drafted on Yugoslavia (Tab A).² The attached directive reaffirms U.S. support of Yugoslavia's independence, territorial integrity and national unity. It asserts that the following steps be taken by the USG:

—Expand economic relations in mutually beneficial ways and foster a market-oriented economic structure in Yugoslavia.

—Continue to encourage Yugoslavia's moderating role in the non-aligned movement.

—Review arms transfers to Yugoslavia on a case-by-case basis and subject to the appropriate technology safeguards.

Since interagency clearance has been obtained (with the exception of one paragraph on arms transfers), a memorandum from you to the President is attached at Tab I.³ The arms transfer issue on which State and Defense disagreed has been partially resolved. (See State/DOD papers, Tab II).⁴ That is, both State and Defense have agreed on the proposed NSC compromise language (Tab A, page 2) which embodies the June 1, 1981, White House memorandum on arms transfers to Yugoslavia (Tab III),⁵ and specifies that all arms transfers will be subject to case-by-case review and related technology safeguards.

However, agreement has not been obtained on one of Defense's proposed subsections to the paragraph on arms transfers. Specifically, in the summer of 1983, DOD recommended two additions—that a General Security of Military Information Agreement (GSMIA) and a Memorandum of Understanding (MOU) be negotiated with Yugoslavia. As there were fundamental differences between State and DOD assessments of Yugoslavia's willingness to accept various military

¹ Source: Reagan Library, Paula J. Dobriansky Files, Chron February 1984 (3). Secret; Sensitive. Sent for action. A copy was sent to deGraffenreid.

² Attached but not printed. Tab I included Tabs A and B. Tab B is printed below.

³ Attached but not printed. See Document 218.

⁴ Attached but not printed. See Documents 207 and 210.

⁵ Attached but not printed. See Document 191.

agreements, all agencies agreed it would be desirable for DOD to consult first with the Yugoslavs. The directive would not be forwarded to the President until these agreements were either discussed or negotiated with Yugoslavia. This delay was feasible for the June 1981 White House memorandum already provided a framework for U.S. policies toward Yugoslavia. Subsequently, during the summer and fall of 1983, DOD negotiated the GSMIA. It is expected to be signed in March.

The MOU issue, however, is still outstanding. It was agreed that during President Spiljak's visit to the U.S., Secretary Weinberger would raise this matter in their meeting. Apparently, President Spiljak was receptive to the idea of signing a new MOU, but indicated that Yugoslavia's acceptance of more stringent safeguards was contingent upon the transfer of sophisticated technology.

Both State and DOD want to convene an interagency meeting which would decide what type of MOU the USG should try to obtain from Yugoslavia. There are clear differences between the two agencies as to whether the existing MOUs require modification. State contends that the existing MOUs with Yugoslavia are adequate to insure against unauthorized transfers of technology. Conversely, DOD maintains that the existing MOUs belong to a period when only simple and non-critical technology had been transferred and thus, need to be updated. DOD believes that existing MOUs with Sweden and Austria provide a standard of minimum acceptable safeguards. Subsequently, both agencies have provided different language (Tab B).

NSC proposes language which combines the key points of both State and Defense recommendations, but does not set forth a bias as to whether the existing MOUs need modification or not (Tab B). The NSC proposed language also does not prejudge as to whether the Austria and Swedish MOUs alone should serve as a minimum standard. Rather, NSC recommends that the existing MOUs be examined and compared to those the U.S. presently has with Austria and Sweden.

At Tab IV⁶ is a memorandum from you to the agencies involved forwarding the approved NSDD on Yugoslavia. Don Fortier, Jack Matlock and Roger Robinson concur.⁷

*RECOMMENDATION:*⁸

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

⁶ Attached but not printed.

⁷ Matlock and Robinson initialed their concurrence.

⁸ McFarlane did not indicate his preference with respect to either recommendation. However, on the copy of this memorandum in the NSC Executive Secretariat Files, both recommendation 1 and 2 were checked "Approve." (Reagan Library, Executive Secretariat, NSC: National Security Decision Directives (NSDD) Records, NSDD 133 3/14/1984 (2))

2. That you forward the memorandum to the involved agencies once the President has approved the proposed NSDD at Tab A.

Tab B

Paper Prepared in the National Security Council⁹

NSDD ON U.S. POLICY TOWARD YUGOSLAVIA

Defense/State/NSC proposed language on MOUs

Defense

—The U.S. Government will review the existing Memoranda of Understanding with Yugoslavia¹⁰ in the light of current standards for transfer of technology which are more stringent than those of the late 1970s. The MOUs with Sweden and Austria represent a minimum standard of control by industrially developed, neutral countries. The U.S. Government will then inform the Government of Yugoslavia whether the existing MOUs require modification or whether a new MOU must be negotiated before the United States can approve the transfer of more advanced technology. (S)

State

—The U.S. Government will conduct an interagency review of the adequacy of the MOU with Yugoslavia, and specifically will compare it to the Swedish and Austrian MOUs. The U.S. Government should then seek a meeting with the Government of Yugoslavia which will, at a minimum, seek to reaffirm the significance of the current agreement. (S)

NSC

—The U.S. Government will review the existing Memoranda of Understanding with Yugoslavia regarding transfer of technology in light of current standards, which are more stringent than those of the late 1970s. In this regard, the U.S. Government will conduct an interagency review of the adequacy of the MOUs with Yugoslavia and, specifically, will compare them to the Swedish and Austrian MOUs. The U.S. Government will then inform the Government of Yugoslavia whether the existing MOUs require modification or are adequate. (S)

⁹ Secret; Sensitive.

¹⁰ The existing memorandum of understanding with Yugoslavia was signed in December 1978. The text of the MOU is in the Department of State, Central Foreign Policy File, D780497–0807.

217. Letter From President Reagan to Yugoslav President Spiljak¹

Washington, March 5, 1984

Dear Mr. President:

I was pleased to welcome you to the White House and to meet with you on issues important to both our countries.² Your visit confirmed the strong relations between Yugoslavia and the United States in our long tradition of cooperative consultation.

America supports your country's independence, unity and territorial integrity. We shall continue to do our part in helping to strengthen Yugoslavia's economy and in curtailing international terrorism. I look forward to consulting with you. We also remain ready to resume all arms control negotiations promptly and without preconditions.

Americans have watched the Winter Olympic Games in Sarajevo with great interest. The Yugoslav Olympic Committee did an outstanding job in putting the games together, and the United States is proud to co-host these 1984 events. We know that the U.S.-Yugoslav tourism agreement which we signed will contribute much toward expanding the goodwill between the Yugoslavian and American peoples.³

I am most pleased to have the copper etching done from an original 1849 watercolor which you brought for me. This handsome rendering, together with your inscribed photograph, is a perfect reminder of your special thoughtfulness.

With my best wishes,

Sincerely,

Ronald Reagan

¹ Source: Reagan Library, Paula J. Dobriansky Files, Yugoslavia—Spiljak Visit 2/1/84–2/2/84 (4). No classification marking.

² See Document 215.

³ TIAS 10954.

218. Memorandum From the President's Assistant for National Security Affairs (McFarlane) to President Reagan¹

Washington, March 13, 1984

SUBJECT

NSDD: U.S. Policy Toward Yugoslavia

Issue: NSDD on U.S. policy toward Yugoslavia.

Facts: In accordance with NSDD-54 (U.S. Policy Toward Eastern Europe), a separate directive has been drafted on Yugoslavia. The attached directive (Tab A)² reaffirms U.S. support of Yugoslavia's independence, territorial integrity and national unity. Specifically, it asserts that the following measures be taken by the USG: expand economic relations in mutually beneficial ways, foster a market-oriented economy in Yugoslavia, encourage Yugoslavia's moderating role in the Non-aligned Movement, and review arms transfers to Yugoslavia on a case-by-case basis and subject to the appropriate technology safeguards.

Discussion: The directive (with the exception of one paragraph on arms transfers) has been cleared by all the appropriate agencies (State, Treasury, Defense, Agriculture, Commerce, OMB, CIA, USTR, JCS). Agreement has not been obtained on one of Defense's proposed subsections to the paragraph on arms transfers. Specifically, in 1983, DOD recommended two additions—that a General Security of Military Information Agreement (GSMIA) and a Memorandum of Understanding (MOU) be negotiated with Yugoslavia. In December 1983, DOD completed its negotiations on the GSMIA which is expected to be signed in March.

However, State and Defense differences still center on whether the existing MOUs require modification. Both want to convene an inter-agency meeting which would decide what type of MOU the USG should try to obtain. State contends that the existing MOUs³ with Yugoslavia are adequate to insure against unauthorized transfers of technology. Conversely, DOD maintains that the existing MOUs belong to a period when simple and non-critical technology have been transferred and thus needs to be updated. It believes that existing MOUs with Sweden⁴

¹ Source: Reagan Library, Executive Secretariat, NSC: National Security Decision Directives (NSDD) Records, NSDD 133 3/14/1984 (2). Secret; Sensitive. Sent for action. A copy was sent to Bush. "The President has seen" is stamped in the upper right-hand corner of the memorandum. The memorandum is also stamped "signed."

² Not found attached. See Document 216.

³ See footnote 9, Document 216.

⁴ See footnote 7, Document 210.

and Austria⁵ provide the standard of minimum acceptable safeguards. Subsequently, both agencies have provided different language (Tab B).⁶ Also at Tab B is the NSC's proposed language, which combines the key points of the State/Defense recommendations but does not set forth any bias as to whether the existing MOUs need modification. The proposed NSC language also does not prejudge whether the Austrian and Swedish MOUs should serve as a minimum standard.

RECOMMENDATION:

That you sign the National Security Decision Directive (with the NSC compromise language) at Tab A.⁷

⁵ See footnote 8, Document 210.

⁶ Not found attached. See Tab B, Document 216.

⁷ Reagan checked and initialed "OK."

219. National Security Decision Directive 133¹

Washington, March 14, 1984

UNITED STATES POLICY TOWARD YUGOSLAVIA (S)

As pointed out in the interagency report on United States Policy toward Yugoslavia,² an independent, economically viable, stable and militarily capable Yugoslavia serves Western and U.S. interests. Yugoslavia is an important obstacle to Soviet expansionism and hegemony in southern Europe. Yugoslavia also serves as a useful reminder to countries in Eastern Europe of the advantages of independence from Moscow and of the benefits of friendly relations with the West. (S)

The severe financial situation facing Yugoslavia could pose a serious threat to Yugoslavia's ability to maintain those policies which best serve our interests. We must work closely with our Allies and the other major industrial democracies in supporting Yugoslavia's determination to remain an independent and viable force on the Warsaw Pact's southern flank. It is in U.S. interests that Yugoslavia be able to resist pressures

¹ Source: National Security Council, NSC Institutional Files, NSDD 133. Secret; Sensitive.

² See Document 202.

from the Soviet Union and the Warsaw Pact. We will also continue to encourage Yugoslavia's long-term internal liberalization. (S)

I have determined that, in pursuing our long-established policy of support for the independence, territorial integrity and national unity of Yugoslavia, the following measures will be taken:

—The U.S. will continue its close cooperation with other friendly countries to support Yugoslavia's efforts to overcome its financial difficulties. We will seek to expand U.S. economic relations with Yugoslavia in ways which benefit both countries and which strengthen Yugoslavia's ties with the industrialized democracies. U.S. policy will be to promote the trend toward an effective, market-oriented Yugoslav economic structure. (S)

—The U.S. will pursue the well-established dialogue with Yugoslav leaders on issues of mutual interest and concern. We will take the opportunity provided by high-level official visits to reiterate U.S. support for Yugoslav independence, territorial integrity and national unity. Our policy will continue to be to encourage Yugoslavia to play a moderating role within the Nonaligned Movement and to counter Cuban and Soviet influence in that organization. (S)

—The U.S. will strive, in accordance with our established arms transfer policy toward Yugoslavia and consistent with the policies established in NSDD-5,³ to facilitate military cooperation with that country. We will foster sales to Yugoslavia of arms and equipment required for their legitimate defense needs on a case-by-case basis, subject to appropriate technology safeguards and financial arrangements. The U.S. will encourage Western European Allies to follow similar policies. (S)

- *GSMIA*. The U.S. Government will negotiate a General Security of Military Information Agreement between the U.S. Government and the Government of Yugoslavia. (S)

- *MOU*. The U.S. Government will review the existing Memoranda of Understanding with Yugoslavia regarding transfer of technology in light of current standards, which are more stringent than those of the late 1970s. In this regard, the U.S. Government will conduct an interagency review of the adequacy of the MOUs with Yugoslavia and, specifically, will compare them to the Swedish and Austrian MOUs. The U.S. Government will then inform the Government of Yugoslavia whether the existing MOUs require modification or are adequate. (S)

Ronald Reagan

³ Reference is to "Conventional Arms Transfer Policy," signed on July 8, 1981. The text is scheduled for publication in *Foreign Relations, 1981–1988*, vol. XLIII, National Security Policy, 1981–1984.

220. Letter From Yugoslav President Spiljak to President Reagan¹

March 26, 1984

Dear Mr. President,

I would like to express my sincere thanks for your friendly letter² and of your generous hospitality and kind attention accorded us during our visit to your beautiful country. Our pleasant meeting and the talks conducted with you and your associates, which I remember with great pleasure, assured me once again of the mutual wish and readiness of our two countries for the further development of stable and traditionally good relations between Yugoslavia and the United States.³

The broad and frank exchange of views during our visit confirmed the usefulness of such high-level meetings aimed at our better mutual acquaintance and cooperation in the interest of international peace and understanding.

I would like to emphasize once again that the Yugoslav Government and peoples highly appreciate your support to our efforts towards economic stabilization and the measures taken by the U.S. authorities to suppress anti-Yugoslav terrorist activities on United States territory.

We are concerned over the present very serious and exacerbated international situation. Yugoslavia is actively engaged in the quest for surmounting such a state in international relations. Our intensive foreign policy contacts with world statesmen, including the recent visit of the Vice President of the Presidency of the Socialist Federal Republic of Yugoslavia Vidoje Zarkovic to the U.S.S.R. increased our firm awareness of the need to continue all our efforts in order to reduce international tension and resume the essential dialogue between the great powers and the negotiations on arms control in particular.

I fully share your view that the Agreement between Yugoslavia and the United States on Cooperation in the Field of Tourism will contribute to the intensification of contacts between our countries and peoples and to our gaining a better knowledge of each other. We have been honored by your interest in and compliments for the recently concluded Winter Olympic Games in Sarajevo which, we believe, were held in the spirit of the noble Olympic ideals of friendship and sportsmanship. We hope that the Summer Olympic Games in Los Angeles will be a full success.

¹ Source: Reagan Library, Paula J. Dobriansky Files, Yugoslavia—Spiljak Visit 2/1/84–2/2/84 (4). No classification marking.

² See Document 217.

³ Printed from a copy that bears this typed signature.

I wish to thank you once again for the beautiful gifts which will remind me of the pleasant stay in the United States of America and of the meeting with you, Mr. President.

With best wishes,

Respectfully,

Mika Spiljak

221. Telegram From the Embassy in Yugoslavia to the Department of State¹

Belgrade, May 4, 1984, 1430Z

3642. Subject: Demarche to GOY on Terrorism. Ref: (A) State 127881;² (B) Belgrade 3568;³ (C) State 130860.⁴

1. S—Entire text.

2. Summary. I met alone with Yugoslav Internal Affairs Secretary Dolanc and his assistant, Valiljevic, on afternoon of May 4 to deliver the demarche on terrorism from Ref A. Dolanc was initially taken aback by the statement then took an aggressive stance in which he denied most of the U.S. charges and ended up by officially rejecting the Ambassador's demarche. The Ambassador expressed strong regret at this position and asked that Dolanc nonetheless pass it to higher GOY authorities. Dolanc made no commitment. However, he did agree to hold on to a typed set of talking points from Ref A "for the record." When asked how we could continue further with a dialogue on this topic, Dolanc said I should deal with his successor as of May 16. I said I would undoubtedly have to do so. The atmosphere of the meeting quickly became strained, as the topic become clear to Dolanc. While he was aggressive, he remained (for Dolanc in all his potential explosiveness) relatively calm despite some of his more extreme statements. End summary.

¹ Source: Department of State, Central Foreign Policy File, N840006–0502. Secret; Immediate; Nodis; Stadis.

² Telegram 127881 to Belgrade, May 2, transmitted the démarche on terrorism and talking points to Yugoslavia. (Department of State, Central Foreign Policy File, N840006–0438)

³ Telegram 3568 from Belgrade, May 3, and continued the correspondence between the Department of State and the Embassy regarding the démarche on terrorism. (Department of State, Central Foreign Policy File, N840006–0472)

⁴ Telegram 130860 to Belgrade, May 4, continued the correspondence between the Department of State and the Embassy regarding the démarche on terrorism. (Department of State, Central Foreign Policy File, D840289–0723)

3. I met with Dolanc, Vasiljevic and Dolanc's interpreter on May 4 for 45 minutes to deliver the demarche in Ref A. I began by stating that the USG appreciated the GOY's efforts to help us in the matter of the Buckley case.⁵ We hoped the GOY would keep up its efforts in this regard.

4. Noting my serious demeanor, Dolanc asked bluntly whether I had any other problems for him. I said that in all frankness, I had a serious formal demarche to make to him which had been forwarded to me by Under Secretary Eagleburger but which reflected the strong position of the topmost levels of the USG on the matter of international terrorism. I then read from the talking points in Ref A and put a set of the points (in a "non-paper" form) on Dolanc's desk.

5. Dolanc appeared completely taken aback by my statement. He asked how he was supposed to respond to it and then asked quickly whether it was a formal USG demarche. I responded that it was indeed and that it was meant most seriously. Dolanc flushed (redder than usual). He said that, in that case, he would have officially to reject it. He simply could not understand how the USG could deliver such a message. He felt personally insulted by it. It was not in accord with the relationship that had developed so positively between the GOY and USG. I said I strongly regretted his position, since our demarche had not been made lightly and without serious deliberation going back several months. I asked that he nonetheless accept a "non-paper" which listed my talking points and he readily agreed "for the record." (He asked the interpreter to have them translated immediately at the end of the meeting.) He did not undertake to pass them to higher GOY levels.

6. Dolanc said he did not know how to begin to answer me. As for the matter of Carlos, he would arrest him and "kill him" (sic) if he could lay hands on him. He knew where Carlos was, but could not arrest him since he was not in Yugoslavia.⁶ As for the matter of Arabs, Dolanc noted sarcastically that there were almost 20,000 Arabs in Yugoslavia, mainly students but also diplomats. The bulk of that large group was Palestinian but it was far from monolithic in nature. It included pro-Arafat people, anti-Arafat people, pro-Abu Nidal Black June types and all sorts of elements intent on liberating Palestine. He said it was impossible from day to day to know which group was changing allegiance with another. Dolanc said there was a limit as to how much information the Yugoslavs could obtain on these changing alliances.

⁵ Reference is to William Buckley, an American diplomat serving in Beirut, was kidnapped by Hezbollah on March 16. Documentation on his kidnapping are scheduled for publication in *Foreign Relations*, 1981-1988, vol. XLVII, Terrorism, January 1977-May 1985.

⁶ Reference is to international terrorist Ilich Ramirez Sanchez, known as "Carlos the Jackal."

7. Dolanc stated that, no matter what any group's allegiance, the GOY would not allow any group to violate Yugoslav laws by one step. Prior to the Olympics he had ordered over 200 Arabs out of the country for security reasons. More recently, he had had arrested two Arab groups in Novi Sad (Vojvodina capital) which comprised pro-Arafat and anti-Arafat (pro-Black June) factions after an altercation. He had promptly jailed all of them, then expelled them from Yugoslavia. He said the Yugoslav record on dealing with violent Arab groups in Yugoslavia was very good.

8. Dolanc then adopted a more aggressive attitude. He asked how the USG could make these sorts of charges when he knew of Ustashi groups active in the U.S., the activities of Croatian National Congress President Mestrovic and of other ethnic (presumably Albanian) groups which had terrorist activities in mind against Yugoslavia. He found our charges "provocative" and they obviously reflected some combination of factors in Washington which he could not understand. I responded that the charges were based on credible evidence and were not concocted for any conspiratorial purpose. Dolanc said that if this were the case, then he would wish to see the concrete evidence himself. I said I was not sure I could satisfy this request, but commented that in the turmoil of the Middle East, it was conceivable that incriminating documents had been found which would put Yugoslavia's position into serious question. Dolanc said if this was the evidence, then we should show it to him.

9. I said that since we were speaking with our usual frankness to each other, I wished to ask several concrete questions. If they were indiscreet, then Dolanc could feel free not to respond. I asked whether the Yugoslavs trained Palestinian terrorist groups. He said the GOY trained Palestinian liberation fighters on a military basis. They were not trained as terrorists. I said this was a fine line. Dolanc replied that perhaps it was but it had been going on for a long time and the U.S. side knew it. I asked if he or his staff had operational contact with violence-oriented terrorist groups such as Black June 4 PLFP. He said flatly "not with any of them." I asked whether Yugoslavia sold or delivered arms to terrorist groups. Dolanc replied "no," then added that Yugoslav weapons had been sold to Iraq and Egypt and other countries. It was possible, he said, that the Iranians had captured Yugoslav-made weapons from Iraq and then resold them as Yugoslav weaponry.

10. Dolanc answered these questions with seeming frankness and with no ill humor. He returned to the issue of Carlos. He noted that Carlos seemed to be in the pay of many countries and seemed to be able to move at will by using diplomatic passports. Similarly, other West European allies of the U.S. were in touch with Carlos and other Palestinian terrorist groups. Dolanc asked whether we were in touch

with those friendly governments. I said I did not know but would like their names. He said this was not a subject he would discuss now. He then said that he received lots of reports in the course of a working day and if he felt compelled to have demarches made on the basis of them, then he would need a new section. He added the usual Dolanc-style needle by commenting that he had heard of close CIA contacts with some terrorist organizations. I said I knew nothing of this matter.

11. I closed the meeting by asking Dolanc whether, in view of his May 15 move to the State Presidency, I could still discuss this international terrorism issue with him. He said that, for obvious reasons of protocol, I should deal with his successor, Dobroslav Culafic. I said I certainly would do so. Dolanc then added that we could, of course, meet to discuss any other matters of mutual interest. I thanked him for the gesture.

12. Comment. The meeting was grim, as I expected, and Dolanc was his usual aggressive self once he found out what I was there to see him about. However, he was not explosive (as he can be), he was measured in most of his answers, and he did not react sharply to my questions. I am convinced that he will spread news of my demarche through the top level of the party and government that is privy to such sensitive information. We shall have to wait and see what, if any, reaction we receive. In the meantime, I propose to wait until May 16 to see Deputy Foreign Minister Loncar (as he will become on that day) to pass the word outside the intelligence community. I think if I saw Ostojic, the incumbent, right now he would flee to his home in Sarajevo. He is not the bravest of bureaucrats.

13. Action requested. If there is, unlikely as it seems to me, any concrete evidence I can provide to Dolanc, I would be happy to receive it. Despite all we know, he is behaving as if he is from Missouri.

Anderson

222. Telegram From the Department of State to the Embassy in Yugoslavia¹

Washington, May 21, 1984, 1514Z

148778. Subject: Presidential Messages for Incoming and Outgoing Presidents of Yugoslav Presidency. Ref: Belgrade 4056.²

1. The White House has approved the following texts of messages from the President to outgoing President of the Presidency Mika Spiljak and incoming President Veselin Djuranovic:

2. Message to Spiljak. Begin text:

Dear Mr. President:

On the occasion of completion of your term of office as President of the Presidency of the Socialist Federal Republic of Yugoslavia, I extend to you my warm personal regards. I recall with pleasure your visit to the United States in early February and the fruitful exchange of views we had at the White House.³

I am sure that our discussions contributed to the strengthening of the traditionally strong relations between our peoples and governments.

With my best wishes for the future.

Sincerely,

Ronald Reagan

End text.

3. Message to Djuranovic. Begin text.

Dear Mr. President:

On the occasion of the assumption of your duties as the President of the Presidency of the Socialist Federal Republic of Yugoslavia, I extend to you my sincere congratulations and best wishes for a successful term of office. I look forward to working with you to strengthen further the traditionally strong and enduring cooperative relations between our countries, in the interest of the prosperity and well-being of our peoples and peace for the world.

Sincerely,

Ronald Reagan

¹ Source: Department of State, Central Foreign Policy File, D840329–0915. Limited Official Use; Immediate. Drafted by Lang; cleared by Kuchel, Combs, Matlock, and McKinley; approved by Palmer.

² Telegram 4056 from Belgrade, May 17, provided the Embassy's drafts for letters to the incoming and outgoing Yugoslav presidents. (Department of State, Central Foreign Policy File, D840322–0222)

³ See Document 215.

End text.

4. Please deliver messages ASAP. There will be no signed originals.

Shultz

223. Memorandum Prepared in the Central Intelligence Agency¹

EURM84-10122

Washington, June 11, 1984

Yugoslavia: The Hardline Response

Key Judgments

The regime's continuing crackdown on dissidents in Belgrade probably reflects the post-Tito leadership's wish to squelch rising criticism of its lack of resolve and competence in managing Yugoslavia's economic crisis. We think that the dissidents are an easy target because they are not a serious threat, even though some hardliners fear that the dissidents might organize a viable political opposition.

Some leaders clearly intend the "no-nonsense" message to have a broader impact. They are warning critical journalists and activist clergy that they may become the next targets of official pressure. In addition, we believe the hardliners may also revive efforts to purge reluctant moderates and other footdraggers within the leadership. [*portion marking not declassified*]

The tough posture, however, has already run into problems as dissidents have tried to fight back and moderates have tried to blunt the campaign. Dissidents are defying official prohibitions on their meetings and protesting human rights violations. Some moderates in the leadership have openly questioned the use of force. [*portion marking not declassified*]

We think the new Presidency and cabinet members who came to power in routine personnel changes in mid-May will have to maintain some pressure on dissidents to avoid being labeled as weak. But regime moderates are likely to prevent the crackdown from going any further, largely because they realize a campaign for orthodoxy could ultimately claim them too. They will use the requirement for consensus on all major decisions to thwart hardliners, and will argue that Belgrade

¹ Source: Reagan Library, Paula J. Dobriansky Files, Yugoslavia (7). Secret; [*handling restriction not declassified*]. Prepared in the East European Division, Office of European Analysis. Sent to Dobriansky under an undated covering note.

cannot afford human rights polemics with the West at a time of financial need. [*portion marking not declassified*]

There is, however, still a risk that, with passions running high and political careers in transition, events could turn nasty. This could happen if the leadership believes Yugoslavia's stability is more tenuous than now seems apparent. Some of the more important warning signs of a move in this direction might be demands by the army for a broader crackdown or a concentration of power in the hands of a few hardliners—such as Presidency members Stane Dolanc and Nikola Ljubicic. [*portion marking not declassified*]

Introduction

After the death of Tito in May 1980, the political atmosphere in Yugoslavia became increasingly relaxed as government critics openly discussed regime shortcomings and dissident intellectuals held private seminars—"flying universities"—on sensitive political issues. A segment of the leadership supported the "new openness" as a key to modernizing the system via free dialogue. Criticism of official corruption and of the party's abuse of power led to calls for reform that rankled hardliners, who tried to silence the critics and stop what they considered an erosion of the party's monopoly on ideology and its control of the system. The hardliners, however, were able to push through only a few acts of suppression because moderates and regional leaders used the requirement for consensus in decision-making to block any serious campaigns against dissidence. [*portion marking not declassified*]

But earlier this spring hardliners scored a major victory. With the economy in crisis and the tide of complaints about the government growing, they successfully struck against a small but annoying group of Serb dissidents. Judging by their speeches, some hardliners are trying to build on this success to push for a reversal of what they consider a trend toward political pluralism. This paper will assess the reasons for the crackdown and analyze the political dynamic that pits dissidents against the authorities and moderates against hardliners in the hierarchy. [*portion marking not declassified*]

The Crackdown

On 20 April, federal and municipal police arrested without warning former Vice-President Milovan Djilas and 27 other intellectuals at a private seminar on ethnic problems. Although Djilas and his comrades were released within two days, the police also:

- roughed up four less prominent dissidents;
- reincarcerated five detainees for investigation of political crimes carrying up to ten-year sentences;

—rearrested and harassed one detainee, a trade union activist, who was later found dead of a supposed “drug overdose” shortly after his release; and

—briefly detained Srdja Popovic, a lawyer internationally recognized for his willingness to defend political prisoners. The US Embassy speculated that Popovic’s detention was intended to warn him against trying to organize a Yugoslav-wide committee to protest the previous arrests. [*portion marking not declassified*]

Despite negative coverage in the Western press and criticism by Western human rights activists, the regime also increased pressure on other critics in Belgrade. The authorities:

—banned the latest issue of an ideological journal *Teorija* for printing “slanderous” photomontages of Lenin and Marx;

—suspended a journalist from a major Belgrade paper and purged him from the party for arguing that Tito had a supporting role in Stalin’s purges in the 1930s;

—cancelled a public meeting of a panel that included members of the *Praxis* group of philosophy professors at Belgrade University;

—warned that flying university meetings no longer will be tolerated; and

—increased pressure on *Politika*, a major Belgrade publishing house which controls many of the most daring journals. [*portion marking not declassified*]

Zika Radoljovic, a member of the Serb party Presidium, summarized the official mood by warning on 24 April that the authorities would use “all available means” to suppress dissidence. [*portion marking not declassified*]

The crackdown may be spreading beyond Belgrade. On 24 April, Kiro Hadzivasilev, a Macedonian representative on the federal party Presidium, demanded stricter controls over “negative messages” on the media throughout the country. He complained that two party plenums in 1983 had failed to heed the advice of Macedonian leaders to rein in outspoken journalists. Since then, the official Yugoslav press has been attacking clerics in Croatia, Bosnia-Herzegovina as well as Serbia for allegedly stirring up nationalism and political opposition. A central committee meeting on ideology on 12 June was scheduled to discuss some of these issues. [*portion marking not declassified*]

In late May, Bosnian authorities arrested Vojislav Seselj, a Serb professor at Sarajevo University and one of those detained in Belgrade on 20 April. Seselj, on a hunger strike since 12 May, is now

hospitalized in Belgrade.² We agree with Embassy sources who attribute Seselj's arrest to Branko Mikulic, Bosnia's representative on the federal Presidency and a hardliner on internal security issues. [*portion marking not declassified*]

The dissidents were slow to recover from their initial arrests but subsequently have undertaken some low key protests to counter the regime's hard line. [*portion marking not declassified*]

—An unusual, joint protest is reportedly circulating for signatures among philosophy societies in Belgrade and Zagreb.

—A dissident petition to the Interior Minister demanded a special investigation of the trade union activist's death or the minister's resignation.

—A group of younger dissidents, known as the "Kindergartners," held a meeting on 13 May in Belgrade in defiance of the authorities' new warnings.

—Djilas has granted numerous interviews to foreign journalists in an effort to mobilize Western support. Srdja Popovic, apparently un intimidated, visited the US to gain the help of human rights' activists and plans to return to Yugoslavia to defend Seselj. [*portion marking not declassified*]

We suspect dissidents are trying to arrange, as they have in the past, a show of support by the academic community in Belgrade. They may hope for a symbolic student protest before the party plenum and the academic summer recess. [*portion marking not declassified*]

Why a Crackdown Now?

We think that hardliners persuaded others in the leadership to crack down on the most obvious instances of dissent in order to impress their critics—inside and outside the establishment—that the leadership has the unity and determination to handle the country's political and economic problems. Previous efforts to get tough with regime critics caused top level disagreement as recently as last fall, and ended with nothing more than empty threats. The specific purpose of the crack-down, in our view, is less to suppress dissidents than to warn regional politicians and central committee members to stop blocking proposed measures that would give slightly greater political and economic power to Belgrade. [*portion marking not declassified*]

² According to Yugoslav press commentary, Seselj advocates partitioning Bosnia-Herzegovina between Serbia and Croatia and revoking official recognition of Bosnia's Muslims as a distinct nationality. [*portion marking not declassified*] [Footnote is in the original.]

Statements of unhappiness over the regime's drift and indecision increased sharply prior to the arrests:

—Hardline party leaders and unsigned editorials complained in early April that party meetings designed to forge unity behind economic reform had repeatedly degenerated into "monologues" and "paper" duels.

—A recent editorial in the semi-official daily *Borba* charged unnamed Central Committee members with purposely undermining the party's policies.

—President Spiljak gave a gloomy assessment of the country's economic progress in his farewell address to the Parliament on 19 April, and demanded that politicians stop reopening debate on policies already settled after lengthy consultations.

—Prime Minister Planinc, under fire in early April, threatened to resign if Parliament rejected her draft legislation to meet the IMF's performance requirements. She suggested that a "new government" would severely limit parliamentary participation and power sharing with the regions. [*portion marking not declassified*]

Given the chance of demoralization following such candid self-criticism, the power holders in Belgrade may well have decided that they had to take a stand on some issue. The Serb dissidents provided a convenient target because they had launched some new ventures that allowed hardliners to argue, undoubtedly with conviction, that the dissidents were trying to organize a permanent political opposition. The Serb dissidents' new tactics included:³

—Attempted collaboration between older dissidents, the younger "Kindergartners", and workers' advocates like the deceased trade union activist. The desire to preempt a budding coalition may have helped convince regime moderates to go along with the initial arrests.

—Espousal of an openly Serb nationalist program that tested regime tolerance. [*portion marking not declassified*]

³ The regime crackdown apparently caught the dissidents in the midst of a tactical shift that is not accepted by all Serb dissidents. Several key leaders, including the writer Dobrica Cosic, refused to attend the seminar. Moreover, the Serbian nationalist focus of the seminar is repugnant to most dissidents elsewhere in the country and may indicate that Djilas and his group are becoming more isolated on the Yugoslav scene. Djilas' effort in 1979–80 to create a consolidated opposition of Serb and Croat dissidents lost support after the arrest of the principal collaborators in Zagreb. Djilas' son subsequently started, and still heads, the "Democratic Alternative," a coalition of emigres in London that reportedly is breaking into factions. [*portion marking not declassified*] [Footnote is in the original.]

The Interior Ministry's Role

The arrests were easy to implement because in early April the federal Interior Ministry received new authority to intervene in local security matters. The federal police participated in the 20 April detentions and afterwards warned that they will continue to crack down on such “illegal” activities. The internal security officials may be trying behind the scenes to consolidate and expand their influence on the leadership. If so, they probably want to turn the screws as tightly as possible to sustain their political momentum. [*portion marking not declassified*]

The dissident crackdown also may reflect renewed assertiveness by Stane Dolanc, the ambitious former Interior Minister (until 15 May) and now Slovenia's representative on the collective federal Presidency. [*portion marking not declassified*]

—A Belgrade tabloid reported that Dolanc discussed security tasks with Belgrade police on 20 April, thus suggesting he directed the arrests later that day.

—According to press reports in mid-April, Dolanc was part of a new “inner cabinet”—headed by Prime Minister Planinc and including other key ministers—that privately develops key policy proposals. This group may have been the prime mover in the crackdown. The US Embassy believes Dolanc may continue to play a role in the “inner cabinet” even though he has changed jobs. [*portion marking not declassified*]

Dolanc was a contender for power until Tito introduced the collective leadership system in 1978 and seems intent on expanding his political clout. [*less than 6 lines not declassified*]

Ljubicic and the Serb Factor

The crackdown in Belgrade, although authorized by top federal leaders, also satisfies some key Serb hardliners. They have long wanted to curb Serb intellectuals and dissidents who have had more freedom than their counterparts in many other Yugoslav regions. The US Embassy suggests that the hardline group around Nikola Ljubicic, previously President of Serbia and now that republic's representative on the federal Presidency, was responsible for the initial arrests. [*portion marking not declassified*]

The tougher stance toward Serb intellectuals would temporarily undermine Ljubicic's main political rival, Dragoslav Markovic. According to Embassy contacts, Markovic, who is widely perceived as a Serb nationalist, has protected controversial Serb journalists and indirectly encouraged Serbia's expanded authority in federal councils. He has been silent on the April 20 detentions, even though, as head of

the LCY Presidium, he should have been speaking out in defense of the action. Markovic may lose prestige if hardliners succeed in muzzling his supporters at the important *Politika* publishing house. Markovic stands to benefit, however, should the crackdown fizzle. [*portion marking not declassified*]

Continuing Leadership Disagreements?

There is some evidence that moderate leaders disagree with the tougher line, but for the most part they are not speaking out too forcefully. According to the US Embassy:

—Former President Spiljak called in a 19 April speech for Belgrade to deal with domestic “enemies” without resorting to repressive means.

—An editorial appearing in an important Belgrade paper after the April arrests urged that opponents be swayed by arguments, not force.

—The press in several other republics—most noticeably Croatia and Slovenia—has been cool or noncommittal in discussing the arrests in Belgrade. [*portion marking not declassified*]

We believe that the moderates’ low-key response reflects their unwillingness to put further strain on Yugoslavia’s collective leadership mechanisms and their realization that the leadership needs at this time to show determination and vigor. The moderates also may not be eager to speak in defense of a cause linked to the widely discredited Djilas.

Outlook

Short-term prospects favor a continuing, low-grade war of nerves between the authorities and dissidents. The new State Presidency and cabinet that took office on 15 May probably will continue the hard line rhetoric to avoid giving the impression of weakness and will try to use calls for discipline to make regional political and economic powers more responsive to their economic stabilization program. In sum, we think the regime’s next steps will be firm but not overly provocative.

—“Show” trials of major figures—like Djilas—do not seem likely. In fact, hard-line advocacy of such radical options would likely galvanize moderate opposition.

—But some of the dissident “small fry” now under arrest seem destined for jail.

—There are likely to be more official threats against outspoken clerics and journalists. [*portion marking not declassified*]

Meanwhile dissidents probably will choose their tactics carefully, trying to mobilize opposition to recent regime actions while avoiding provocative acts that might allow hardline forces to expand their influence. Hotheads might gain influence, as hardline polemics continue, but we believe the various dissident communities are ill-prepared for

a major challenge to the regime. Even the feisty Serb group detained on 20 April still lacks adequate popular support, internal unity, and a cohesive strategy. [*portion marking not declassified*]

At the same time, we think that divisions in the leadership will obstruct wide-scale repression. Although the moderates may have agreed to the initial crackdown, we believe they can easily manipulate Yugoslavia's cumbersome collective system—particularly its requirement for consensus on all major policy decisions—to impede hardliners' initiatives. We therefore believe that the party plenum on 12 June will produce more tough talk but, like previous sessions, little action. [*portion marking not declassified*]

As tensions rise, the hardliners' rhetoric might acquire anti-Western overtones (already reflected in a series of articles in a Belgrade news-weekly). They might respond to Western press and public support of the dissidents by denouncing foreign "meddling" and playing on deep-seated fears of growing Western influence. The growing tendency to blame the faltering economy on tough IMF criteria would play into the hardliners' hands. If so, moderate leaders probably would respond that Yugoslavia is responsible for its own financial difficulties and that continued Western support is crucial if Yugoslavia is to avoid even sharper economic declines. [*portion marking not declassified*]

An Alternative Outcome

The crackdown could become nastier if the leadership collectively comes to believe that its grip on power is much weaker than is now apparent. Such a belief might reflect a calculation that:

—The country's economic and political problems are considerably more acute than the leadership will admit outside of its most private councils.

—Regional opposition to economic stabilization legislation will endanger fulfillment of IMF criteria for continued debt payment relief.

—Dissident intellectuals are forging an organized political opposition to capitalize on popular discontent or even mount a major challenge to the regime before it can restore adequate social discipline. [*portion marking not declassified*]

Such perceptions, if widely held in the state and party presidencies, would soon be evident, perhaps as early as the 12 June plenum. In this event, we would expect:

—The military hierarchy, which stopped its public criticism of the regime six months ago and has so far not commented on the current crackdown, to press the civilians to intensify the "discipline and order" campaign. The generals' would thereby bolster the hardliners' influence in their struggle against leading moderates and regional power-brokers.

—A clique to be formed in the new collective leadership—perhaps around Dolanc, Mikulic, and Ljubicic—to dominate the regime's inner councils and to seek military support for severe restrictions on debate within in the collective leadership. [*portion marking not declassified*]

224. Telegram From the Department of State to the Embassy in Yugoslavia¹

Washington, June 16, 1984, 1850Z

178031. Subject: U.S.-Yugoslav Relations. Ref: (A) Belgrade 4808;² (B) State 167843.³

1. S/NF—Entire text.

2. The Department shares the Embassy's general assessment in Ref A that the GOY may have combined a series of recent coincidental events in the U.S.-Yugoslav bilateral relationship to reach the irrational and totally erroneous conclusion that our policy towards Yugoslavia is changing for the worse. What virtually all these events have in common is that they break no new ground in terms of the bilateral relationship as it has existed over the past twenty years. Such issues—for example, the content of VOA coverage of events relating to Yugoslavia. Proposals in Congress for a Mihailovich⁴ memorial on U.S. Federal property. [*less than 2 lines not declassified*] The protocol levels assigned to particular Yugoslav visitors—reflect both the problems and insecurities of the Yugoslav regime and the well-known differences in social/political systems and policies that exist between us. These factors clearly will not disappear any time soon despite the substantive gains and favorable publicity generated recently by our major efforts to coordinate

¹ Source: Reagan Library, Paula J. Dobriansky Files, Yugoslavia (7). Secret; Priority; Exdis; Noform.

² Telegram 4808 from Belgrade, June 14, provided the Embassy's analysis that the Government of Yugoslavia was misreading U.S. policy and an immediate change was necessary to assure the Yugoslavs. (Department of State, Central Foreign Policy File, D840384-0748)

³ Telegram 167843 to Belgrade, June 8, provided a summary of a recent INR intelligence report on the crackdown on dissidents. (Department of State, Central Foreign Policy File, D840375-0479)

⁴ Reference is to Draza Mihailovic, a Yugoslav Serb general during World War II, who formed the Chetnik resistance movement.

Western financial assistance to Yugoslavia and by an extraordinary round of high-level visits.

3. We concur in the Ambassador's assessment that what may be new in the present situation is that the new Federal Presidency, concerned about political stability and legitimacy in the face of continuing economic downturn, is giving new credence to hoary conspiratorial theories about alleged U.S. interest in and efforts to undermine the Yugoslav communist state. This mind-set probably derives almost exclusively from internal Yugoslav political dynamics, and there is relatively little we can do about it in the short term. We believe that our best course is to take a two-track approach. On the one hand, we should avail ourselves of every opportunity, both in Belgrade and in Washington, to stress to the Yugoslavs that our role in the financial negotiations (particularly during the last-minute fracas with the IMF over pricing policy) ought to demonstrate the depth and continuing commitment to support for Yugoslavia. In making this point, we should pull no punches regarding Yugoslav actions we find offensive, such as the "Nin" articles and Borba commentary. In short, the Yugoslavs should be told that U.S. support has been visible and concrete and will be continued, but that the relationship, as always, will be characterized by frank exchanges where we differ.

4. The second track. As suggested in Ref A, is to carry out business as usual and simultaneously explore means to improve the quality of relations. The following are the Department's thoughts along these lines, keyed to the useful suggestions provided in para. 10 of Ref A.

—Messages to Yugoslav leaders. Messages have been sent recently to incoming President of the Presidency Djuranovic and Foreign Secretary Dizdarevic.⁵ These have been ceremonial in nature; for a subsequent message to contribute constructively to bilateral relations, it would need to be substantive, perhaps conveying a desire for consultations. No such meeting currently is planned, but the possibility should be kept in mind.

—Vlado Janzic visit. The Department will coordinate this visit with USIA and try to ensure a good reception for Janzic. We would appreciate clarification of his approximate rank and responsibilities; is he, for example, roughly equivalent to Ambassador Matlock?

—IMF. As stated above, we think that the Yugoslavs should be told in no uncertain terms, not only that the IMF's interest is in strengthening Yugoslav independence, but also that our own role has been helpful throughout.

⁵Not found.

—Human rights. The Yugoslavs have no/no reason to be upset at the U.S. reaction to recent dissident events. There have been no press inquiries of the USG, and no public comments by us. Our statements to GOY officials have been low-key and directed more to providing information about possible U.S. reactions in certain contingencies. The reaction of U.S. human rights groups has been very cautious, and press reaction practically non-existent. In this situation, we agree that we need to continue to educate GOY officials about the potential problems their actions could cause. Of course, if the situation grows worse, we will need to consider a more active posture.

—Mihailovic memorial. The situation appears to be under control, and we and Hill committee staffs are monitoring it closely. There is nothing more to be done on this.

—Extradition cases. The Medenica⁶ case, as the Embassy knows, is extremely complex and difficult; for this reason, it inevitably will be slow-moving. The Department will move as expeditiously as possible on this case and advance the argument throughout that it should be decided by the courts on the merits. We will move forward on the Artukovic⁷ case as rapidly as possible.

—Re educating GOY officials about the U.S. political system, the Yugoslav Embassy has been quite active recently in expanding its contacts within the executive branch and on Capitol Hill (especially with regard to the Medenica case). We believe that the Embassy has conveyed sophisticated views to FSFA on a variety of troublesome issues (for example, Yugoslav EmbOffs have exhibited both knowledge and sophistication regarding the Mihailovic memorial, the Medenica case, and the VOA Albanian service); the problem may be more in winning acceptance for these views within the GOY.

—Moving ahead on exchanges. EUR/EEY has held informal discussions with Yugoslav Embassy officers about exchanges in the fall of 1984 and spring of 1985. Among the ideas discussed are: 1) a small (2–3 member) delegation from the Federal Assembly to be hosted by an equal number of members of Congress for one week, to be spent entirely observing the legislative process; 2) a similar exchange at the republic/state level; and 3) an intensive visit by a Yugoslav mayor to a comparably sized U.S. city. We would appreciate Embassy comments on these and other possibilities with a view to making a formal proposal soon.

⁶ Reference is to Rajko Medenica, a medical doctor, whom the Yugoslavs requested be extradited in February 1984 to face charges of fraud. (Department of State, Central Foreign Policy File, D840107–0375)

⁷ Reference is to Andrija Artukovic, an alleged, World War II war criminal. (Department of State, Central Foreign Policy File, D810391–0608)

—Consultations on international issues. EUR/EEY hopes to locate USG specialists on a variety of international issues who would be prepared to participate in an Ampart program in Yugoslavia. Request that Embassy provide suggestions along these lines in approximate priority order.

—VOA Albanian service. The Department will be in touch with other agencies on this question in an effort to improve coordination.

Shultz

225. Telegram From the Embassy in Yugoslavia to the Department of State¹

Belgrade, August 7, 1984, 1059Z

6384. Subj: US-Yugoslav Military Cooperation: Need for a New Look? Ref: State 228562.²

1. S—Entire text.

2. I arrived in Yugoslavia three years ago under the clear impression that I was to bolster the bilateral military relationship in accordance with the President's June 1, 1981 memorandum to Secretary Weinburger. In my view, the rationale in that memorandum is as valid today as it was then, namely: "This administration views a militarily capable Yugoslavia as a key element in preventing Soviet expansionism and hegemony in southern Europe." The memorandum cites as a central element of the administration's policy one of arms transfer to Yugoslavia and "to be forthcoming in approving sales of arms and equipment required for Yugoslav defensive needs as circumstances warrant."³

3. These words ring hollow in the light of recent experience. Despite promising statements of readiness for military cooperation from the President, Vice President and Secretary Weinburger in the past year or so, the USG has failed to provide one major system sought

¹ Source: Reagan Library, Donald Fortier Files, Steve Rosen File, Subject File, Technology Transfer—Yugoslavia. Secret; Priority; Nodis.

² Telegram 228562 to Belgrade, August 3, dealt with Yugoslav concerns about license requirements and the sale of Harpoon missiles. (Department of State, Central Foreign Policy File, D840494–0533)

³ An unknown hand drew a line in the left-hand margin adjacent to this sentence.

by the Yugoslav military in recent years.⁴ All of the earlier significant deliveries (Mavericks and Mark-44 Torpedoes date back to 1978 and 1981). The engine for the next Yugoslav-built fighter is an issue that has dragged on for almost two years with no positive result in sight. The Hughes and Johnson license requirements for ECM/EW and command and control systems are encountering further delays in Washington. The request for the Harpoon has been turned down flat. I am asked, in explaining the latter position, to inform the Yugoslavs that their primary threat comes from the land not the sea (see State 228562). That sort of condescension smacks of arrogance if not total incomprehension of just what sort of country we are dealing with. The Yugoslavs have a long and proud military tradition and hardly need us to tell them whence comes the threat.

4. I have no problem going to the Defense Secretary to explain the turndowns and delays. I am paid to do that in the best way I professionally can. But he will ask, with some justification, just why we so painfully negotiated the recently signed GSMIA if nothing the Yugoslavs ask for is forthcoming.⁵ He will also ask about the status of other requests for equipment. My present instincts tell me that none of these will be approved for release either.

5. I am not arguing here that we should try to meet every Yugoslav wish. On the contrary, there are bound to be items that we simply cannot release to them and we should tell them so frankly. But the stalling, foot-dragging approach we have adopted (viz. the aircraft engines and licenses for ECM/EW systems) are causing the Yugoslavs to question the value of the bilateral relationship in the military field. Secretary Mamula told me on his return from the U.S. in May that he was now waiting for concrete signs of cooperation from our side. The Yugoslav CNO (Admiral Vilovic) made the same point to me in Split two weeks ago. Both expressed disappointment that the military relationship seemed to be lagging and indeed deteriorating from earlier years. Judging by State 228562 and other signs of U.S. negativism in the military cooperation area, I conclude these Yugoslav military leaders are reading the tea leaves correctly.

6. This brings me to the final point. We have Yugoslavia's excellent record of not/not transferring sensitive technology to the East; we have the GSOMIA; we have fairly regular high-level military exchanges; we have our Joint Military Committee—but what is all of this producing besides fine words and promises for the future? Is it not perhaps time to face the fact that words are fairly empty, the promises largely unfulfilled

⁴ An unknown hand underlined the portion of this sentence beginning with the words "the USG has failed" to the end.

⁵ An unknown hand drew a line in the left-hand margin adjacent to this sentence.

and the military relationship assuming an ever smaller place in the scheme of US-Yugoslav relations? I wonder whether we should not make this minimalist position clear at the next JMC meeting and save a lot of frustration and disappointment among our Yugoslav friends and allow them to go on about procuring their equipment from other more reliable sources, either the Soviets or from Western countries.

7. I am not at this time recommending this position for the next JMC meeting, for it seems to me to run directly counter to our geo-strategic interests in this part of the world. However, I do consider that it is high time for the USG to review its position on military cooperation with Yugoslavia and hopefully bring it into line with reality.⁶ Based on my experience here in recent years, I do not believe that the position adopted by those who are charged with implementing the President's policy accurately represents that laid down in his 1981 memorandum.⁷

8. In the meantime, my staff will try to produce some ideas for a positive agenda for the JMC meeting. Hopefully, they will be able to come up with some alternative systems, equipment and material to those requested by the Yugoslavs. However, I repeat that we should also be considering how best to emerge from a JMC meeting with an acceptable military relationship that keeps our overall bilateral relations with the GOY from being seriously harmed. At this point, I confess to being stumped, given the recent indications from Washington that nothing of any sensitivity can be released to the Yugoslavs. I only ask myself, where will they be and what will they do if and when we count on them to defend their independence in an East-West crunch? They certainly will not be equipped with modern U.S. weaponry: of that I am sure.

9. Action requested. Washington agencies' reactions to this message.

10. Please pass White House for Ambassador Matlock and Admiral Murphy.

Anderson

⁶ An unknown hand underlined the portion of this sentence beginning with the word "for" to the end.

⁷ An unknown hand drew a line in the left-hand margin adjacent to this sentence.

226. Telegram From the Secretary of State Shultz to the Department of State¹

New York, October 3, 1984, 0204Z

Secto 11053. Subject: Secretary's UNGA Bilateral With Yugoslav Foreign Secretary Dizdarevic.

1. Secret—Entire text.

2. Begin summary. Dizdarevic assessed bilateral relations as generally positive and expressed appreciation for the close cooperation and support that the U.S. accords Yugoslavia. While Yugoslavia has made good economic progress, a high debt servicing burden impedes economic growth and is becoming a political as well as an economic matter. Describing the U.S. role as pivotal, Dizdarevic asked for U.S. support for longer-term rescheduling of Yugoslavia's Western debt. In response, the Secretary stressed our continued desire to be of appropriate help and to follow Yugoslav matters closely. In response to Dizdarevic's request, the Secretary also provided some impressions of the recent round of Gromyko meetings in New York and Washington.² End summary.

3. The Secretary opened by recalling vividly his one visit to Yugoslavia when, as Secretary of the Treasury, he was invited for a long and fascinating discussion with then-President Tito. This was one of the Secretary's most memorable meetings. Tito had spoken eloquently about nonalignment, a concept which he had in large part originated and which we support. We will continue to give Yugoslavia our very warm support.

4. Responding with appreciation for the Secretary's statement of support, Dizdarevic hoped the Secretary would be able to visit Yugoslavia. He would be most welcome, and he would be able to see for himself the progress we have made. Dizdarevic assessed the overall state of U.S.-Yugoslav relations as very positive. He recalled recent high-level visits, including that of the Vice President to Yugoslavia and of former President Spiljak to the U.S. We enjoy a wide range of contacts, he said, and a full and healthy dialogue. It is time to consider specific things we ought to be doing over the next year, starting with a visit by the Secretary. The Secretary responded by expressing his desire

¹ Source: Department of State, Ambassador Robie Mark Palmer's Files, 1972–1985, Lot 87 D 177, Yugoslavia 1984. Secret; Immediate; Nodis. Sent Immediate for information to Belgrade and Moscow. Shultz was in New York for the UN General Assembly session.

² See *Foreign Relations*, 1981–1988, vol. IV, Soviet Union, January 1983–March 1985, Documents 284–288.

to make a visit, but stressing that it was a matter that would have to be addressed at a later time.

5. Turning to Yugoslavia's economic situation, Dizdarevic outlined some favorable results of the country's stabilization program while conceding that some serious problems remain. He pointed to a 5 percent increase over the first eight months of the year in industrial production, a balance of payments surplus over the same period, and increased foreign exchange earnings. By year's end, he expected a 2 percent increase in agricultural production and a 2 and a half percent rise in the domestic product. Foreign debt obligations were being liquidated without need for recourse to new credits.

6. In sum, Dizdarevic said Yugoslavia will be entering 1985 with greater optimism. At the same time, the leadership is resolved to reduce debt servicing ratio (currently 40 percent) through a longer term stabilization program. It is now preparing such a program which will have to be put before Parliament. Its basic feature is multi-year rescheduling of existing foreign debt obligations "as some other countries have done" in order to avoid stagnation and permit some needed economic growth. Dizdarevic noted that there had been a 35 percent drop in living standards over the last three years. This had become both an economic and a political question. The Secretary agreed that living standards had to go up.

7. In any multi-year rescheduling, Dizdarevic said the U.S. role will be pivotal. We will need the support of our partners. We appreciate U.S. support in the past; it has meant a lot for us. Dizdarevic recalled specifically expressions of support for Yugoslavia's stabilization program during the Spiljak visit.

8. In response, the Secretary assured Dizdarevic of our continued support and understanding for Yugoslavia. We will be working on ways in which we can be helpful, both directly (through CCC and EXIM) and in the reschedulings. He commented that now that Ambassador Eagleburger is no longer in government, he would have DAS Mark Palmer keep Yugoslavia in close focus.

9. Dizdarevic then referred briefly to "some difficulties" on certain issues with some Western countries. These involved Yugoslav perceptions of anti-Yugoslav activities in the West. The East, he said, had offered its solidarity, but this was something that Yugoslavia did not need, particularly if it meant any shift in its policy of strict non-alignment. Dizdarevic said that he had gone over these concerns with Ambassador Anderson in Belgrade. He did not need to dwell on them at this time. He was convinced the U.S. understands their concerns. Our relations, he said, are really very good. The Secretary responded

that he had read Ambassador Anderson's report.³ We need to be true to our own principles and ideals. At the same time, we have great friendship for Yugoslavia and desire close cooperation.

10. Asked for his impressions of the results of the Gromyko meetings, the Secretary said that the spirit and tone of the discussions—their businesslike aspect—all showed improvement. As to content, there was no change in any significant position. This was not unexpected, however. Both sides had approached the talks without such expectations. The Secretary said that there was practically no issue that was not addressed. The talks had been intense in the sense that both sides engaged themselves seriously in in-depth exchanges. Both sides agreed that nuclear weapons are a most serious problem that must be addressed. The proper forum for such talks remains to be resolved. While the statement at the conclusion of the meetings that both sides would keep in touch may sound casual, the Secretary said that we expect to work carefully and diplomatically in coming weeks to construct a substantive dialogue with the Soviets.

11. Dizdarevic noted that in his meetings with Gromyko, the Soviet had himself expressed interest in a more active NNA role at CDE. He thanked the Secretary for his letter on CDE which Ambassador Goodby had recently delivered in Belgrade.⁴

12. In conclusion, the Secretary said he wanted to underline his hope that Gromyko had gone back to Moscow knowing that the President was prepared for serious discussions but at he is also a man of strength who will not enter into agreements that are not in our interest or that of our friends. That said, we recognize that agreements have to be mutually beneficial. It was important that Gromyko understand that he is dealing with a President who is strong, determined and reasonable.

13. In addition to the Secretary, the meeting was attended on the U.S. side by Assistant Secretary Burt, Assistant Secretary Hughes, DAS Palmer and EUR/EEY Deputy Director Kuchel (notetaker). Dizdarevic was accompanied by Ambassador to the U.S. Rakic, Ambassador to the U.N. Golob, and a notetaker and interpreter. The 35-minute meeting took place in the Secretary's suite at the UN Plaza Hotel on October 2, 1984.

Shultz

³Not further identified.

⁴Not found.

227. Telegram From the Embassy in Yugoslavia to the Department of State¹

Belgrade, November 10, 1984, 1035Z

9305. Subject: Yugoslav Leadership in Crisis Over Multi-Year Refinancing.

1. S—Entire text.

2. I met for lunch November 9 with Deputy Foreign Secretary Loncar at his request. A gloomy man at the best of times, he was even more bleak than usual in his comments on the Yugoslav leadership. While the current intellectual dissident trial² was on his mind, his real purpose in seeing me was to seek quick and strong USG support for a multi-year rescheduling of Yugoslavia's 20 billion dollar foreign debt. Without such support, he predicted that the Yugoslav leadership would move radically toward a more conservative course and possibly a debt moratorium.

3. Loncar said he had discussed the entire situation with Prime Minister Planinc for hours the previous evening. She is, he said, fully committed to a moderate, free-market economic course but fears she will lack sufficient force to push through economic reforms and to stick to the present IMF/commercial bank/official creditor package unless some multi-year refinancing formula is found fast. Both she and Loncar are convinced, as are most others in the leadership, according to Loncar, that no acceptable formula is possible without a lead role by the USG. The other creditor countries are all waiting for the U.S. position.

4. Loncar said this conclusion has led Planinc to propose that Loncar go to Washington as a "special envoy" next week, as early as November 13³ to meet with Vice President Bush, Secretary Shultz and Secretary Regan. The purpose would be to underscore in the clearest possible terms the political/political consequences the Yugoslav leadership would face if there were no USG support for a multi-year debt solution.⁴ He said that he could not begin to predict the consequences if the U.S. failed to come through at this juncture.⁵

¹ Source: Department of State, Ambassador Robie Mark Palmer's Files, 1972–1985, Lot 87 D 177, Yugoslavia 1984. Secret; Immediate; Nodis.

² Reference is to the trial of the "Belgrade Six," dissidents who were allegedly in possession of government documents and had links to the Italian Red Brigades. Telegram 8486 from Belgrade, October 15, and telegram 9279 from Belgrade, November 9, describe the trial. (Department of State, Central Foreign Policy File, D840656–0535 and D840720–0436)

³ An unknown hand underlined "as early as November 13."

⁴ An unknown hand underlined "a multi-year debt solution."

⁵ An unknown hand highlighted this sentence with two lines drawn adjacent to it in the margin.

5. Loncar stated that such failure would be viewed as a complete change of policy by the USG,⁶ which had done so much to support the Yugoslavs economically and politically in recent years. The failure would permit the minority which had always opposed the Western financial package to move against the moderates and reformers. Were this to become the case, then many of the latter, including Mrs. Planinc, would probably be swept from office. Loncar noted that he too would be finished professionally but that this was not the key point. The important result would be that the Yugoslav drive toward a more Western oriented politico-economic system would be halted and indeed reversed for an unforeseeable period of time.⁷

6. Loncar added that the perceived outside "pressure" on the current trial of the Belgrade Six was also causing the leadership to unify in an aggressive way. He said some (a minority) in the leadership had created this "dissident" trial program but now had the majority on its side simply because of the perception that they all would be viewed as vacillating if they did not come down hard on the six intellectuals. Loncar said there were some in the leadership who were linking the outside pressure on the dissidents with the pressure on multi-year refinancing. I told him this was nonsense and he knew it. He conceded the point but said the fact it was being made in high circles showed the degree of paranoia now prevalent at the top.

7. Loncar concluded by asking for my informal views as to the advisability of his trying next week to see the U.S. leaders he had mentioned. I said the concept was certainly novel but that I had several reservations. First of all, I was sure that the USG had no firm position as yet on a MYRA for Yugoslavia.⁸ If he went to Washington and received an unclear answer or a negative response, then he and the rest of the moderates would be worse off than they seem to be now. Secondly, I said that a "serial" rescheduling, based on some form of super goodwill clause from official creditors, might be all the USG could manage at this point. Loncar said this would not be acceptable politically to the GOY.⁹

Third, I noted that he was suggesting a visit to Washington hard on the heels of an election and the prospect of getting some hard decisions made during this period seemed very slim to me. Finally, I suggested

⁶ An unknown hand highlighted the portion of this sentence beginning with "Loncar should" and ending with "by the USG" with a line in the margin.

⁷ An unknown hand highlighted this sentence with two lines drawn adjacent to it in the margin and wrote, "can't take as credible tech issue."

⁸ An unknown hand highlighted this sentence with a line drawn adjacent to it in the margin and wrote, "not right."

⁹ An unknown hand highlighted this sentence with a line drawn adjacent to it in the margin.

to him that the GOY hold off any such “special envoy” approach until after the Geneva meeting of official creditors on November 26.¹⁰ If the Yugoslavs could make a convincing pitch at that meeting, then the creditors might well be willing to take a new look at the situation. Loncar said this would be too late, that the Yugoslav leadership was looking for real movement at that meeting. His proposed visit was designed to help the USG formulate a positive position for the Geneva gathering. I repeated that this approach seemed premature to me at this point. However, I undertook to check very/very informally to see whether there was any chance of the meetings he had proposed.

8. Loncar said he hoped to hear from me by Monday¹¹ with some ideas as to the merits of the proposal as well as the possibilities of obtaining the meetings he was seeking. He added that he would be meeting with President Djuranovic on November 11 to review the proposal. (FYI. This remark suggests to me that Planinc and Loncar do not yet have formal top-level approval for the mission. However, Loncar is close to Djuranovic and I have little doubt he would receive it. End FYI.)

9. Comment. Loncar’s remarks could be taken as the usual pressure tactics that the GOY has tried to apply during other rescheduling operations in past years. However, his concern rang true to me. He was nervous and extremely grim throughout the conversation. Also, his remarks on the importance of a MYRA and the suspected linkage with the trial of the intellectuals fits exactly with what we have been hearing from other reliable sources in the past few days. The atmosphere in the upper levels of the leadership is emotional, we are told, as the leaders feel pressure on their internal political system (via the Western publicity given to the trial and attendance by U.S. Embassy and other Western observers) and on their economic system (via Western refusal to consider a MYRA). We can argue about whether the Yugoslavs are not over-reacting to random events. The fact is, unfortunately, that they perceive a pattern of outside pressure and are reacting in bull-headed Balkan fashion to cover up their nervousness and lack of self-confidence.

10. This analysis does not solve the basic problem of a MYRA. We have come to the crunch on multi-year refinancing slightly earlier than I thought it would happen. However, the ingredients for a confrontation have been present for months (see Belgrade 5192 of 6/27/84).¹² The sad fact is that the entire matter has become so politicized and that

¹⁰ An unknown hand highlighted this sentence with a line drawn adjacent to it in the margin.

¹¹ November 12.

¹² In telegram 5192 from Belgrade, June 27, Anderson reported that Yugoslavia was seeking longer-term solutions to its debt crisis, as opposed to annual rescheduling. (Department of State, Central Foreign Policy File, D840412–1000)

the USG is now, as in the past, being placed in center stage to make some magic formula appear.¹³

11. My position as of this writing is that we should accept Loncar's visit when it is formally proposed but that we should try to delay it for as long as it takes us to work out some early compromise formula on a MYRA. This solution should suit USG and Yugoslav interests and still allow him to return to Belgrade being able to claim success for the GOY. Unfortunately, I think this visit will have to occur prior to the November 26 meeting. I know this is not good news, but my conclusion is that Loncar is not overstating this case for a MYRA in terms of the effect on our bilateral relations and, perhaps more importantly in the long term, on where Yugoslavia will head politically and economically in coming years.

12. Late item. I was reliably informed late November 9 that Loncar has been given the function of political coordinator for the refinancing effort by the Yugoslav leadership. His approach to me was therefore based on a firm position within the leadership and did not represent a high-flying effort to push himself to the fore (a thought that had crossed my mind).

13. I will be submitting by septel¹⁴ some ideas that might be helpful in responding to Loncar and in reassuring other moderate Yugoslav leaders that U.S. policy remains firmly on the side of a viable and stable Yugoslavia.

14. Action request: Please provide Department's views on Loncar's informal proposal and on merits of an early politically-oriented visit to Washington. I realize this is a holiday weekend but an early response would be appreciated.

Anderson

¹³ An unknown hand drew two lines in the right-hand margin adjacent to the phrase "being placed in center stage to make some magic formula appear" and wrote, "not in our interest to perpetuate."

¹⁴ Not found.

228. Letter From Yugoslav President Djuranovic to President Reagan¹

Belgrade, November 12, 1984

Dear Mr. President,

I am deeply convinced that personal contacts and the exchange of messages at the highest level have made a great contribution to the successful development of cooperation and friendly relations between the Socialist Federal Republic of Yugoslavia and the United States of America. The Presidency of the Socialist Federal Republic of Yugoslavia attaches exceptional importance to these exchanges.

Yugoslavia considers the promotion of all forms of cooperation with the United States to be of great significance. We are glad that our relations rest on a stable and lasting foundation and that they are being constantly enriched with new forms and substance.

On this occasion, I would like to raise with you an issue which is of importance both for the further stabilization of the Yugoslav economy and for the continued expansion of the overall relations between Yugoslavia and the United States, primarily those in the economic sphere.

Yugoslavia, like many other developing countries, is facing economic difficulties which are the result of both internal and external factors. They are particularly reflected in our efforts at maintaining the external liquidity of the country.

Yugoslavia has maximized its efforts in the implementation of the long-term program of economic stabilization. This program has met with the understanding of the developed countries' governments as well as of international financial institutions. We highly appreciate the understanding and active support of the Government of the United States which found expression in the financial arrangements concluded in 1983 and 1984.

The measures undertaken for the purpose of adjusting the Yugoslav economy have yielded encouraging results. Where we had a balance of payments deficit in the past we are registering a surplus this year. Yugoslavia has met all its obligations toward the foreign creditors. Over the past three years, it has repaid more than 11 billion dollars. This has been achieved with great effort and self-sacrifice.

¹ Source: Reagan Library, Executive Secretariat, NSC Head of State File, Yugoslavia: President Djuranovic (8408586–8409290). No classification marking. Printed from an unofficial translation.

A debate is under way in the Assembly of the Socialist Federal Republic of Yugoslavia on the Program for the Normalization of the External Liquidity of the Country through 1990. This Program envisages a gradual reduction of debts and an increased inflow of hard currency through a revival of economic activity primarily with a view to increasing exports. This policy calls for a medium-term consolidation of debts, for which, in our assessment, all the necessary conditions have been created. To attain these goals the active cooperation and support of friendly countries is indispensable.

Commercial banks have in principle agreed to the multi-year refinancing of our obligations. This month we shall commence talks with the International Monetary Fund on forms of cooperation and the Fund's participation in this arrangement. However, as in the past, the active participation of the creditor countries' governments is indispensable. These governments, and the Government of the United States in particular, have been instrumental in the realization of the previous financial arrangements.

Mr. President,

The early commitment of the Government of the United States to multi-year refinancing and its support would be of exceptional importance to the realization of this Program. The Presidency of the Socialist Federal Republic of Yugoslavia would highly appreciate your understanding and personal support.

The Presidency of the Socialist Federal Republic of Yugoslavia has decided to dispatch to Washington the Deputy Federal Secretary for Foreign Affairs, Mr. Budimir Loncar, to exchange views with your aides and, should it be necessary, offer further clarifications.

I avail myself of this opportunity to renew my most sincere congratulations on the great trust the American people have placed in you by re-electing you their President. I wish you much success in the discharge of your responsible duties to the benefit of the American people and the promotion of understanding and cooperation in the world.

May I extend to you, dear Mr. President the most cordial greetings and best wishes of the Presidency of the Socialist Federal Republic of Yugoslavia, and assure you of my highest consideration.

Veselin Djuranovic²

² The translation bears this typed signature.

229. Telegram From the Embassy in Yugoslavia to the Department of State¹

Belgrade, November 13, 1984, 0954Z

9314. Subject: GOY Reaction to Financial, Human Rights Issues: Protecting U.S. Interests. Ref: (A) Belgrade 9305 (Nodis),² (B) Belgrade 9117.³

1. S—Entire text.

2. Summary. According to a number of senior GOY advisors, including Deputy Foreign Secretary Budimir Loncar (Ref A), the Yugoslav leadership has reacted strongly to the presence of an Embassy officer and other foreign observers at the recently convened trial of six dissident intellectuals in Belgrade. At least some top leaders perceive linkage between our attention to human rights and “pressure” in financial aspects of our relations, specifically lack of USG support for multi-year refinancing. They are apprehensive that the USG is seeking to compromise Yugoslavia’s independence and destabilize the country. This apprehension, though based on mistaken premises, is potentially dangerous and could trigger internal and foreign policy reactions harmful to U.S. interests. We must also consider ways to protect our taking actions consistent with our long-term policy before the current GOY mind-set hardens. Action requested paragraph six. End summary.

3. In the past week, a series of senior GOY advisory-level figures have separately presented to us views similar to those Deputy Foreign Secretary Loncar expressed to me on November 9 (Ref A). According to these officials, some members of the collective SFRY (State) Presidency are apprehensive that the USG is engaged in an effort to compromise Yugoslav sovereignty and independence through financial pressure, both directly and through the IMF. When the Embassy sent an official observer to the trial of six dissident intellectuals beginning November 5, some in the Yugoslav leadership apparently even concluded (mistakenly) that Washington (and other Western countries, including the FRG) was linking Yugoslav human rights performance with continuing support on financial issues. (We have told our contacts in no uncertain terms that this is nonsense.) These same leadership elements apparently saw this alleged USG “pressure” as part of an

¹ Source: Department of State, Ambassador Robie Mark Palmer’s Files, 1972–1985, Lot 87 D 177, Yugoslavia 1984. Secret; Immediate; Nodis.

² See Document 227.

³ Telegram 9117 from Belgrade, November 5, reported the Yugoslav Government’s consternation that an Embassy official attended the dissident trial of the “Belgrade Six.” (Department of State, Central Foreign Policy File, D840707–0255)

inimical long-range strategy. Our sources, two of whom are members of the Presidency staff, described the mood in the Presidency as highly emotional and nervous, perhaps not least because the Presidency recognizes it has made a mistake with the trial. Unfortunately, it is now stuck with the trial and typical Yugoslav reactions to mistake-making are usually not logical. The leadership may crack down more severely in the sentencing simply to show its unity and toughness.

4. This seemingly paranoid interpretation of our actions stems from real pressures and tensions in the leadership. Under the burden of a third year of austerity/stabilization driven by tough IMF conditionality, living standards continue to slide and the leadership is publicly divided over domestic economic policy. The major GOY response to its economic crisis over the past two years has been to rely on Western and IMF financial assistance, with the U.S. in the lead. In the view of GOY conservatives, the IMF has required the GOY to surrender considerable economic policy freedom of action. The pragmatic, moderate group within the GOY which initiated and advocated GOY engagement with the IMF in the face of considerable internal opposition has come under even harsher criticism by the conservatives. The latter charge the pragmatists with having led the country to the point of dangerous dependence on the "capitalist" West. If the Yugoslav leadership comes to the conclusion that the USG intends to use economic leverage to exert political pressure, pro-Western moderate groups here could be quickly neutralized and very likely pushed from power. Our reading of the various comments made to all of us in the past week or so leads us to believe that the conservative/moderate balance is more on knife's edge than at any time since Tito's death over four years ago.

5. I think we have to accept that the collective post-Tito leadership is undergoing its stiffest test to date. With that in mind, we need to look beyond the Yugoslavs' current preoccupation with their own perceived problems. When all is said and done, the character of the post-Tito leadership which will ultimately emerge will be determined in large part by its view of U.S. reliability and sincerity. In the event of a major set-back in U.S.-Yugoslav relations, we can very likely expect the emergence of an ideologically harsher and tough-fisted ruling coalition. I do not entirely exclude that such a group might well believe that Yugoslavia's interests lie in a closer, though still independent, economic and even political association with the Soviet Union and its allies. This is not a worst-case scenario; in the current circumstances suspicion of U.S. motives runs rife through even the most rational of our friends. It is simply a contingency we have to acknowledge as existing in a more real way than we have witnessed in many more years than any of us here at the Embassy can remember. (And our institutional memory is long.)

6. Where does all of this hand-wringing bring us? My response is simple, at least for the immediate future. The Yugoslavs will not act wisely and reasonably of their own volition. USG actions in the near future will affect GOY attitudes. Our objective should be to reassure the GOY pragmatists and demonstrate to GOY conservatives that our commitment to progress on both multilateral financial and bilateral political questions has not changed, notwithstanding our continuing attention to Yugoslav human rights questions. We have listed below a number of possible short-term steps the USG might take to protect its interests. These are not designed to solve long-range problems which may lurk somewhere down the road. These steps could include:

—High-level visits. (A) Prime Minister Planinc. Vice President Bush extended an invitation to visit the U.S. to Prime Minister Planinc, a—if not the—ranking leader of the pragmatist group, during his trip to Yugoslavia in September, 1983. Now that we are in a post-elections period, we could reaffirm the invitation, perhaps proposing possible dates in early 1985.

(B) The Secretary. The Yugoslavs have made clear their interest in an early visit by Secretary Shultz. The Secretary would have access to all of the top leadership. The very fact of his visit would reassure the Yugoslavs of our support for their independence and their economic stabilization efforts.

—Extradition cases. These problems have great weight among the Yugoslavs and early results would have a considerable impact. The Arktukovic case⁴ is of great emotional importance to the GOY. He is a war criminal and many here—especially more conservative elements—suspect the U.S. has consciously given shelter to “anti-communist” figures of the Nazi-related past. We recognize that this case has its own dynamics. The Yugoslavs would view any movement, such as taking him into custody, as a positive political sign. We realize that the Medenica case⁵ has its own special aspects, but here too early movement toward extradition would be viewed as a positive step. The Milic case⁶ may be easier to resolve in the post-election period. It should be given priority attention.

—The aircraft engine. Here too, continued signs of readiness to work out an acceptably co-production package would result in a significant change in mood in the GOY.

⁴ See footnote 6, Document 224.

⁵ See footnote 5, Document 224.

⁶ Reference is to Karlo Milic, who, after seeking political asylum in the United States, was charged by Yugoslavia with embezzlement. (Department of State, Central Foreign Policy File, D820334–0836)

7. We believe that, in considering the above and possibly other steps, we should take account of Loncar's real sense of urgency. The Yugoslav leadership seems to be reaching some wrong conclusions very rapidly, and we need consequently to take steps quickly to protect our interests here.⁷

Anderson

⁷ An unknown hand drew two parallel lines in the right-hand margin next to this sentence.

230. Telegram From the Department of State to the Embassy in Yugoslavia¹

Washington, December 12, 1984, 0508Z

364898. Subject: President Reagan's Reply to Yugoslav President Djuranovic's Letter on Yugoslav Debt Rescheduling.²

1. (C—Entire text)

2. In response to President Djuranovic's letter to President Reagan delivered by Deputy Foreign Minister Loncar, Embassy is instructed to deliver the following reply:

3. Quote

His Excellency

Veselin Djuranovic,

President of the Presidency

Socialist Federal Republic of Yugoslavia,

Belgrade.

Dear Mr. President:

Thank you for your letter of November 12 that Deputy Foreign Minister Loncar delivered in Washington. I share your conviction that personal contacts and the exchange of messages at the highest level

¹ Source: Reagan Library, Executive Secretariat, NSC Head of State File, Yugoslavia: President Djuranovic (8408586–8409290). Confidential; Immediate. Drafted by Ben Fairfax (EUR/EEY); cleared by Kuchel, Palmer, Lawrence Greenwood (EB/IFD/OMA), Constable, McKinley, Kimmit, Dobriansky, and Robinson and in Treasury; approved by Burt.

² See Document 228.

are of exceptional importance and have contributed to the successful expansion of cooperation and the development of the excellent relations between the United States and Yugoslavia.

Vice President Bush and senior U.S. Government officials were pleased to receive Deputy Foreign Minister Loncar here in November. His visit provided a very useful opportunity to exchange views on the Yugoslav economic and financial situation and the modalities of refinancing.

Along with other friends of Yugoslavia, the United States has been pleased to have worked closely with your government in recent years in meeting your country's financial and economic adjustment needs. Yugoslavia has confronted its economic difficulty with courage and seriousness of purpose. The Yugoslav people have made many sacrifices. I appreciate and support the efforts made by your government and people to overcome your current economic difficulties and applaud the positive results you have achieved, accomplishments which you justifiably underscored in your letter and which are well known to every friend of Yugoslavia.

Despite the progress that has been made, the United States recognizes that Yugoslavia requires continued assistance in assuring its external liquidity. As requested in your letter and presented by Mr. Loncar, we have given careful consideration to your proposal for a multiyear refinancing program. We can appreciate both the economic and political considerations you raised. Our experts have recently reviewed possible ways to meet Yugoslavia's refinancing needs over the next few years at the Geneva meeting between the Western creditor governments and representatives of your government. I understand that the outline of an acceptable approach that has the support of all creditors began to emerge at that meeting. We believe that if all parties approach the issue with openness and flexibility, we will find a solution acceptable to all. An approach based on the successful efforts of the past two years—involving the Fund, commercial banks, and official government creditors—would seem to offer the most appropriate way to proceed. Let me emphasize again that the United States is prepared to work closely with you and with other creditors and the International Monetary Fund throughout this process. Mr. President, I deeply value the long-standing and deep-rooted friendship existing between our peoples and nations. Let me assure you that the United States will lend its full support to your efforts to overcome the economic and financial problems presently confronting Yugoslavia. Our common goal should be to devise a sensible, pragmatic and realistic approach which will enable Yugoslavia once again to satisfy its financial requirements through its own internal resources and normal external credit

channels while at the same time ensuring its full independence and nonalignment.

Sincerely,
Ronald Reagan

Unquote

4. Note: there will be no signed original.

Dam

**231. Memorandum From the Executive Secretary of the
Department of State (Platt) to the President's Assistant
for National Security Affairs (McFarlane)¹**

Washington, March 9, 1985

SUBJECT

Advanced Aircraft Engine Coproduction in Yugoslavia

For the past twelve months, Defense and State have been engaged in a detailed study into the merits of authorizing a commercial coproduction agreement for an advanced US aircraft engine in Yugoslavia.² During this study, which involved numerous government to government exchanges and unprecedented access to Yugoslav industrial facilities by USG personnel, agreement was reached upon the nature of sensitive US technology, the unlikelihood of reverse engineering, the potential for success of the Yugoslav program, the need for a government to government agreement for security, and other facets of such a major program. Based upon the results of this study, the Department of State believes that we have worked out a viable coproduction agreement which can be initiated with Yugoslavia without significant risk to US security.

¹ Source: Department of State, Executive Secretariat, Sensitive and Super Sensitive Documents, 1984–1989, Lot 92 D 52, ES Sensitive, March 1–6 1985. Secret. Copies were sent to Weinberger and Casey. A typed notation at the top of the memorandum reads, “3/9 delivered via WH courier per S/S—cdb.”

² Not found.

A decision in this case has major foreign policy and national security implications. Since 1948, we have attempted to support Yugoslavia as an independent, stable buffer against Soviet expansion. The President affirmed this policy most recently in NSDD 133,³ which states that the United States will foster sales of military equipment to Yugoslavia in a manner consistent with our policy on technology transfer. Our participation in the Yugoslav fighter program would accelerate the recent trend in Yugoslav military policy towards linkages with the West, reestablish the US as a significant military partner, and provide a badly needed opportunity to influence the development of Yugoslavia's governmental, military and industrial sectors. The Yugoslavs view the engine coproduction decision as a key indicator of the extent to which we take them seriously as an independent state, and our relations with them would be harmed severely if we demonstrated a lack of trust.

Our technology transfer concerns can be satisfied through the agreed-upon safeguards. In addition, these engines have already been released for coproduction in Israel and Sweden, and French and British competitors have already indicated a willingness to provide the same or greater technology than we. It is therefore in our strategic interest in the Balkans to proceed with this project. We believe it is important that we, rather than West European competitors, be in a position to influence the flow of technology to the Yugoslavs. On the understanding that the White House is comfortable with this decision, we intend to issue the initial export licenses soon to ensure we do not lose out to the British or French.

CIA Director Casey agrees with the Department's risk analysis, but Secretary Weinberger continues to express reservations. The Secretary has discussed this case with him on several occasions and believes that his concerns have been adequately dealt with. However, we wish to draw this difference of opinion to your attention before he proceeds.

Nicholas Platt⁴

³ See Document 219.

⁴ Kenneth Quinn signed above Platt's typed signature.

232. Memorandum of Conversation¹

Washington, May 31, 1985, 9:45–10 a.m.

SUBJECT

Meeting with Yugoslav Prime Minister Milka Planinc (U)

PARTICIPANTS

The President
 The Vice President
 Secretary of State George P. Shultz
 Secretary of the Treasury James A. Baker, III
 Secretary of Defense Caspar W. Weinberger
 Robert C. McFarlane, Assistant to the President for National Security Affairs
 Assistant Secretary for European and Canadian Affairs Richard R. Burt
 U.S. Ambassador to Yugoslavia David Anderson
 Paula Dobriansky, NSC
 Michael Petrovich, State Interpreter

 Prime Minister Milka Planinc
 Federal Secretary for Foreign Trade Milenko Bojanic
 Deputy Secretary for Foreign Affairs Budimir Loncar
 Yugoslav Ambassador to the U.S. Mico Rakic
 Foreign Policy Advisor to the Prime Minister Dragan Kontic

The President opened the meeting by welcoming Prime Minister Planinc to the United States. He noted that her visit continues a tradition of high-level bilateral consultations. The President reiterated our support for Yugoslavia's independence, unity and territorial integrity and lauded Yugoslavia's 1984 economic performance. He assured the Prime Minister that we will continue to give Yugoslavia full support in its efforts to stabilize and reform its economy. (C)

The Prime Minister thanked the President for the opportunity to visit the United States and extended warm greetings from the Yugoslav Presidency. She added that the President has a standing invitation to visit Yugoslavia. The Prime Minister also stressed the importance of continuing the high-level U.S.-Yugoslav dialogue. Such talks, she said, could help to avoid misunderstandings that sometimes adversely affect our relations. It is better to clear up these differences before they become serious. She contended that her visit had managed to achieve this very goal. (C)

¹ Source: Reagan Library, Paula J. Dobriansky Files, Yugoslavia: Visit of PM Milka Planinc 5/31/85 (3). Secret. The meeting took place in the Cabinet Room. Planinc was in Washington for a private visit. The briefing materials for the meeting with Reagan are *ibid.* No drafting information appears on the memorandum of conversation. Dobriansky sent it to McFarlane on June 6 for his review and approval. (*Ibid.*)

Prime Minister Planinc then briefly mentioned her trade talks with Secretary Baldrige² and the need for expanded Yugoslav exports to the United States. She also noted that her discussions with Vice President Bush³ had been particularly frank. She had many questions about the U.S. Government's readiness for economic cooperation and support, but these had been clarified in her talks with the Vice President. (C)

At this time, the Prime Minister queried the President on the prospects for detente and when a meeting with Gorbachev would be arranged. She remarked that such a meeting would be welcomed by Yugoslavia since it could possibly lead to a change in the present international atmosphere. (C)

The President replied that Soviet leaders have a standing invitation to meet with us. In the past, we have alternated between holding summits on U.S. and Soviet territory. Given the fact that the last summit was held in the Soviet Union, it is the Soviet's turn to come to the United States. They have not yet agreed. The President went on to say that we have made some progress in U.S.-Soviet relations. Specifically, the second round of arms negotiations is underway in Geneva. We hope for the eventual, complete elimination of nuclear weapons, but are prepared to proceed with significant reductions in nuclear arsenals as a first step. Thus far, the Soviets have shown no willingness to negotiate seriously on this critical issue. (C)

The President also commented on Yugoslavia's stabilization program. He said that we would support all steps that lead to a market economy which the Prime Minister indicated is Yugoslavia's long-term aim. The President also mentioned that we value military consultations and cooperation with Yugoslavia and hope they will continue to develop in our mutual interest. He expressed satisfaction that bilateral military cooperation is proceeding well. (S)

Prime Minister Planinc indicated that she agreed with this assessment. (C)

Secretary of Defense Weinberger added that the U.S.-Yugoslav Joint Military Commission was functioning well and that now no obstacles remain to co-production of the aircraft engine. (S)

Secretary Shultz then remarked that he looked forward to the opportunity to meet with the Prime Minister over lunch to discuss U.S.-Soviet relations, arms control and other issues.⁴ (C)

²No memorandum of conversation of this meeting was found.

³No memorandum of conversation of this meeting was found.

⁴No memorandum of conversation of this meeting was found.

At this time, the *Prime Minister* raised the issue of Yugoslavia's proposal for a multi-year rescheduling agreement (MYRA). She noted that Yugoslavia was disappointed that we had not embraced this approach. She said that a MYRA is of great importance to the Yugoslav Government in that it would stabilize the positive economic trends which they had attained thus far. She pointed out that President Reagan's December 1984 letter to President Djuranovic⁵ had given Yugoslavia hope that a multi-year rescheduling agreement would be concluded. They were disappointed when that support was not forthcoming. However, Yugoslavia looks forward to U.S. support for a MYRA in 1986. (C)

In response, *Secretary Baker* commented that we are pleased with Yugoslavia's good economic performance in 1984. He also mentioned that we are aware that implementation of the stabilization program has been difficult. However, we could not support a MYRA at this time. Yet, we did move from a 12-month to a 16-month rescheduling. He also underscored the positive language in the goodwill clause of this year's agreement. He ended by stating that we would be prepared to work with Yugoslavia next year to come to some acceptable arrangement. (C)

At this point, *Prime Minister Planinc* thanked the President for sharing his time and again, extended an invitation to visit Yugoslavia. (C)

⁵ See Document 230.

233. Telegram From the Embassy in Yugoslavia to the Department of State¹

Belgrade, October 29, 1985, 1752Z

9173. Subject: GOY Demarche Over Alleged Exclusion of Yugoslav President From President's UNGA Reception. Ref: (A) Belgrade 7587,² (B) State 275869.³

1. C—Entire text.

2. On October 29, at 5:30 p.m., Ambassador (accompanied by Pol Counselor) was called in to Federal Secretariat for Foreign Affairs (FSFA) to receive verbal *démarche* from Assistant Secretary Milan Veres. Reading from notes, Veres made the following points:

—On the occasion of President Reagan's October 23 UNGA reception for visiting heads of state, only Yugoslav President Vljakovic failed to receive an invitation. On his return, he informed the collective Presidency of Yugoslavia of this.

—Such behavior is unusual and is incorrect and by it the dignity and sovereignty of the country represented by President Vljakovic is insulted.

—This is not the way to safeguard and to maintain relations nor is it the way to overcome difficulties which currently exist between our two countries.

—Such acts always have a different effect from that previously planned and this one will have an adverse effect on those who planned it.

—This act toward the President of the Presidency of Yugoslavia was very negatively received by the leadership of the Socialist Federal Republic of Yugoslavia (SFRY) and will undoubtedly have an adverse effect in our country.

—It also invokes a negative reaction and comment among all our partners. Even TASS told us of its reaction when it heard this news.

¹ Source: Reagan Library, Paula J. Dobriansky Files, Yugoslavia (10). Confidential; Immediate. Sent Immediate for information to the mission to the UN.

² Telegram 7587 from Belgrade, September 11, summarized the communication between Yugoslav and U.S. officials regarding the Presidential reception at the UNGA. (Department of State, Central Foreign Policy File, D850644–0611)

³ Telegram 275869 to all diplomatic posts, October 11, informed them of the Presidential reception at the UNGA. (Department of State, Central Foreign Policy File, D850725–0798)

—The SFRY values its relations with the USA based on full independence, sovereignty and the dignity of both countries and, in its positions, Yugoslavia has always defended and protected its dignity and its respected position as well as its principles on which relations are based.

3. In response, the Ambassador said he was very surprised to hear of this. He noted that we had extended a general invitation some time previously (reftels) and he could only conclude that a horrible protocol error had occurred. He promised to report Veres' demarche immediately to Washington. Speaking privately, the Ambassador said that he wished he had been consulted informally about this by the GOY before it felt compelled to raise this matter in such a formal manner.

4. Comment and action requested: If, as appears to be the case, a protocol error did result in this appalling set of events, it is imperative that an apology—preferably from the highest level—be forthcoming. Given the Balkan state of mind which in the best of times prevails here, the Yugoslav leadership has jumped to the worst conclusion from Vlakovic's non-invitation, i.e., that the U.S. was publicly humiliating Yugoslavia due to its annoyance over the Abu Abbas affair.⁴ It will take a nicely written apology to put things to rights and even then, unfortunately, the incident will continue to raise some suspicions in some minds.

Scanlan

⁴Reference is to the October 7 hijacking of the *Achille Lauro* cruise ship by the Palestine Liberation Front and subsequent killing of American passenger Leon Klinghoffer, planned by the group's co-founder, Abu Abbas. The hijackers were able to escape to Yugoslavia, where they could not be extradited to the United States. The effect of this episode on the U.S.-Yugoslav relationship is discussed in telegram 9082 from Belgrade, October 26. (Reagan Library, Paula J. Dobriansky Files, Yugoslavia (10))

**234. Letter From President Reagan to Yugoslav
President Vljakovic¹**

Washington, October 31, 1985

Dear Mr. President:

I have learned that through an unfortunate and inadvertent administrative error, you did not receive my invitation to the reception I hosted for heads of State in New York on October 23. I regret any difficulty that this may have caused you. Relations with Yugoslavia are very important to the United States, and I had very much looked forward to meeting you in New York.

Sincerely,

Ronald Reagan

¹ Source: Reagan Library, Paula J. Dobriansky Files, Yugoslavia (10). No classification marking.

**235. Telegram From the Embassy in Yugoslavia to the
Department of State¹**

Belgrade, December 19, 1985, 1346Z

10700. Subject: Secretary Shultz' Visit to Yugoslavia: Talks With Foreign Minister Dizdarevic.

1. C—Entire text.

2. Summary: On December 17, the Secretary and Yugoslav Foreign Minister Dizdarevic discussed at some length U.S.-Yugoslav relations particularly economic relations and possibilities for further cooperation on combatting international terrorism. The two Secretaries and their colleagues also exchanged views on the Geneva Summit² and prospects for U.S.-Soviet relations. End summary.

¹ Source: Department of State, Central Foreign Policy File, D850913–0156. Confidential; Immediate. Shultz visited Belgrade December 17–18.

² Reagan and Gorbachev met in Geneva November 19–21. See *Foreign Relations*, 1981–1988, vol. V, Soviet Union, March 1985–October 1986, Documents 150–159.

3. On December 17, the Secretary held a two hour-long formal session with Federal Secretary for Foreign Affairs Dizdarevic. The Secretary was accompanied by Ambassador Scanlan, Counselor Derwinski, Assistant Secretaries Ridgway and Kalb, S/P Director Rodman, Deputy Assistant Secretary Palmer, NSC officer Dobriansky, EUR/EEY Director Kuchel and Embassy Pol Counselor Miles (notetaker). The Yugoslav side included Ambassador Rakic, Assistant Secretaries Strbac, Cerovickc and Pejic, Division for Planning Director Job, Chef D'Cabinet Hornjak, North American Countries Office Director Pjanic, North American Countries Deputy Director Crnjak, and North American Countries officer Paic.

4. On Dizdarevic's invitation the Secretary spoke first on the subject of U.S.-Yugoslav relations. Describing these relations as basically good, the Secretary emphasized that U.S. policy reflected respect for Yugoslavia's independence, territorial integrity and sovereignty—as well as for its “critical faculties,” its independent viewpoint.

5. The Secretary first addressed the economic aspect of the relationship noting that the U.S. was very much impressed with the progress Yugoslavia had made. Last year had been a good one. This year had begun with a slow start for reasons beyond Yugoslav control, i.e., the weather; but was beginning to show an improvement. The Secretary said that we salute Yugoslavia for standing up to its difficulties and for trying to deal with future problems. In that context, he said, we would like to be helpful as Yugoslavia continued to meet its problems head on.

6. The Secretary discussed Yugoslav exports to the U.S., describing the U.S. market as the largest one in the world and one open to Yugoslavia. He then discussed two categories of problems which might cause Yugoslavia some difficulties.

A. Steel and textiles. These are particular commodities, said the Secretary, which have special arrangements around the world. On textiles, the Secretary said that we have been able to negotiate an agreement³ which should serve our mutual purposes. Steel, he noted, was even more difficult, but we were prepared to work on this. The Secretary said that he understood that the Yugoslavs had a VRA proposal to look at and he noted that this would be one way of proceeding.

B. Dumping and counter-vailing duties: This, said the Secretary, was part of the rules of the game and was fundamentally consistent with fair trade. As cases arose, they would be handled specifically and in a fair manner. As regards steel and textiles, this applied on a world-wide basis. It was not directed against Yugoslavia.

7. The Secretary said that the basic point on which he wanted to assure Dizdarevic was that Yugoslavia had open access to the U.S.

³ See KAV 2164, which amended TIAS 9447.

market. The concept used in the U.S. was one of a level playing field for everyone. This applied also to Yugoslavia—with one exception, and that one was in Yugoslavia's favor. Yugoslavia benefitted from GSP arrangements.

8. The Secretary also emphasized our interest in trade to Yugoslavia. In the field of nuclear energy, he said he wanted to put in a particular plug for Westinghouse as a supplier. With regard to military aircraft engines, the Secretary noted that there were two competitors from the U.S. Both products were very good. The Secretary asked only that these decisions be made on a competitive basis. We seek no special political favor, he emphasized and we hope we will not lose out because of some political favor to someone else.

9. The Secretary noted in passing our intention to work with Yugoslavia in the new GATT round and in the preparatory committee.

10. The Secretary then turned to the problem of terrorism. This world-wide problem had become close to the number one concern of the American people. We think, he emphasized, that people engaged in terrorist activity are a threat to civilized government and to our citizens. The Secretary noted the connection, particularly in Latin America, between terrorists and drug smuggling. He described the tendency for international terrorists to target U.S. citizens and installations abroad. The Secretary noted that we were developing our intelligence, our capability, our defensive arrangements and, in a sense, we had shifted philosophical gears in the U.S. on this issue. On the whole, he said, we had acted with great restraint, but our patience was wearing thin.

11. So we did take action, said the Secretary, when we saw the prospects of the Achille Lauro hijackers escaping justice.⁴ Despite the dissatisfaction of our Italian and Egyptian friends we were successful and four of the hijackers will be brought to trial. The Secretary said that the U.S. and Yugoslavia had discussed the Abu Abbas matter and that he did not want to belabor this now. Abu Abbas had been judged by the Italian authorities to have had some involvement in the affair. We see no excuse, said the Secretary, for hijackers to seize a ship and to kill and harass innocent passengers. We believe, he emphasized, that such terrorists should have no place to hide and that no quarter should be given them.

12. The Secretary noted Ambassador Oakley's recent, successful visit to Yugoslavia.⁵ The Secretary said that he just wanted Dizdarevic to know how seriously the U.S. took this problem. The Secretary

⁴ See footnote 4, Document 233.

⁵ Telegram 8256 from Belgrade, September 30, provides an overview of Director of the Office for Combating Terrorism Robert Oakley's meetings during his trip to Yugoslavia. (Department of State, Central Foreign Policy File, D850696–0060)

concluded by expressing our readiness to work with Yugoslavia on this problem.

13. Federal Secretary Dizdarevic said that he shared the Secretary's assessment of our stable relations and prospects for further development. The Yugoslav view was that bilateral relations were good as was the general atmosphere. Dizdarevic said that the Secretary's visit was regarded as a continuation of the ongoing U.S.-Yugoslav dialogue on matters of mutual interest. Dizdarevic emphasized that Yugoslav intentions were to build good and stable relations with the U.S. on the basis of principles of full mutual respect for independence, equal rights and non-interference in internal affairs. There had to be complete respect for the different system of the two countries which caused different viewpoints. This was normal even when it led to sharp differences and undesirable developments from time to time. Our experience, said Dizdarevic, was that it was best not to dramatize these differences. With a reliance on the principles of the relationship and with mutual respect it was possible to overcome difficulties which appeared. Even in difficult international conditions, said Dizdarevic, we had managed to develop and to maintain our good relations and cooperation. This was important not only for our two countries, but had a broader international significance. Dizdarevic repeated his comments about the importance of the Secretary's visit in the context of high-level political dialogue between the two countries and he reminded the Secretary of the standing invitation for President Reagan to visit Yugoslavia. Dizdarevic described Yugoslav hopes for visits by Mr. Baker and Mr. Baldrige and for a visit to the U.S. by Federal Executive Council Vice President Zemljarić. Dizdarevic noted Yugoslav satisfaction with the exchange of visits between Congress and the Yugoslav Federal Assembly. He expressed the hope that this sort of intensive exchange would continue.

14. Dizdarevic said that while Prime Minister Planinc would concentrate on the economic side of the relationship and on the world economic situation, he wanted to mention one area: we want cooperation in the military-economic sphere to continue, he said. This was in our mutual interest even though this cooperation had decreased. The GOY, he said, believed there were great possibilities in this area. The Secretary responded positively noting the Joint Military Commission meeting scheduled for 1986.

15. Dizdarevic picked up the Secretary's earlier comment about aircraft engines. We are interested, he emphasized, adding that there was no doubt of Yugoslavia's intent to build its own military aircraft for which cooperation would be needed on the engine.

16. Dizdarevic said that he could corroborate what the Secretary had said about GATT. U.S.-Yugoslav cooperation in the preparatory commission was useful and should continue, despite differences.

17. As for terrorism, said Dizdarevic, we regard this as a very difficult (“tezak”) problem in the modern world. It was absolutely necessary to have the entire international community solve it and to combat it through international cooperation. Dizdarevic described Yugoslavia’s effort to reconcile the three anti-terrorist resolutions currently before the UNGA so that one could be passed by consensus. Dizdarevic said that the GOY was aware of the general feeling in the U.S. on this issue. He described the long history of violent acts by anti-GOY terrorists since 1945 and noted that only this year the authorities had rounded up a large group of anti-GOY terrorists who were preparing to carry out terrorist attacks in the FRG and in Yugoslavia.

18. Dizdarevic described the difficulties Yugoslavia faced in dealing with the terrorist threat. It had open borders for its own citizens and for foreigners. Visas had been abolished with over 70 countries. Over 15,000 Arab students (sic) were resident in Yugoslavia. Dizdarevic then described the expulsion a few years ago of a group of Arab students who had been surveilling the American Embassy.

19. Dizdarevic listed three points on this issue. The GOY, he said:

—Clearly distinguished between terrorism and the national liberation struggle.

—Believed that the same standard should be applied to all terrorism. It did not believe in a double standard regardless of who or what was involved.

—Was convinced that in the struggle against terrorism, the causes which led to terrorist activities also had to be dealt with.

20. In conclusion, Dizdarevic said that he believed that the GOY should cooperate in this area. The GOY had very positively evaluated the talks Ambassador Oakley had conducted in Belgrade and a team of Yugoslav experts would soon visit the U.S. in response to Oakley’s invitation. We are prepared for their cooperation, he repeated, but it was important to give the professionals some scope and to avoid politicizing things. Dizdarevic agreed with the Secretary however when the latter said that nonetheless things quickly came to the political level when someone was killed.

21. In response to Dizdarevic’s invitation, the Secretary described his view of U.S.-Soviet relations in the wake of the Geneva Summit. The Secretary began by noting that, with all the support of the bureaucracy, the summit was essentially a meeting between the two leaders. Both in the lengthy private meetings and in the plenary sessions, this was so. The talks were conducted without any acrimony, but with candor and

frankness. Both the President and Gorbachev came to Geneva with a desire to engage on real issues and not to avoid them.

22. The President, the Secretary continued, came away feeling the exchange was quite worthwhile. He felt he had learned something about Soviet views. The discussion showed, said the Secretary, that there were many issues of deep difference between us. There was a hard road ahead before these would be resolved. But, the Secretary continued, there were also clear areas of common interest. And there was a capacity at Geneva to agree on things when that was possible.

23. The Secretary told Dizdarevic that we were working hard on the post-Geneva follow up. We had started immediately. This was so not only within the USG, but also in our interactions with the Soviets through our Ambassadors in Moscow and Washington. The Secretary said that his impression was that the Soviets were taking the follow up as seriously as were we. The Secretary said that Geneva had caused some motion in almost all areas of arms control and we were following up on this. A variety of things in the bilateral area had been agreed to and we would try to get them in place and working. This, said the Secretary, was of great significance. The Secretary observed that much of the tension in the relationship came from activities in various flash points around the world. These were described to Gorbachev, and we hope to follow up, both by a continuation of the experts' talks but also by more frequent meetings at the Foreign Minister level.

24. The Secretary said that human rights was an area of immense importance to us. The President had decided that the best way to handle this was privately between himself and Gorbachev and, without saying any more about it, that was the way it was done.

25. As a general proposition, said the Secretary, we approached the summit in a constructive spirit. We like to have predictable, stable relations, but these must be founded on good agreements. We are not interested in one-sided agreements.

26. The Secretary asked Assistant Secretary Ridgway and Deputy Assistant Secretary Palmer if they would like to add a few comments. Ridgway mentioned two points: the personal relationship between the two men and the problem of managing expectations. On the former, she noted the establishment of the ability of the two leaders to deal with different issues on a personal basis. This did not make our differences easier to resolve, but it did add a new and important dimension to the process of resolving them. With regard to managing expectations, she noted the appreciation from many quarters that expectations were dealt with in a measured and appropriate way. The outcome was appropriate for a first meeting. There was now a sense that the second meeting contained particular challenges. If expectations were too high,

there would be disappointment: if too low then perhaps we would not achieve all that we might. So, Ridgway concluded, as we organized our work looking toward the second meeting we were trying to take full advantage of the personal relationship which had now been established and we faced the very real challenge of managing expectations and accomplishing that which could be accomplished.

27. Palmer said that given Yugoslavia's direct interest in the Third World and the Non-Aligned Movement, he would like to say a few words about the summit discussions on regional issues. It was important, he said, that the two leaders recognized that the U.S. and the Soviet Union were not alone and could not solve these problems alone. There was also a strong desire on the part of both leaders to move from exchanging very different opinions on these issues to actually doing some work on them. The Secretary had mentioned, said Palmer, the important role these issues had played in causing the U.S.-Soviet relationship to go off track. This also affected our arms control efforts. If we, with the participation of the non-aligned and other countries, could make progress on these regional issues, that would positively influence our overall relationship. In particular, said Palmer, Afghanistan and Southern Africa were two issues on which Yugoslavia could help. This would have a beneficial effect on the problem areas themselves but also on a broader international spectrum.

28. Dizdarevic thanked the Secretary and his colleagues for their comments. Noting the great interest with which all the world had followed the summit, he said that no matter how much was said or written in public, one remained apprehensive that things were really as firm as they appeared. The Yugoslav position was clear, he said. Yugoslavia had very positively assessed the summit and its results and gave full support to the renewal of the U.S.-Soviet dialogue. Dizdarevic expressed appreciation for the Secretary's personal involvement and for the visit to Belgrade of Ambassador Tower immediately after the summit. He said that, in comparing Ambassador Tower's information with that received from the Soviet Government, the GOY had concluded that there were quite a few points in common. The GOY felt the results exceeded what the "realists" had expected—taking into account, he added, Assistant Secretary Ridgway's comments. Dizdarevic then recounted an anecdote in which President Tito had said that the one thing most needed in the U.S.-Soviet relationship was trust. The GOY, said Dizdarevic, knew how much effort was needed to build confidence and trust when they were lacking. Nonetheless, the GOY hoped that the two countries would soon be able to take specific steps at least on those issues where common interests were expressed.

29. Dizdarevic said that the GOY assessed Gorbachev as being very firm in his orientation in favor of dialogue, negotiation, reaching agreements. His policy and that of his team was aimed in that direction. If one looked at what Gorbachev had achieved in only nine months, one had to see that he had brought a certain dynamism to Soviet policy. Surely, said Dizdarevic, he can achieve even more in a longer period. The GOY, emphasized Dizdarevic, was certain that Gorbachev was a reliable partner. He would not make any concessions on the basic strategic interests of the Soviet Union, but would seek equal treatment. He would try to carry out that which had been written at Geneva, i.e., neither party would seek supremacy. The GOY had also noted that in Gorbachev's report to the Supreme Soviet, he had rejected anything "one-sided." Dizdarevic commented that the Secretary had made a similar comment.

30. Dizdarevic said that he was going to Moscow in early January and would be most interested to hear Soviet views.

31. Dizdarevic reminded the Secretary of their interrupted conversation in New York on regional problems. He repeated the support—and the "demands"—of the Non-Aligned Movement for U.S.-Soviet negotiations and for relaxation of tension and added that he wanted to describe also the "fears" of the other countries of the world. The world suffers, said Dizdarevic, when there was confrontation between the U.S. and the Soviet Union and that was why there were calls and demands for talks and on easing of tension. But, he went on, there was also fear of "bipolarization" when U.S.-Soviet talks were progressing and agreements were being reached. Such fears were present now, emphasized Dizdarevic. Quite a few non-aligned countries, he said, had noticed that in contrast to previous summit documents, the Geneva Summit statement had mentioned bilateral but not multilateral talks. Dizdarevic gave his view that in any discussion of regional problems and crisis points, there should be broader participation—by those concerned and those who could contribute. People were afraid, said Dizdarevic, that these problems were being approached only from the standpoint of the two superpowers or the two blocs. There can be no relaxation of tensions in the world without relaxation of tensions between the two superpowers. But, asked Dizdarevic rhetorically, can relaxation of tensions between the two superpowers be durable if not accompanied by a broader relaxation of tension and a better international atmosphere on the whole.

32. Finally, said Dizdarevic, there was the positive element. The Non-Aligned Movement of over 100 nations could be an enormous bridge to understanding. It can help to overcome confrontation and can offer broad support for an easing of tension. It has no other position.

Scanlan

236. Telegram From the Department of State to the Embassy in Yugoslavia¹

Washington, December 21, 1985, 1428Z

388190. Subject: The Secretary's Meeting With Yugoslav President Vljakovic—November 17, 1985.²

1. Secret—Entire text.

2. Summary

President Vljakovic covered the same general set of topics addressed in the Secretary's earlier meetings with Foreign Minister Dizdarevic and Prime Minister Planinc, but added a review of Yugoslavia's relations with its neighbors. He reaffirmed Yugoslavia's desire to have the President visit and said they would be particularly pleased to welcome him next year. End summary.

3. In a fifty-minute session, President Vljakovic set out the GOY's overall approach to its internal policies, US-Yugoslav relations and the world. He began by noting that the Secretary's visit confirmed the friendly relations between the two countries. The present world situation made the visit particularly useful. President Reagan had his meeting with Gorbachev which the world approved, expected and sought. The GOY appreciated the fact US had sent Senator Tower³ to brief on the summit, which the Soviets also had done via their Ambassador.

4. Vljakovic had met many statesmen from Europe, Africa, Asia and the main question in discussions was which way the world was going and whether the two blocs realize the world wants a different relationship between them as this is crucial for everyone. Yugoslavs are realistic and did not expect spectacular results from first meeting. Patience, persistence and painstaking work are now required. The main problem is arms race, which burdens everyone and especially the developing world.

5. Yugoslavia's history, position and strategy as a non-aligned, socialist, self-managing country open to good relations with all countries is well-known. This is the base Tito created. There were doubts at Tito's death five years ago whether this policy could continue. The

¹ Source: Reagan Library, Paula J. Dobriansky Files, Secretary State Visit to E. Europe (3). Secret; Priority; Exdis. Sent for information to Rome, Athens, Bucharest, and Moscow.

² The date in the subject line should read December 17, 1985.

³ Former Senator John Tower was head of the U.S. Delegation to the Nuclear and Space Talks in Geneva.

period since has been difficult. The basic problem is economic, but it was wrong to draw conclusion that Yugoslavia is unstable. Their economy would be more competitive in the world market as they have been going through a slow process to make adjustments. This process is on track.

6. More broadly, the developed countries had an interest in helping the developing countries as they had the potential to become bigger markets if allowed to grow faster. At the non-aligned meeting in Luanda,⁴ arms control was an important topic, but North-South and debt issues were also seen to have an impact on instability in these countries. The super-powers must focus on this problem. Yugoslavia is opposed to the introduction of ideology into the Non-Aligned Movement, and efforts to create ties to “natural allies,” i.e. the Soviet Union. They were preparing the 8th non-aligned summit on this basis. They discussed the various hot spots and hoped improved relations among the US and Soviet Union would help alleviate regional tensions. They wanted to eliminate instability in Southern Africa, but this was due primarily to South Africa. It was important to resolve the problems of the Arabs; hopefully this would eradicate international terrorism, and lead to a clear distinction between national liberation movements and terrorism.

7. Vlajkovic then turned to relations with Yugoslavia's neighbors. They attach special importance to these relations, which were good with almost all of the neighbors. With Romania and Hungary, the Yugoslavs respect their sovereignty and right to develop in their own way. There were good relations with Austria and Italy. Yugoslavia wanted to abolish visa requirements for all its neighbors—Greece and Albania were the only ones that did not agree to their no-visa policy. With Bulgaria, there has been some dispute over the Macedonian minority since 1948. Yugoslavia hopes this issue will some day fade away. Otherwise they had generally good relations, occasionally less dynamic but never bad. Papandrea would be visiting early next year.

8. Albania is a special case. There are a number of ethnic Albanians in Yugoslavia. He remembered what it was like 40 years ago—they were practically illiterate, only 10 had education, and there was no publishing. The Albanians were very underdeveloped even for the Balkans. In the meantime, while they have not yet reached the level of others in Yugoslavia, they did have compulsory education, a university, an academy of science, and a TV station, all in Albanian. They got their first intelligentsia after 20 years of this process, but then Albania entered the picture. Hoxha was always hostile from 1948

⁴ September 4–7.

onwards. He had territorial aspirations and encouraged irridentists among the population of Kosovo. There are signs now that Albania seems to recognize that this is not in their own interest. Even in such a situation, Yugoslavia had developed cooperation; in volume they were Albania's largest trading partner. They don't think they've been wrong and intend to continue despite Albanian scolding. As the Albanians' only route for an international railroad would need to go via Yugoslavia, and even though this was not in Yugoslavia's economic interest, they did decide to build a sixty kilometer connection as an act of good neighborliness.

9. The Secretary thanked Vljakovic for his comments. He noted that he had listened to various people that day and President Vljakovic's remarks filled in helpfully. He appreciated the reassurances about President Reagan's meeting with Gorbachev in Geneva, he wanted to assure the Yugoslavs that we are alert to the problems of economic development and had made a set of comprehensive proposals under the heading of the "Baker Plan." The US is alert to the flash points, is working hard, and has made proposals to the Soviet Union for a better process. Finally, he said that we have great respect for the independence, sovereignty and territorial integrity of Yugoslavia and appreciate the opportunity to see our relations developing—particularly, as the Foreign Minister had pointed out in his thoughtful luncheon toast, the fact that two countries with different systems have learned to work together. The Secretary noted that he didn't want to get into too much trouble with the press. He was already late to meet with them.

10. Vljakovic concluded the meeting by extending the greetings of the Yugoslav State Presidency to President Reagan and requested the Secretary to remind President Reagan that he has an open invitation to visit Yugoslavia and they would be particularly pleased to welcome him next year.

Shultz

237. Information Memorandum From the Assistant Secretary of State for Intelligence and Research (Abramowitz) to Secretary Shultz¹

Washington, February 8, 1986

SUBJECT

Yugoslavian Support for Terrorism

In light of your recent breakfast discussion with Secretary Weinberger about Yugoslavian support of terrorism,² we have carried out and attached a review of the recent evidence. We believe that the Yugoslavian government, as a matter of official policy, at least condones and gives passive support to groups whose principal activity is international terrorism. This activity is distinct from its relationship with more broadly based "national liberation movements" such as the African National Congress and the PLO.

Doing Business with Terrorists

Although the government of Yugoslavia acknowledges past dealings with international terrorist organizations, it has publicly and privately denied such relations continue. We believe, nevertheless, the evidence shows that Yugoslavia still provides a range of assistance to unequivocally terrorist groups (elaborated in attachment). At a minimum this includes safehaven and transit privileges, both of which contribute significantly to a group's operational capabilities. Evidence exists, but it is less strong for current government involvement in training, financial facilitation, and arms transfers. Although its ties to terrorist groups are not as extensive as major patrons such as Libya and Syria, Yugoslavian help is qualitatively distinct from the passive indulgence provided by some other European governments, most notably France and Austria.

Who and Why

Although the activity we detect has been carried out by Yugoslav secret police and intelligence organizations, our general understanding of the workings of these organizations leads us to believe they are acting under guidance approved at higher levels of government or party,

¹ Source: Department of State, Executive Secretariat, Sensitive and Super Sensitive Documents, 1984-1989, Lot File 92 D 52, ES Sensitive, Feb 12-22 1986. Top Secret; Sensitive; Noform; Nocontract. Drafted on February 7 by Richard Clarke (INR/RA); cleared by Gerald Sutton (INR/SEE); approved by Jerome Kahan (INR/FAR).

² No memorandum of conversation of this meeting was found.

specifically the presidency (the Federal Executive Council), the Defense Council, or the Politburo.

Yugoslavia is motivated in its approach to terrorists by several factors. First, like some other countries, Yugoslavia is willing to subscribe to a *modus vivendi* with terrorists to deflect attacks from itself. Relationships with terrorist groups also are helpful to Yugoslavian intelligence operations. However, Yugoslavia has in the past demonstrated that its interest goes beyond this level by actively welcoming groups. Presumably, both Yugoslavia's self-image and the image it wishes to project as a "progressive" state with its own guerrilla tradition and national mythology may explain this attitude.

We have presented our best analysis of the present situation as we perceive it. I understand that Bob Oakley is sending you a separate memo³ detailing what we are doing to modify it.

Attachment

Paper Prepared in the Bureau of Intelligence and Research⁴

Washington, undated

YUGOSLAVIA: RECENT RECORD ON AIDING TERRORISM

While information linking Yugoslavia to terrorism dates from the early 1970s, the cases listed below focus on activity over the last two years.

The Abu Nidal Group. In a November 1983 meeting with the radical Palestinian Abu Nidal, the then Federal Secretary for Internal Affairs, Stane Dolanc, and his advisor, Jovo Milos, agreed to provide arms, training, safehaven, and medical aid in exchange for hard currency and information on other terrorist groups, [*less than 1 line not declassified*]. The Abu Nidal organization reportedly later transferred \$2 million to a Yugoslavian bank. Dolanc apparently sought the meeting to help insure that the Abu Nidal Group would not disrupt the Winter Olympics in Sarajevo and to learn if any other terrorist groups might have plans for operations at the games.

The Dolanc-Abu Nidal conversation indicated that the Yugoslav Government and the terrorist group had had ties for several years. The "bilateral collaboration and coordination"—as Abu Nidal termed

³ Not found.

⁴ Top Secret; Sensitive; Noform; Nocontract; Orcon. Drafted by Brent Blaschke (INR/TNA); cleared by Sutton, Clarke, and Booth; approved by Kahan.

it—while apparently based on exchanges of information, involves other elements as well. The conversation clearly indicated that Belgrade granted safehaven and transit privileges, as well as weapons, to members of the group. It also appeared that Yugoslav authorities were aware of Abu Nidal organization members among the local Arab-student population and that a local cell leader maintained liaison with the Yugoslavs.

There has reportedly been at least one major meeting between Yugoslav officials and Abu Nidal since May 1984 when the USG complained to Belgrade about its support for terrorists. [*less than 1 line not declassified*] a Yugoslav delegation, headed by the Interior Minister Dobroslav Culafic, visited Libya in February 1985. The trip had been arranged through the auspices of Abu Nidal representatives in Yugoslavia. During the visit, Culafic's senior advisor, Jovo Milos, personally met with Abu Nidal. Although we have no report of what was said, we doubt that the meeting was used to terminate the relationship with Abu Nidal.

On the contrary, we have strong indications that this close relationship is still functioning. [*1 line not declassified*] the group maintains an important support structure in Yugoslavia with the consent of the authorities and [*less than 1 line not declassified*] Abu Nidal visited there during 1984.

[*less than 1 line not declassified*] an internal debate within the government concerning whether Yugoslavia should continue having ties to violent terrorist groups. The security services, which supported continued links, won out, basing their argument on the benefits to long term foreign policy goals accrued by remaining friendly to a wide spectrum of Middle East factions. The Yugoslavs were maintaining senior level contacts with Abu Nidal as of May 1985, [*less than 1 line not declassified*].

[*less than 1 line not declassified*] speaking in November 1985, stated that it is "common knowledge" within official circles that Yugoslavia has agreements with various terrorist groups. These agreements allow terrorists to use Yugoslavia as a staging area in return for pledges not to mount attacks there.

The likelihood, that Abu Nidal operatives retain safe passage privileges in Yugoslavia is borne out in the itineraries of both the Egypt Air hijackers and the Rome airport attackers. All three airliner hijackers traveled to Athens from Belgrade, where they purchased airline tickets. At least two of the Rome assailants spent time in Yugoslavia just prior to the attack. One stated that he had also been in Yugoslavia prior to another operation in France earlier in the year. While there, he received several thousand dollars from a Palestinian at a Belgrade address his headquarters provided in advance.

Another factor pointing to a continuing relationship between Yugoslavia and Abu Nidal are the positions occupied by Stane Dolanc and Jovo Milos. Both men, who have dealt personally with a number of figures from the terrorist world in the past, continue to hold very senior jobs dealing with internal security and terrorism matters. Dolanc, [*less than 1 line not declassified*] played a key role in orchestrating Yugoslavia's aid to Abu Abbas after the *Achille Lauro* affair.

Armenian Secret Army for the Liberation of Armenia (ASALA). [*less than 1 line not declassified*] an apparent modus vivendi between Yugoslavian officials and Hagop Hagopian, an ASALA leader who is known for his advocacy of indiscriminate violence. Hagopian was directly responsible for the bomb blast at Orly Airport in July, 1983 which claimed seven lives and injured over fifty.

Hagopian lived in Zagreb for seven years, reportedly without the knowledge of the authorities [*less than 1 line not declassified*] and then moved to Damascus. In the past two years he has made several trips back to Yugoslavia, with the consent of the government. His trips are ostensibly for medical treatment for himself and his Yugoslavian wife. However, on at least one occasion in 1984 (and indications are more) Hagopian met with Jovo Milos. The substance of their meeting is unknown. [*less than 2 lines not declassified*]

Lebanese Armed Revolutionary Faction (LARF). This group, composed mainly of Marxist Lebanese Christians, carried out a number of attacks against US diplomats in France in 1982–84. LARF members under arrest in Italy have admitted they spent extended periods in Yugoslavia in 1983–84, including as late as the fall of 1984. One stated he obtained explosives from an individual there. [*less than 1 line not declassified*] the group maintained a safehouse in Belgrade.

While we have no evidence of direct contacts between the Yugoslav authorities and LARF, such links can be inferred by the fact that LARF went to the trouble of maintaining a support structure in Yugoslavia when its main area of operation, France, lay several international borders away. Also, LARF chose to rent several apartments in a country like Yugoslavia, although police monitoring and housing strictures are more extensive than in Western Europe. The most likely explanation is some understanding with the host intelligence services. The Yugoslavs, for their part, have been extremely slow to cooperate in investigating LARF's activities, [*less than 1 line not declassified*].

Popular Front for the Liberation of Palestine (PFLP). A possible Yugoslav / LARF conduit is the Popular Front for the Liberation of Palestine (PFLP) with whom LARF has known links. President Papandreou recently told Ambassador Keeley that his intelligence services have been providing him with evidence of terrorist training camps in Yugoslavia. His remarks were undoubtedly based in part on recent

Greek interrogations of a Palestinian who claims to be a member of the PFLP. The Palestinian states that a group of PFLP members just finished terrorist training in Yugoslavia and have been dispersed around Europe to carry out attacks. The veracity of this information has not been confirmed, though the PFLP is known to have received training in Yugoslavia periodically since the 1970s.

Popular Front for the Liberation of Palestine–Special Command (PFLP–SC). Israel, which characterizes the PFLP–SC as the most radical Palestinian organization, is certain that Yugoslavia presently provides the PFLP–SC with training, weapons, and documentation. Israel also reports that the PFLP–SC has undergone training that is terrorism-specific in a Yugoslav army camp, and that it was running a printing operation in Yugoslavia as late as March 1985. [3 lines not declassified]

Compared to Others

Yugoslavia's relations with terrorist groups, particularly Abu Nidal, fall somewhere in the middle of those countries which seek accommodations with terrorism. At one extreme are nations like Libya and Syria, which are involved intimately in using Abu Nidal and other terrorists as hired guns. At the other end are countries such as France and Austria, which attempt to "buy off" Abu Nidal by lenient treatment of the group's imprisoned operatives. In between is Yugoslavia (and similarly Bulgaria) which provides resources and safehaven to Abu Nidal in return for certain favors, such as immunity from attack. This policy provides tangible benefits which Yugoslavia will likely be reluctant to forsake.

Yugoslavia's primary motivations in maintaining ties with terrorist groups appear to be an effort to obtain useful intelligence and to deflect attacks from itself. Other possible factors include a desire to maintain revolutionary credentials and an emotional attachment to the concept of the partisan fighter, arising from the country's World War II experience.

238. Memorandum Prepared in the Central Intelligence Agency¹

EURM86–20022

Washington, March 3, 1986

Yugoslavia: PLO Ties and Terrorism

SUMMARY

Belgrade's close ties to the mainline PLO represent the most solid basis for Western charges that Yugoslavia abets international terrorism. The Yugoslav government has had sporadic contact in the past with more radical Palestinian factions—including Abu Nidal and the PFLP–SC—and it continues to cultivate links with South African insurgent groups such as SWAPO, the ANC, and the PAC. But the Yugoslavs have invested little in these relationships by comparison with their commitment of diplomatic support, material assistance, and military training to the mainline PLO. Belgrade, concerned by recent Western criticism, may decide to restrict its contacts with at least some of these groups and may even become more circumspect in its dealings with Arafat. Yet it will not likely alter its basic relationship with the PLO for the foreseeable future, nor will it become a reliable ally of Western governments against Palestinian extremists. [*portion marking not declassified*]

Diplomatic Support

Yugoslavia's backing of the Arab and Palestinian sides in their dispute with Israel dates from Tito's close relationship with Nasser in the 1950s during the formative years of the Nonaligned Movement. Tito made no secret of his pro-Arab tilt or his sympathy with the PLO. He allowed Soviet cargo aircraft to fly over Yugoslavia en route to Egypt during its 1967 war with Israel and he pushed hard in 1975 for the UN resolution condemning Zionism as a form of racism.² While denouncing the threat to Yugoslavia of Croatian terrorists abroad, Tito permitted PLO terrorists to pass freely through his own country. He approved the opening in Belgrade in the 1970s of a PLO diplomatic mission, which continues to cooperate with the Yugoslav government in monitoring the activities of Palestinian radicals transiting or residing in the country. [*portion marking not declassified*]

The Yugoslavs appear strongly committed to Arafat. [*less than 2 lines not declassified*] In recent weeks Yugoslav leaders have repeatedly

¹ Source: Reagan Library, Paula J. Dobriansky Files, Yugoslavia (11). Secret; [*handling restriction not declassified*]. Prepared in the Southeast European Branch, East European Division, Office of European Analysis at Kuchel's request and coordinated with the Office of Global Issues, the Office of Near East South Asia, and the Directorate of Operations.

² Additional information on this resolution is in the *UN Yearbook*, 1975, pp. 590–600.

reasserted that Arafat's PLO was "the only legitimate representative of the Palestinian people." [*portion marking not declassified*]

The Yugoslav government regularly receives high-level PLO visitors, including Arafat who last visited the country in July 1983. The US Embassy in Belgrade reports that Arafat may again visit Yugoslavia in March. In late January Abu Jihad (Halil Al Wazir), Fatah's deputy military commander and a veteran of numerous anti-Israeli terrorist operations, met in Belgrade with the Yugoslav ministers of Defense, Foreign Affairs, Internal Affairs, and other senior officials. According to the Yugoslav press, Abu Jihad was promised continued "comprehensive" support in the struggle against Israel. [*portion marking not declassified*]

Belgrade has not altered its pro-Arab slant or its staunch support for the PLO in the wake of the Achille Lauro affair last October,³ even though it has indicated a willingness to increase cooperation with the West on terrorism. In January, Deputy Foreign Minister Loncar asserted that the United States and Israel shared equal responsibility with Libya for heightened tensions in the Mediterranean. [*portion marking not declassified*]

Military Training

Belgrade continues to provide military training for the mainline PLO. The Jordanian press recently quoted a Palestinian source in Amman affirming that Palestine Liberation Army personnel are now receiving training in Yugoslavia. Military training for PLO members has been almost constant since the early 1980's. Selected examples:

[*3 paragraphs (31 lines) not declassified*]

[*5 lines not declassified*] Belgrade openly condemned Abu Nidal for the first time following the Rome and Vienna airport attacks in December. The State Presidency, which oversees foreign and security policies, apparently is now attempting to distance itself from Abu Nidal with its public denunciations of terrorism, although we would not rule out a resumption of secret, close contacts if Belgrade should again perceive it to be in its interest to do so. [*portion marking not declassified*]

[*1 paragraph (8 lines) not declassified*]

Yugoslavia's international image also has been hurt by its reputation as a transit point for international terrorists, even though the government likely has little control over such movement. [*12 lines not declassified*]

Motivations for Supporting Terrorist/Liberation Groups

Belgrade probably perceives its support for the PLO as strengthening its hand within the Nonaligned Movement, of which it was a cofounder

³ See footnote 4, Document 233 and footnote 4, Document 235.

and is a leader of the moderate wing. In recent years Yugoslavia has been under assault from Cuba and other nonaligned radicals—as well as Moscow—for its allegedly lax record in supporting anti-Western causes. Belgrade probably felt rewarded, for example, by the positive reaction in the movement to Yugoslavia's support for Abu Abbas in the Achille Lauro affair. [*portion marking not declassified*]

Economically, Belgrade has long been concerned to maintain its good standing among the Arab states. The region accounts for a large share of Belgrade's annual billion dollar arms export trade and has been a growing market for exports of machinery and chemicals. Yugoslavia earns significant foreign exchange from civilian and military planning, engineering, and construction projects in Libya and Iraq and in recent years Belgrade has accepted partial payment in oil for these services. [*portion marking not declassified*]

Yugoslav history also shapes Belgrade's perception of terrorist acts. The creation of the first Yugoslav state in 1918 was the outcome of a terrorist attack in Sarajevo by the Serbian terrorist "Black Hand Society" with at least the tacit backing of some elements of the Serbian government. The modern Communist Yugoslav nation was born in a national liberation war—raised by regime propagandists to a struggle of epic proportions—in which the German invaders viewed the Yugoslav partisans much like terrorist gangs. Yugoslavs today still celebrate the deeds of the Hajduks—Yugoslavs who took to the hills to terrorize the Turkish occupiers between the 14th and 19th centuries. The Macedonians at the turn of the century were renowned throughout Europe for their terrorist deeds in pursuit of their own state. [*portion marking not declassified*]

Yugoslav society is probably more accepting of violence, such as that used by terrorist movements, than its West European counterparts. When the US Embassy several years ago installed metal detectors at its gates it reported an unusually high proportion of southern Yugoslavs carrying weapons. The ethnic Albanians in and near Kosovo province still carry on blood feuds. Even the more Central European Croats indulged in bloody, brutal actions against the Serbs during World War II, deeds that were reciprocated in kind. [*portion marking not declassified*]

Belgrade also seems motivated by concerns for its own internal security. It has long been worried about terrorist attacks both in the country and against its interests abroad, dating from the assassination of King Aleksandar in Marseilles by Croatian extremists in 1934. Belgrade probably calculates that it can prevent attacks on Yugoslav territory by some groups—such as Abu Nidal—by cooperating with them. Yugoslav security officials probably also hope that they will receive warnings of impending attacks by other organizations from friendly groups tied to the global terrorism network. [*portion marking not declassified*]

Reactions to Western Criticism

Belgrade is coming under increasing pressure from its Western neighbors following public reports that terrorists have transited Yugoslavia enroute to West European targets. Following Secretary Shultz's visit in December, Italian President Cossiga in January and Austrian Interior Minister Blecha in February also pressed Belgrade to act more decisively against terrorism. [portion marking not declassified]

Belgrade—while perhaps slow to realize how seriously Washington regards the issue—has responded with gestures intended to mollify Western governments. In early February, the Austrian Interior Minister told the press that Belgrade had agreed to share information on Armenian and some Palestinian terrorist groups. In an effort to justify its own awkward positions following the Achille Lauro affair, Belgrade also issued a definition of terrorism that—while severely flawed and falling far short of US positions—seemed designed to mollify Western critics. According to the definition, violent acts committed in disputed territories such as the West Bank should be seen as the actions of “national liberation movements” while those committed elsewhere could be branded as terrorist. [portion marking not declassified]

Yugoslavia's moves so far are largely cosmetic, however, and will probably not satisfy most governments in Western Europe. Belgrade is unlikely to provide much useful information to Vienna, particularly after a public announcement of the agreement. And its definition of terrorism, of course, will allow it to continue providing substantial support to the PLO. [portion marking not declassified]

Implications for the US

[less than 1 line not declassified] suggests that the Yugoslav leadership is now uncertain how it should handle relations with terrorist/insurgent groups other than the mainline PLO. Some leaders—prodded by Western criticism—will likely question the wisdom of such contacts, while others, probably including security officials, can be expected to persist in arguing that such contacts are needed to increase Yugoslav influence in the Middle East. [portion marking not declassified]

Yugoslav support for extremist Palestinian groups, however, will probably remain limited for some time. In light of Western concern and adverse publicity, Belgrade is unlikely to move closer to these groups or provide increased material support or training. Similarly, it is unlikely to become significantly involved with any Western European terrorist groups. [portion marking not declassified]

Belgrade will probably continue to make efforts to demonstrate its commitment to curbing international terrorism, but it will not risk damaging its Arab ties. Belgrade, however, may be willing to cooperate with Western governments against extremist groups which

have little support among states it considers important—such as the Armenian groups mentioned by the Austrian official. [*portion marking not declassified*]

Yugoslavia's controversial military and diplomatic support for the mainline PLO will continue, regardless of Western concern. If, in the foreseeable future, Western interests clash with those of the mainline PLO, as was the case in the Abu Abbas affair, the Yugoslavs will probably again come down on the side of the terrorists, leaving relations with the West to be repaired later. [*portion marking not declassified*]

239. Telegram From the Embassy in Yugoslavia to the Department of State¹

Belgrade, April 1, 1986, 1531Z

2917. Subject: Yugoslav Official Debt Rescheduling. Refs: (A) Paris 11312;² (B) Belgrade 386;³ (C) Belgrade 2585.⁴

1. Confidential—Entire text.

2. Summary: Creditor governments will meet with the Yugoslavs in Geneva on April 14 to discuss official debt rescheduling. The Yugoslavs insist they should be granted a multi-year rescheduling arrangement (MYRA) covering debts payable between May 16, 1986 through 1988. They have obtained a MYRA, running from 1985 through 1988, from their commercial bank creditors and believe a similar arrangement with official creditors is merited on both political and economic grounds. We know that this is the position they intend to open with in Geneva. Despite our preference that any decisions taken at Geneva, and subsequently in Paris, be perceived as having been made on a multilateral basis, the Yugoslavs firmly believe that the views of the USG will be

¹ Source: Reagan Library, Paula J. Dobriansky Files, Yugoslavia (11). Confidential; Immediate; Exdis.

² Telegram 11312 from Paris, March 17, provided the details of a Yugoslav conversation with Paris Club officials regarding debt rescheduling. (Department of State, Central Foreign Policy File, D860205–0881)

³ Telegram 386 from Belgrade, January 15, discussed Yugoslav efforts at economic reform and World Bank consideration of expanded lending. (Department of State, Central Foreign Policy File, D860038–0384)

⁴ Telegram 2585 from Belgrade, March 21, conveyed the request received by the Ambassador from Loncar for U.S. support of a multi-year rescheduling agreement. (Department of State, Central Foreign Policy File, D860223–0218)

decisive. They point to Secretary Shultz's remarks during his December visit to Belgrade⁵ and other high-level USG statements as indicative of USG sympathy and understanding and have asked for a clarification of our views prior to the Geneva meeting (Ref C). Some creditor governments, however, appear at least at times to believe that IMF Article IV enhanced monitoring, as included in the commercial bank MYRA, is not by itself adequate for an official MYRA.

3. I strongly believe that our long-term political interests demand that the USG and other creditors very conscientiously seek arrangements that can satisfy both our own requirements and what the Yugoslavs think they must have and deserve. In this regard, we must bear in mind the effects that decisions taken at Geneva will have on the Yugoslav Government which will take office in mid-May, and in turn the implications for our efforts to cope successfully with the global debt problem.

4. There is no question that the creditor governments will reschedule Yugoslav debt falling due between 1986 and 1988. The only real question is how to do it. Will we be creative and imaginative up front in seeking means to accommodate simultaneously the Yugoslavs and their creditors? This route would hold the promise of potential political dividends. Or will we opt for lengthy, agonizing and disruptive negotiations leading to mechanisms of short-term limited rescheduling and the prospect of a virtually continuous politically disruptive process over the next few years? The USG is in the position, like it or not, to determine the spirit of relations we will have with the new Mikulic government at the very moment it takes office. Any who might hesitate at the prospect of setting a precedent for other debtor countries should ponder that any, repeat any, arrangement for Yugoslavia will be ad hoc, on the basis of this country's responsible conduct as a debtor and unambiguously improved economic performance in recent years. If any other debtor country has turned in an equally good or better record, then it also deserves forthcoming consideration on rescheduling in any case, and any that has not, does not.

5. I have carefully considered these several interrelated issues and offer proposals which may satisfy the fundamental requirements of Yugoslavia and its official creditors. First of all, I propose that we come out quickly and clearly for a "serial" rescheduling through 1988 instead of a straightforward MYRA or a succession of shorter-term reschedulings. While I can agree with Paris Club Chairman Trichet that we should search for quantitative measures to gauge Yugoslav economic performance so that the IMF on their behalf or the creditors directly may keep score, I also believe what is really needed is a

⁵ See Document 235.

reliable “leading indicator” of GOY policy commitment rather than a simple and limited green eyeshade approach. Finally, I suggest there may be an appropriate role for the World Bank, to provide both financial resources and conditionality for Yugoslavia to supplement a reduced role for the IMF. End summary.

6. Creditor governments and the GOY have agreed to meet in Geneva on April 14 and two days later in Paris to thrash out an official debt rescheduling to follow the current 17-month arrangement, which will expire on May 15. After difficult and prolonged bargaining with its commercial bank creditors last year, Yugoslavia obtained a MYRA for debt maturing between 1985 and 1988, with a review at the beginning of 1987 and enhanced IMF Article IV surveillance continuing until 1991. Though the GOY will argue that creditor governments should be prepared to offer a similar arrangement, some official creditors (in some venues) do not consider this arrangement adequate for a corresponding official MYRA.

7. It has been informally suggested that Yugoslavia should submit to a “shadow” IMF standby, under which it would accept full Fund conditionality but not draw any additional IMF resources. The GOY, at the same time, considers that it has defined its relations with the Fund under the enhanced monitoring arrangement. It will strongly resist, if not reject outright, any demand for a “shadow” standby—as a punitive and unjustified restraint on its freedom in domestic economic policy making. The Yugoslavs would interpret such a demand as a clear public expression of lack of confidence and goodwill on the part of official creditors, who have been very supportive in the past. Furthermore, the GOY will be able to identify precisely the driving force behind what it would regard as an outrageous demand. Deputy Foreign Secretary Loncar recently listed for me (Ref C) the positions of other major creditors on the MYRA issue as authoritative representatives of their governments have described them to him. To wit: Italy—favors a MYRA; FRG—favors a MYRA; France—favors a MYRA; Japan—will follow the USG lead; and, the U.K.—without a developed position, will support a MYRA if the USG does. Loncar’s statement to me is perfectly consistent with what the Embassies of those governments have been telling us in Belgrade. If we are going to take a hard line, we are also going to be held responsible for it and, in the official GOY perception, held solely responsible for it. The USG position on Yugoslav rescheduling is likely to determine the outcome at Geneva and Paris. We know that; the other creditors know it; and the Yugoslavs know it.

8. The Yugoslavs are firmly convinced that they have earned an official MYRA on the basis of the country’s economic performance and sacrifices over the past three years. They proudly point out that they have achieved three consecutive annual current account surpluses

while enduring declining real personal incomes from 1979 through 1984 to support economic recovery. Price controls have been slowly and haltingly, but steadily, lifted; a stable real exchange rate for the dinar has been maintained; revised legislation has materially improved the investment climate; banking and other major reform legislation has recently been passed and is being implemented. The Yugoslavs insist that the new Federal government of Branko Mikulic, to be installed on May 15, will continue the reform orientation it will inherit from the outgoing Planinc government.

9. Some governments may fairly wonder if the progress achieved thus far will continue uninterrupted and if the Mikulic government will be able to maintain resolve and prevent backsliding without some element of external coercion. Both the doubters and believers in Yugoslav resolve can make reasonable cases on the available evidence. The recent IMF/GOY dispute over interest rate policy provided legitimate grounds for questioning the depth of Yugoslav commitment to necessary reform without at least occasional serious lapses. While the future is necessarily uncertain, Yugoslav performance thus far has been generally highly commendable, especially in comparison with many other debtor countries. Two recent IMF documents (686/8638 and SM/86/39)⁶ include comprehensive and objective summaries of reform measures taken so far, as well as discussion of their weaknesses and further measures that are required.

10. I believe it should be possible to reconcile Yugoslav and creditor views on the basis of a "serial" rescheduling rather than the polar opposites of single-year reschedulings or an out-and-out MYRA. I believe that governments should seriously consider offering a serial rescheduling for the period May 16, 1986 through 1988, subject to Geneva-type consultations in early 1987 and 1988 prior to actual refinancing for those years. The GOY could consider such an arrangement a MYRA, while the creditors retain their ability to review and judge economic performance periodically prior to essentially annual reschedulings. To satisfy creditor desires for greater assurance of adequate economic performance than is provided by semi-annual Article IV consultations with the IMF, governments could request the GOY to provide more frequent, perhaps quarterly, economic performance reports similar to those already being provided to the commercial banks. In addition, I suggest consideration of the following possibilities.

11. More monitoring triggers: Paris Club Chairman Trichet has suggested (Ref A) that creditors consider asking the IMF to help develop additional "triggers" and values to assign to them, with a view toward identifying one or more "leading indicators" of performance.

⁶ Not found.

Net domestic assets of the banking system and real government expenditure levels, for example, could be useful in judging whether the Yugoslavs are pursuing an adequate anti-inflation policy. Depending upon the role assigned to the IMF, bad numbers would then signal the Fund to ring alarm bells or the creditor governments to do so themselves. Such indicators, however, may be of very limited value for an economy undergoing rapid and significant change. Although I think that Trichet's suggestion merits exploration, I believe we should keep in mind that we and other creditors are really much more interested in continued implementation of appropriate policy measures than mere numbers recording past events. If so, at Geneva the creditors should seek means to promote commitment to sound policies.

12. Statements of action programs: It may be possible to augment IMF surveillance by requiring the GOY to specify in advance either to the IMF or the creditors directly, actions it intends to take in connection with development of economic plans called for under enhanced monitoring. A list of such intended policy measures—as opposed to general policy statements—could be more useful than quantitative indicators or triggers. Such statements of intended actions should inhibit any inclination—as was exhibited during the interest rate imbroglio—to declare sound policy while contemplating contrary behavior. This device would obviate possible dilemmas in which the numbers fortuitously turn out right when policy is in fact wrong or the numbers are not good though the GOY is doing all, or most of, the right things. The GOY could not legitimately argue that mere provision of such a list of intended actions constitutes interference in domestic policy making. The creditors, however, would have a fairly simple means (a real “leading indicator”) for judgment prior to and during annual performance reviews in a “friends of Yugoslavia” forum. They could directly, or through the Fund, also question as appropriate, the soundness of measures taken or intended.

13. A role for the World Bank: A revised approach to conditionality could be made via the World Bank, which has been discussing a possible second structural adjustment loan (SAL) with Yugoslavia with increased co-financing (Ref B). IMF report DBS/86/38⁷ produces a scenario with a reduction of the Yugoslav debt service ratio with a modest increase in foreign borrowing, which would support increased imports, exports and domestic economic activity. Such an IBRD SAL program, something of a “Baker Plan” approach, could be attractively packaged for presentation to the GOY. I understand, however, that such a package almost certainly cannot be put together before April 14 or before the change in the Yugoslav Government on May 15. Nevertheless, the

⁷Not found.

terms of "serial" rescheduling could specify that the GOY continue discussion with the IBRD aimed at conclusion of a second SAL by the end of this year, producing another policy-type "leading indicator". This possibility has the added advantage of forcing the Mikulic government to engage in serious discussion of key economic policies at the beginning of its mandate.

14. Each of the possibilities I have sketched carries with it unattractive as well as attractive features. Just a few—quantitative indicators do not get to the heart of the issue any more than do more frequent submissions of data; the "friends of Yugoslavia" may not wish to become more directly involved in evaluating GOY policy implementation or be able to coordinate their individual views on this process into consensus if the burden of judgment is not left entirely with the IMF; an effective World Bank role replacing the financial assistance and some of the discipline of the Fund may not be manageable in the short time available to create it. While these and other problems confront us, we are also confronted with the unavoidable necessity of arriving at a reasonable and workable solution to Yugoslav debt rescheduling. I hope that concerned Washington agencies can work with my suggestions and their own thoughts to construct a package satisfactory to the creditors and Yugoslavia.

15. There are undeniably compelling political dimensions to the current consideration of Yugoslavia's next official debt rescheduling. The GOY firmly sets this in the context of our long-term strategic interests, our historically good bilateral relations and high-level USG statements of support and understanding of its efforts to deal with Yugoslavia's serious economic difficulties. The decision on Yugoslav debt rescheduling will be taken on the eve of installation of the new Federal government of Branko Mikulic. These two events, one so closely following the other, will be both symbolically and then practically related. In effect, the US position at Geneva will signal the kind of relationship we intend to have with the incoming Yugoslav Government. The most powerful voices in the current leadership understand that an economic recovery here will largely depend upon the degree to which Western free market oriented reforms are undertaken, and a few are also tempted to consider political reform in the same direction. This view, however, is hardly unanimous. There are certainly those, whose voices are also heard, arguing for an opposite course. Our decision on rescheduling will have a powerful influence on the continuing argument. We should take an initiative that will strengthen positive forces and inclinations. Our rescheduling decision must be considered with this fully in mind. We know the direction in which we want this country to move, and it would be terribly shortsighted to miss such an obvious opportunity to provide encouragement.

16. More broadly, it is clearly in our interest to maintain Yugoslavia's thus far moderate, responsible position among debtor countries. The GOY has consistently handled its international debt problem responsibly, ignoring radical proposals that others say they find attractive. The Yugoslavs have impressive credentials in the G-24, G-77, and other fora in which debtors are prominently represented. The USG position on rescheduling will not only give a strong message to the Yugoslav leadership but also to others around the world seeking appropriate solutions to their own problems. Thus a satisfactory official debt relief arrangement for this country will serve well our broader interests in coping with the global debt issue, just as failure to reach such an accommodation would have the contrary result.

Scanlan

**240. Telegram From the Department of State to the
Embassy in Yugoslavia¹**

Washington, May 6, 1987, 0559Z

136197. Subject: Secretary's Meeting With Yugoslav Deputy Foreign Secretary.

1.(C)—Entire text

2. Summary. The Secretary met for thirty minutes April 29 with Yugoslav Deputy Foreign Minister Budimir Loncar. (The last ten minutes of the meeting were a tete-a-tete between the Secretary and Loncar.) The Yugoslav visitor assessed Yugoslav-US relations as good, stable and friendly, although he noted that there are some existing problems and some urgent priorities. Loncar described current developments in the USSR as confirmation of earlier Yugoslav efforts to chart their own course and to challenge Soviet reality. He said that these developments represent a positive process which, however, is not without obstacles, both objective and subjective. Loncar noted that the US can have an important impact on the Soviet scene, and, without sacrificing national interests, he urged that the US respond quickly to Soviet proposals. End summary.

¹ Source: Reagan Library, Nelson Ledsky Files, Subject File, Yugoslavia—1987–1988 (1), Memos/Letters—Cables—Reports/Research. Confidential; Priority.

3. After expressing appreciation for the opportunity to meet with the Secretary, Loncar conveyed to him greetings from Yugoslav Prime Minister Mikulic and Foreign Affairs Secretary Dizdarevic. Loncar assessed bilateral relations as good, stable, and friendly. He noted the existence of some problems and some "urgent priorities," the most important of which is the question of the rescheduling of Yugoslavia's debt. Loncar said that the Prime Minister and other members of the Yugoslav leadership are very concerned about the delay in renewing rescheduling agreements because of the impact this has on attempts to move toward a more market oriented economy in Yugoslavia. Loncar added that the problem is even more urgent when seen in the broader context of what is happening in the USSR, which presents certain challenges for Yugoslavia.

4. In response to the Secretary's request for an assessment of what is going on in the Soviet Union, Loncar said that developments there represent both a confirmation of Yugoslav efforts and a challenge. Until now, Yugoslavia had challenged Soviet reality and established an alternative to it. The Yugoslavs had developed a democracy based on self-management which was open to the outside world, encouraged human contacts, and sought to move toward a market economy.

5. Loncar stated that what is happening in the USSR is a response to an economic and social crisis. The Soviet leadership realized that the economic gap between the Soviet Union and the developed Western countries was growing. A new generation, aware of the challenge from scientific and technological innovation, has decided that fundamental change is needed. Since effecting this change will be most difficult in the economic sector, the Gorbachev leadership is starting there. As elements in the leadership's efforts to address this complex problem, Loncar pointed to: A). A desire to reduce defense spending, as demonstrated in the efforts to promote arms control agreements; B). An effort to reduce subsidies to COMECON members; and C). Attempts to spend less on countries outside the Warsaw Pact such as Afghanistan, Ethiopia, Cuba and Nicaragua.

6. Loncar assessed the present process in the Soviet Union in positive terms, although he noted that it is not without obstacles, both objective and subjective. He noted that the last CPSU Plenum had been delayed several times, which resulted in deeper and broader criticism and analysis of the personnel issues being addressed. In Loncar's view, this result could, in effect, speed up the pace of change. Loncar noted that the party conference scheduled for 1988 could be more important than the last CPSU Congress.

7. In concluding, Loncar told the Secretary that the US could be a big actor on the Soviet scene. He said he mentioned this not to suggest

that the US just make concessions to the Soviets, but to note that in relation to the positive process now underway in the USSR, it is important that the US respond quickly to Soviet proposals, obviously along lines that conform to its national interests. The Secretary responded that Loncar had provided an interesting picture of what is occurring in the USSR. He said that during his recent trip to Moscow, he had been quite struck by the new atmosphere which exists there.² Change is, no doubt, taking place; however, we will have to wait to see how profound it is.

8. In ten-minute subsequent private meeting, Loncar told Secretary that Soviets are cultivating Yugoslavia more vigorously but also more subtly than in the past, and this also presents challenges as well as opportunities for Yugoslav leadership. He urged Western friends of balanced Yugoslav East-West orientation to be alert to this factor and keep policy lines to Yugoslavia open and in good working order.

9. Accompanying Loncar to the meeting with the Secretary were Ambassador Mico Rakic, Foreign Affairs Director for North America Predrag Pjanic, Embassy Minister Vladimir Matic, and Second Secretary Branis Av Bajovic. American participants were Deputy Secretary John Whitehead, Assistant Secretary Rozanne Ridgway, EB DAS Dennis Lamb, Deputy Assistant Secretary Thomas Simons, EUR/EEY Director Martin Wenick, and S Staff Assistant Deborah Graze.

Shultz

² April 13–15.

241. Telegram From the Embassy in Yugoslavia to the Department of State¹

Belgrade, July 2, 1987, 0941Z

6549. Subject: Ambassador's Demarche on ANO Activities in Yugoslavia. Ref: State 198861.²

1. S—Entire text.

2. On July 1 the Ambassador called on Acting Federal Secretary for Foreign Affairs Budimir Loncar to repeat the demarche made by Under Secretary Armacost to Yugoslav Ambassador Kovacevic (reftel). The Ambassador went over the main points of the Under Secretary's demarche emphasizing the significance of the factual information obtained from Ahmad.³ Loncar listened carefully and read the Embassy's "non-paper"⁴ containing the facts obtained from Ahmad. He said that with the possible exception of the mention of "another ANO member" in Skopje, the information was the same as had been given to Kovacevic. All this information had already been given to the Yugoslav authorities responsible for such matters, he said, and the GOY expected to be able to provide a report to the U.S.G. within a few days.

3. Loncar said he had one objection to the U.S. presentation. Armacost had again brought up alleged information about some kind of ANO operations in Europe and in Yugoslavia. Armacost had referred to former Ambassador Anderson's demarche to Stane Dolanc.⁵ Loncar said this had sounded as though the matter had not been clarified. But the GOY had clarified it. Dolanc had provided a very clear and open reply. Dolanc outlined our policy against international terrorism and he said there were no grounds for the alleged information that Abu Nidal was operating in Yugoslavia and that Yugoslavia tolerated this to avoid terrorist activity inside Yugoslavia. This charge is a groundless fabrication. Loncar emphasized that Dolanc's comments should have been taken by the USG as very precise and responsible, yet now this matter is mentioned again as though it were not settled. This surprised us, said Loncar, and, in the context of asking for our cooperation, it did not sound good. The reply of Dolanc should be taken as absolutely

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Yugoslavia—Bilateral 1987. Secret; Immediate; Exdis.

² Telegram 198861 to Belgrade, June 27, outlined the *démarche* on the Abu Nidal Organization (ANO) delivered by Armacost to Yugoslav Ambassador Kovacevic. (Department of State, Central Foreign Policy File, D870686-0742)

³ Muhmud Al-Abid Ahmad, ANO control officer for North and South America.

⁴ Not found.

⁵ See Document 221.

competent and final and in line with our mutual commitment to cooperate against international terrorism.

4. Loncar concluded his remarks by repeating that the GOY hoped to provide a response very soon. This is of interest not only to the U.S. but also to Yugoslavia, he said.

Scanlan

242. Telegram From the Embassy in Yugoslavia to the Department of State¹

Belgrade, September 29, 1987, 1638Z

9759. Subject: Yugoslav Response to U.S. Demarches on Terrorism. Ref: (A) State 300602,² (B) Belgrade 9600.³

1. S—Entire text.

2. Morning of September 29 PolCouns passed information in Ref A to Rayko Vasiljevic, Department Chief in the Ministry of Internal Affairs (Vasiljevic was unavailable on September 28). Vasiljevic accepted the information and said that he hoped to have an answer later that day to the recent series of U.S. demarches. Late in afternoon of September 29 Vasiljevic called in PolCouns and gave him a paper whose text is transmitted in para six below.

3. Vasiljevic said that the information in the Yugoslav response had largely been obtained from checking records of entry into the country and hotel registration records. He again pointed out that Yugoslavia keeps no record of the departure of foreigners. Vasiljevic said that the Ministry of the Interior preferred to discuss this subject directly with U.S. representatives. But he added that the Interior Ministry would pass a copy of the Yugoslav response to the Yugoslav Foreign Ministry, which he assumed would make sure that

¹ Source: Reagan Library, Nelson Ledsky Files, Subject File, Yugoslavia—1987–1988 (2), Memos/Letters—Cables—Reports/Research. Secret; Immediate; Exdis,

² Telegram 300602 to Belgrade, September 25, transmitted a non-paper for Yugoslavia regarding information on Hawari Group terrorists. (Department of State, Central Foreign Policy File, D870794–0073)

³ In telegram 9600 from Belgrade, September 25, the Embassy reported that it had conveyed the non-paper to the Yugoslav Federal Secretariat for Internal Affairs via a newly established direct channel, noting that the information provided in the non-paper was not previously known by the local police. (Department of State, Central Foreign Policy File, D870792–0672)

Dizdarevic had the information before his October 1 meeting with Secretary Shultz.

4. PolCouns expressed appreciation for the response, but said he would want to translate it and study it carefully before responding. PolCouns asked Vasiljevic whether the last "tick" in the Yugoslav response meant that the Yugoslav authorities would deny entry to the people mentioned in the paper and Vasiljevic nodded affirmatively. He pointed out, however, that what this meant, in practice, was that anyone applying for entry under these names would be barred but that the Yugoslav authorities could not exclude that these individuals could get in to the country under different names. In this connection, he reiterated his request for as much specific information as possible about such people, including physical characteristics and information about aliases they may travel under.

5. Following up on Assistant Secretary Strbac's suggestion to the Ambassador (Ref B) PolCouns asked Vasiljevic whether he believed it would be useful to hold another round of talks between U.S. and Yugoslav experts on terrorism. Speaking personally, Vasiljevic said he thought this would be useful but said it was up to the U.S. to propose time, agenda and level. Since the last such talks had been in Belgrade, Vasiljevic said he thought the Yugoslavs would be willing to travel to Washington for them. He thought it would be useful for Yugoslav specialists to meet with American counterparts who dealt directly with terrorism.

6. Text of paper Vasiljevic gave PolCouns on September 29.

Begin text.

—Col. Hawari (Abdahhal Abd Al Hamad Labib, Rami Abdallah Al Sharifi). A detailed check did not establish that individuals under these names had stayed or are staying in Yugoslavia.

—About Hawari we know that on August or September 1986 under the orders of Abu Ijad and Arafat he organized the transfer of explosives through the airport of Rabat in Morocco. On this occasion a group of four Palestinians and two Tunisians were seized, on the basis of someone's denunciation with the intention that the group, as an opponent of Abu Ijad would be liquidated.

—In connection with our further investigation into Col. Hawari we request as much concrete information as possible about him and his group.

—Baalbaki Qassem Mohamaed. As is already known, an individual under this name entered the SFR of Yugoslavia April 28, 1987, and on April 29, 1987, left Belgrade. We did not establish his further movements in Yugoslavia nor when he left the country.

—Muhammed Muhi Ad Din Abbas, about whom we received information from the American side on September 24, 1987, was in Belgrade

July 22, August 6, and September 20/21. It has not been established where he went or when he left Yugoslavia.

—Feysal Farhat, about whom we received information on September 24, 1987, was in Yugoslavia August 6–10 and August 31 to September 2, 1987. It is not known when he left Yugoslavia or where he went.

—Aminah Binte, probably Horiani Binte Ismail, about whom we received information on September 24, 1987, was in Yugoslavia September 10 and 11, 1987. We do not have any information about when he left or where he went.

Not one of the persons under the names cited is known to the Yugoslav security service, and for those reasons no legal steps were undertaken regarding them during the time they were on the territory of the SFR of Yugoslavia.

Regarding all the persons under the names cited, including the persons under the names which the American side provided on September 29, steps will be taken in accordance with Yugoslav laws and the security interests of our country, and in accordance with good relations and cooperation with the authorized services of the USA and the known positions of the SFRY towards international terrorism in general.

End text.

Scanlan

243. Telegram From the Department of State to the Embassy in Yugoslavia¹

Washington, October 9, 1987, 2314Z

316629. Subject: Secretary's Meeting With Yugoslav Foreign Minister Dizdarevic.

1. Secret—Entire text.

2. Begin summary. The Secretary met for thirty-five minutes on October 1 with Yugoslav Foreign Minister Raif Dizdarevic. Principal areas of discussion were efforts to combat international terrorism and the Yugoslav economic situation. On terrorism, the Secretary told the Foreign Minister that the USG is not satisfied with the nature of our

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Yugoslavia—Bilateral 1987. Secret; Immediate; Exdis. Sent for information to Tel Aviv.

dialogue on this issue. He proposed that Ambassador Adams visit Belgrade in early November to hold consultations on terrorism in advance of Deputy Secretary Whitehead's planned visit.² Dizdarevic told the Secretary that Yugoslavia is prepared to make every effort to combat terrorism and to cooperate in this effort with the USG. He welcomed the idea of bilateral consultations. Dizdarevic outlined for the Secretary the severity of Yugoslavia's foreign debt situation and indicated that his government is looking for the understanding of the United States in seeking a long-term resolution of the problem. The Secretary indicated that he fully understood the difficulty of the Yugoslav economic situation and that the United States would try to be helpful. He urged that the Yugoslavs pursue a bold program of market-oriented reforms to address their economic problems. Dizdarevic also noted that he had met on September 30 with the Israeli Foreign Minister and that he would be meeting with the eleven Mediterranean non-aligned Foreign Ministers October 2. End summary.

3. The Secretary opened the meeting with the Yugoslav Foreign Minister by recalling his visit to Belgrade³ and noting Deputy Secretary Whitehead's forthcoming trip there. He described the U.S.-Yugoslav bilateral relationship as fundamentally sound, and he stressed U.S. support for Yugoslavia's independence and territorial integrity.

4. Observing that there was no one particular issue he wished to raise, the Secretary told Dizdarevic that the USG is not at all satisfied with the nature of our communications with the GOY on the subject of combatting international terrorism. He noted that we have provided detailed information on known international terrorists, and we do not consider that we have received satisfactory responses. For example, during a September 2 meeting,⁴ Deputy Foreign Minister Loncar told Ambassador Scanlan that the GOY had no information about the presence in Yugoslavia of Col. Hawari, an important PLO operative; however, we have reliable information that he and a key operative are residing there. The Secretary observed that the GOY had earlier received from us information about two dangerous terrorists, but we had not received responses to this information. He said that the GOY should do more than just check border and hotel records in response to information we provide. Extensive investigations are in order and should be carried out. The Secretary said that we have worked hard to isolate Abu Nidal and his organization, and have developed good information about their activities, including some in Yugoslavia. In an effort to strengthen and improve our dialogue with the GOY on this issue, the

² Whitehead visited Yugoslavia from November 8 to 9.

³ See Documents 235 and 236.

⁴ No memorandum of conversation of this meeting was found.

Secretary proposed that Ambassador Al Adams visit Belgrade in early November, in advance of the arrival of Deputy Secretary Whitehead, for a round of consultations with Yugoslav officials on international terrorism.

5. Dizdarevic commenced his remarks by expressing his appreciation for the opportunity to meet with the Secretary. He described the meeting as part of an ongoing dialogue which helps to clarify issues and maintain relations at a good level. The Foreign Minister said that the GOY is looking forward to the Deputy Secretary's forthcoming visit to Belgrade as well as to the visit by Presidency member Josip Vrhovec to the United States later this year.⁵ Dizdarevic expressed particular appreciation for the program which had been arranged in July for Deputy Prime Minister Milosavljevic's visit to Washington⁶ and for the special attention the Secretary had devoted to it.

6. Regarding terrorism, Dizdarevic stressed that Yugoslavia as a matter of principle is resolutely opposed to terrorism. The GOY, he stated, is prepared to make every effort to combat international terrorism. He noted that Yugoslavia had been an early victim of terrorist activities, and he described terrorism as an "international evil." The Foreign Minister expressed GOY willingness to make every effort to cooperate in combatting terrorism with the USG. Dizdarevic noted that the GOY had previously expressed a readiness to have close cooperation on this issue with the USG, and he mentioned that Ambassadors Oakley and Adams had visited Belgrade for bilateral discussions with appropriate officials, including members of the security services.

7. Dizdarevic said that the GOY had recently received a substantial amount of information on terrorism from Ambassador Scanlan and had given it full attention. He said that all of the information had been checked out within the framework of what was possible. In other words, according to Dizdarevic, a maximum effort had been made to investigate the information which had been given and to provide a response. The Foreign Minister said that the USG could be satisfied or dissatisfied with the response, but he stressed that there was no reason to doubt the correctness of the information in the GOY response or the fact that the GOY had done the best it could do to investigate the material which had been provided to it.

8. Dizdarevic said that recently, in an effort to make more efficient the bilateral dialogue on terrorism, the GOY had opened direct contact between the American Embassy and the Ministry of Interior. In this connection, Ambassador Scanlan had a detailed conversation with the Minister of Interior. Dizdarevic said Ambassador Adams would be

⁵ Vorhovec visited the United States from May 5 to 6, 1988. See Document 250.

⁶ Milosavljevic visited the United States from July 4 to 10.

welcome in Belgrade, and indicated that he would notify GOY authorities of the proposal for early November consultations.

9. Ambassador Bremer interjected that we were not satisfied with the information that we had been provided earlier in the week by the Ministry of Interior. Furthermore, with regard to detailed information provided earlier this year—as far back as last February—we had received no response. He noted, in particular, that we had not been given a response to information provided by Under Secretary Armacost regarding Abu Nidal activities in Yugoslavia which we had developed from an accused Abu Nidal terrorist currently in detention in New York.

10. Dizdarevic responded by repeating that the USG could be satisfied or dissatisfied with what the GOY has said. The point is, however, that the GOY responded to all requests for information. The Minister stressed that the GOY does not want Yugoslav territory to be used to launch terrorist attacks against anyone, and he reiterated that the GOY welcomes the proposal put forward by the Secretary for Ambassador Adams to visit Belgrade for consultations.

11. In response to a question from the Secretary, Dizdarevic said that the Yugoslav economic situation is difficult. The GOY is resolved, however, to persevere in efforts to correct the situation utilizing “economic and market laws.” The Minister noted that the government had taken a number of reform measures and that more would follow. Dizdarevic said that these reforms are being carried out at a time when the country is facing a heavy debt servicing burden. According to the Minister, even if the Yugoslav economy were healthier than it is, it could not afford the present level of debt servicing. Accordingly, debt rescheduling must be an integral part of any effort to address Yugoslavia’s economic problems.

12. To illustrate the financial problems facing the GOY, Dizdarevic told the Secretary that from 1981 through 1985, the GOY had spent 23 billion dollars to service the country’s debt. If the government had been able to save 25 percent of this amount, economic recovery could have taken place at a faster pace. In 1986, he said, 9.85 percent of GNP had gone to debt servicing which was three times higher than the growth of GNP. This, he stressed, inhibits growth. Continuing, Dizdarevic said that if rescheduling is not arranged, the GOY will be obligated to repay 67 percent of its debt in 1991. This would require that Yugoslavia utilize 35 percent of its foreign exchange earnings annually for this purpose alone. Thus, from the GOY standpoint, rescheduling is absolutely essential.

13. Dizdarevic said that the GOY has already commenced discussions with its creditors regarding the rescheduling of principal. In general he described the responses of the creditors as sympathetic. The Minister noted that the GOY is also in touch with the Paris Club and

the IMF. Regarding the IMF, he noted that Yugoslavia had previously had a stand-by agreement and then a program of enhanced surveillance. At the present, he observed, the GOY is looking for a formula for its future relationship with the IMF. Concluding his presentation, Dizdarevic said that the GOY is looking for the understanding of the USG as it seeks to resolve its economic difficulties.

14. The Secretary said that he fully understood the extent of the GOY's economic difficulties. For its part, he noted, the USG wants to be helpful. The Secretary stressed that a program of market reforms—"the bolder the better"—is essential if the Yugoslav economic situation is to be improved. He noted that the GOY should work cooperatively with the Paris Club. With respect to the IMF, the Secretary suggested that the GOY would need some form of IMF "facility."

15. Turning to East-West relations, Dizdarevic expressed appreciation for the information received from Ambassador Scanlan on the Secretary's recent meetings in Washington with Foreign Minister Shevardnadze.⁷ He remarked that on this occasion the information received from both sides was very similar, and he expressed the hope that the Secretary's October meetings in Moscow⁸ would be fruitful.

16. The Foreign Minister thanked the Secretary for Deputy Secretary Whitehead's reply to his letter on behalf of the eleven Mediterranean non-aligned countries.⁹ He appreciated the USG readiness to enter into dialogue on the issues raised in his letter, and said he would report the USG response to the Foreign Ministers of the eleven countries when he meets with them in New York on October 2.

17. Regarding the Middle East, Dizdarevic reported to the Secretary that he had met with Israeli Foreign Minister Peres September 30. He said this is the first bilateral meeting at this level in twenty years. The Minister described the atmosphere of the meeting as constructive, and he expressed his feeling that the time has come when something can really be done in the Middle East.

18. Accompanying Dizdarevic were Ambassador to the United Nations Dragoslav Pejic, Ambassador to the United States Zivorad Kovacevic, a notetaker and an interpreter. U.S. participants were Assistant Secretary Ridgway, EUR/EEY Director Wenick (notetaker), and an interpreter.

Armacost

⁷ Scanlan briefed Strbac on September 23 on Shultz's September 15–17 meetings with Shevardnadze. A summary of the discussion was transmitted in telegram 9481 from Belgrade, September 23. (Department of State, Central Foreign Policy File, D870794–0169)

⁸ Shultz visited Moscow from October 22 to 23.

⁹ Not found.

244. Telegram From the Department of State to the Embassy in Yugoslavia¹

Washington, October 24, 1987, 0142Z

331663. Subject: Terrorism Consultations: Ambassador Adams' and Deputy Secretary's Trip to Yugoslavia. Ref: Belgrade 10402² and Previous.

1. Secret—Entire text.

2. Summary and action request: Embassy is requested to convey message to GOY about USG counter-terrorism objectives in the upcoming visits by Ambassador Adams and the Deputy Secretary. End summary and action request.

3. Ambassador Alvin P. Adams, S/CT, plans to hold counter-terrorism consultations with the GOY preceding and in connection with the Deputy Secretary's trip to Yugoslavia.³ Adams would plan to meet with GOY officials on November 6, fly to Dubrovnik November 7 to meet with the Deputy Secretary, and then participate in the Deputy Secretary's meetings in Belgrade in which counter-terrorism issues will be raised.

4. In view of the importance the US attaches to efforts to combat international terrorism and the importance of resolving outstanding bilateral problems on this subject promptly lest they begin to hamper cooperation in other areas, Department requests that Embassy arrange calls for Ambassador Adams on Minister of Interior Culafic and other senior Yugoslav officials in addition to those working level officials with whom he would be consulting as a matter of course.

5. Department is pleased that Culafic agrees in principle to receive Adams, but does not concur in his attempt to set the ground rules for the conversation. Adams certainly will raise our concerns about ANO and Hawari activities in Yugoslavia and the GOY's poor record in responding to them, as detailed below. Indeed, obtaining answers to these outstanding questions—and thus affirming a basis for future cooperation—is Adams' principal objective.

6. Embassy should pass ASAP to the GOY the formal agenda proposed in para 8 and make clear that Adams will brief the Deputy Secretary on his discussions with GOY officials prior to the beginning

¹ Source: Reagan Library, Rudolf Perina Files, Yugoslavia—Bilateral 1987. Secret; Immediate; Exdis.

² Telegram 10402 from Belgrade, October 16, described Scanlan's meeting with Culafic to discuss Adams's upcoming visit and information regarding Hawari. (Department of State, Central Foreign Policy File, D870852-0002)

³ November 8-9.

of the Deputy Secretary's formal discussions in Belgrade. The results of Adams' efforts to elicit forthcoming GOY responses, assurances about measures to block use of Yugoslav territory by terrorist groups, and willingness to improve meaningful cooperation will govern Mr. Whitehead's handling of these issues in his own talks with GOY officials.

7. You should signal clearly to the GOY the extent of our dissatisfaction, as expressed by the Secretary in his October 1 bilateral with Foreign Minister Dizdarevic,⁴ with what we view thus far as halting and half responses at best on GOY's part. Our point is that now is the time for action. What we are really after is their forthcoming responses to Adams, or at the latest to the Deputy Secretary, on the following:

A. The Hawari group. We would like the GOY to reopen and energetically pursue its investigation of the recent [*less than 1 line not declassified*] presence in Yugoslavia of Hawari himself, his lieutenant Ba'Albeki, and a number of their associates. We would like the GOY to provide us a prompt, forthcoming readout on that investigation. We would like explicit assurances that the GOY will take energetic measures to track members of this group, expel them if found on Yugoslav territory, and bar them from returning.

B. The Abu Nidal Organization. We would like responses to the Armacost demarche of June 26⁵ together with subsequent Embassy follow up, as well as further information on the ANO associates (Nasir Abd Al-Khaliq and Yasin Muhammad) whose names Adams passed to the SSUP February 6. We would like to know what the GOY did with the information we provided on Mahmud Ahmad (Aka Atta), [*10 lines not declassified*].

C. How and when the GOY will introduce and enforce its proposed new measures to tighten entry/residence/visa requirements for Iranians and others suspected of abusing Yugoslav hospitality.

8. Proposed agenda:

I. Overview of terrorist trends (Iran, Hizballah, Syria, Libya, etc.)

II. Bilateral cooperation

Review record of concerns expressed by USG over terrorist activity in Yugoslavia

—GOY responses on ANO and Hawari

—GOY visa, transit, and residency requirements/controls, and how they will be tightened

III. [*1 line not declassified*]

IV. Multilateral cooperation

⁴ See Document 243.

⁵ See footnote 2, Document 241.

—New international instruments on maritime and civil aviation security

—Terrorism issues at the UNGA

IV. [1 line not declassified]

9. Adams plans to arrive Belgrade on November 5 at 1455 on Pan Am 72, probably accompanied by Gerald Sutton, Director of the Office of Terrorism and Narcotics Analysis in INR. Embassy is requested to make necessary logistical and lodging arrangements. Adams and Sutton would like to stay in the same hotels as the Deputy Secretary's party in both Belgrade and Dubrovnik.

Whitehead

245. Telegram From the Embassy in the Federal Republic of Germany to the Department of State¹

Bonn, November 9, 1987, 2046Z

35589/Depto 6002. Subject: My Visit to Yugoslavia.

1. (Secret—Entire text.)

2. My trip has started off with three very productive days in Yugoslavia. We spent Saturday² in Zagreb, highlighted by a long luncheon with Ante Markovic, Chairman of the Presidency of Croatia, an important figure in a country where regional governments have veto power over Federal legislation. We spent Sunday in Dubrovnik, a beautiful seashore resort whose old city dates back to the ninth century. Monday was a working day in Belgrade including meetings with Premier Mikulic, Member of the Presidency Vrhovec (who hopes to come to Washington in December³ if the Vice President will see him), Foreign Secretary Dizdarevic (whom you met at the UN in New York), and Deputy Foreign Secretary Loncar. Thanks to good work by Mike Newlin, we completed and initialed a new consular convention, solving the knotty problem of how they treat our dual nationals. Al Adams had twelve solid hours of negotiations on counter-terrorism, pretty

¹Source: Department of State, Official Correspondence of Deputy Secretary of State John C. Whitehead, July 1982–January 1989, Lot 89 D 139, EE Trip: Belgrade, Yugoslavia, November 13–14. Secret; Immediate; Nodis.

²November 7.

³Vrhovec's visit was delayed until May 5–6, 1988. See Document 250.

much resolving our concerns about their previous lack of cooperation. They acknowledged they have a problem, and acknowledged they need to tighten up.

3. Much time was spent on their very serious economic situation. Inflation is running at a rate of 150 percent. There is a financing gap of over USD one billion and an all-too-large international debt. The government is in the throes of putting the final touches on a drastic plan which contains all the right measures, if they stick to it. The plan goes before their Parliament Thursday⁴ and should provide a good dose of shock treatment for their economy. It is a moment of real crisis for them, and there is even talk of replacing Mikulic. I stressed the need for strong, free market corrective measures, for an IMF agreement and for a more honest and open relationship with us in order to permit us to continue to be constructive on their behalf with the IMF, the World Bank, the Paris Club and the commercial banks. They seemed to accept all three points. Their agreement on the need for an IMF agreement is an important change.

4. Yugoslavia is an important country to us, had the courage to get out and then stay out of the Soviet bloc. As a model for what we hope can happen with other Eastern European countries, it is important that we help them and that we be seen as helping them. Their views on world issues are a lot closer to ours than to the Soviets. We discussed the upcoming summit,⁵ arms control agreements, human rights, Afghanistan, Middle East peace, international debt, NAM issues, the Iran-Iraq war and the Gulf. One group of their officials was just back from Moscow where they attended the November 5 ceremonies. Another was just back from visits to Argentina, Peru, Mexico and Cuba, where they said they found Castro more reasonable than ever before.

5. All in all, the atmosphere was much better than a year ago. The effort we have put in is paying off. They perceive that we've been working well together and appreciate our interest and concern at a time of real trauma for them.

6. We're on to Bonn tonight and to East Berlin tomorrow.

Burt

⁴ November 12.

⁵ Reference is to the Washington Summit, December 7–10.

246. Telegram From the Embassy in Yugoslavia to the Department of State¹

Washington, November 12, 1987, 1533Z

11366/Depto 6012. Subject: Deputy Secretary Whitehead's Meeting With Yugoslav Prime Minister Mikulic.

1. Confidential—Entire text.

2. The following message has been cleared by the Deputy Secretary's party.

3. Summary—On November 9 Deputy Secretary Whitehead met with Yugoslav Prime Minister Mikulic for one hour in a discussion that focused primarily on Yugoslavia's economic problems and its plans to deal with them. Mikulic said there had been much criticism of his economic stabilization program including the suggestion of a vote of no-confidence in his government. However, Mikulic insisted that his government will stay the course to enact and implement the program. The two major goals of the program are curbing inflation and establishing conditions for stable but dynamic growth. Mikulic several times reiterated his confidence that his program will succeed. In order to provide a breathing space of about six months, Mikulic intends to impose a freeze on all prices and, through interventive measures if necessary, severely restrict investment in "non-economic sectors" and require that wage increases be linked to increased capital formation. Mikulic said that foreign debt rescheduling will be necessary in order for his program to succeed, noted that Yugoslavia is different from other debtor countries in that it has regularly serviced its debt obligations, and expressed the hope for USG support and understanding. He told the Deputy Secretary that Yugoslavia had prepared a platform to present to the IMF. If Yugoslavia's interests, an agreement, possibly a standby or an extended fund facility (EFF), will be negotiated with the Fund. The Deputy Secretary responded that the U.S. supports Yugoslavia, that Mikulic's program appeared to have the right thrust, and that an IMF agreement would be in Yugoslavia's interest. End summary.

4. Deputy Secretary Whitehead, accompanied by Ambassador Scanlan and EUR/EEY Office Director Wenick, spoke with Yugoslav Prime Minister Branko Mikulic for approximately one hour during the early afternoon of November 9. Mikulic was accompanied by Deputy

¹ Source: Reagan Library, Nelson Ledsky Files, Subject File, Yugoslavia—1987–1988 (2), Memos/Letters—Cables—Reports/Research. Confidential. Sent for information to Bonn, London, Paris, Rome, and the Department of the Treasury.

Foreign Affairs Secretary Budimir Loncar and the Prime Minister's Chef de Cabinet. In order to meet with the Deputy Secretary, Mikulic had left a meeting at which he and aides were discussing the GOY's economic stabilization program with the Prime Minister's counterparts in Yugoslavia's eight republics and provinces. Mikulic noted that fact in saying that this was a particularly interesting time for the Deputy Secretary to visit Belgrade. The Deputy Secretary agreed, adding that he felt almost personally involved in the development of the program by visiting at this particular time.

5. Mikulic said that he assumed the Deputy Secretary would be very interested to learn what the program consists of and its chances for adoption and implementation. He said that his cabinet adopted the program at two o'clock that morning, following public debate, discussion by the republican and provincial parliaments and the Federal authorities. As expected, Mikulic continued, the program he originally presented to the Federal Parliament (on October 19) was highly controversial. Implementation of the program will not be easy, simple or quick. Yugoslavia must ask itself "do we continue with the illusion of plenty or face reality?" The Mikulic cabinet insists on the latter course. It will not be easy to give up the easy life built on an accumulation of domestic and international debt, but the Mikulic government will not give up on its course, its orientation, or its policy. For this reason, Mikulic said, many oppose his program, and there has even been raised the question of a vote of confidence. But, Mikulic said, "We are not worried"; the suggestion of a proof of Yugoslav democratization. As the program nears finalization, there will be less opposition. With adoption by the Parliament, the next, and much harder step—implementation—will commence.

6. Mikulic said the economic stabilization program has two major points: resolutely curbing inflation and creating conditions for stable, but dynamic, growth. While some may believe that both tasks cannot be successfully undertaken at the same time, Mikulic said, Yugoslavia has sufficient reserves and resources to restrain public and private consumption and to employ underutilized productive capacity to increase savings, leading to growth. Although the Federal government has not had an easy time gaining support for its program, Mikulic (several times) expressed confidence that it will be successful. Mikulic expects the Parliament to support the principle of his program when it is formally introduced on November 12 and to receive suggestions on how it may be improved.

7. Mikulic then told the Deputy Secretary, in confidence, next steps the GOY has planned. Yugoslavia, he said, has been grappling with the problem of price disparities since 1957; inflation has provided justification for price rises several times a year. Immediately following adoption

of the stabilization program, Mikulic intends to impose a six-month freeze on all prices. Laws forcing a reallocation of public expenditure and rigorous limitations on investment in "non-economic" sectors are to be passed. Wage increases will be permitted only to enterprises who also increase capital formation. All of this will be done to provide a breathing space for accumulation of funds for investment in production. Mikulic said Yugoslavia must do this as the rate of inflation is already alarming, but if piecemeal steps are taken, a great deal of time would be necessary to achieve results. There is already considerable and rising social tension. About six months will be required to put the basic stabilization program into effect. Immediately after adoption of the stabilization measures, "interventive measures" will be enacted as "shock therapy" for the economy.

Yugoslavia's Foreign Debt

8. An essential condition for realization of the stabilization program is creditor agreement on restructuring Yugoslavia's foreign debt. Mikulic said that Yugoslavia cannot continue to tolerate a net capital outflow. Yugoslavia needs a several-year grace period on its obligations and a reduction in total foreign exchange inflows to around twenty-five percent. Yugoslavia will remain current on interest payments while seeking deferment of payment of principal.

Yugoslav Relations With the IMF

9. Mikulic told the Deputy Secretary that the GOY had prepared a "platform" for presentation to the IMF. Mikulic said he had met with Ripley and Russo of the IMF when they visited Yugoslavia in late October and that technical experts had assisted the Yugoslavs in preparation of the macro-economic aspects of the GOY "platform". Thus the IMF is familiar with the GOY plan. If the IMF agrees to the GOY "platform", then a future form of [garble] Yugoslavia. In addition, Yugoslavia is different in an essential way from other debtor countries: Mikulic noted that of thirty-one debtor countries, Yugoslavia is the only one that has regularly fulfilled its obligations regarding its payments of interest and principal. Mikulic asserted that Yugoslavia has untapped resources and potential with which to solve its economic problems. His program is designed to ameliorate both Yugoslavia's economic and political shortcomings. At the same time, work on constitutional amendment is going forward. In concluding his discussion of his plans for economic reform, Mikulic stated his hope that the United States will demonstrate "understanding and support for our program". He also said that Yugoslavia will work hard to develop joint ventures with foreign partners, to establish duty-free zones to be used by foreign enterprises, and to formulate a strategy for development of tourism and

other services, which Mikulic believes has been underestimated as a source of foreign exchange earnings.

The Deputy Secretary's Response

10. The Deputy Secretary thanked Mikulic for his frank and detailed description of Yugoslavia's problems and the plans of the Mikulic government to solve them. He said that he wished to respond with three points:

(A) The United States is indeed Yugoslavia's friend. We have a "selfish" interest in Yugoslavia remaining stable, independent, and free, so we will support Yugoslavia and its government.

(B) As described to the Deputy Secretary, the Mikulic economic reform program sounds good in [omission in the original] Secretary urged Mikulic to stand fast and not permit the proposed program to be watered down: people respond positively to a need for sacrifice if they believe the intended results will be achieved. The reform program must be "big, bold, and tough." Conversely, if they do not believe the intended goals are obtainable, they will withhold support.

(C) Mr. Whitehead said he was very pleased that the Yugoslavs have decided continued cooperation with the IMF is worthwhile. We believe that the IMF can help Yugoslavia, not hurt it. Furthermore, it will be easier for the USG to assist Yugoslavia in its relations with the World Bank, the Paris Club, and commercial bank creditors if Yugoslavia has an agreement with the IMF.

11. Mikulic responded that he believes that the objectives and the nature of his stabilization program will mobilize most of the Yugoslav people to support it and reiterated that the IMF had been involved in the development of the economic stabilization program from the beginning. He concluded that he was glad to hear the Deputy Secretary's views and would report them that evening to the Yugoslav Presidency.

Presel

247. Paper Prepared in the Defense Intelligence Agency¹

DDB-2200-517-88

Washington, March 1988

Yugoslavia: Tensions in Kosovo (U)

Summary

(C) Recent tensions between Kosovo's Albanians, who make up nearly 80 percent of the province's 1.8 million people, and the Serb minority led Yugoslav leaders to dispatch a 380-man federal militia unit (organized to prevent major demonstrations and terrorist acts) to Kosovo in late October 1987. Kosovo is one of Yugoslavia's two autonomous provinces and the most economically depressed region in the country. Since its founding as an autonomous region, Kosovo's ethnic Albanians have been struggling for republican status.

(C) Federal officials in Belgrade, who were concerned that the shooting of several soldiers by an ethnic Albanian conscript at a military barracks in Paracin in September, the continued demonstrations by Kosovo's Serbs against the ethnic Albanians, and the recent expulsion of ethnic Albanians from the League of Communists (LCY) would lead to even more disorders, sent the militia in as a preventive measure. The militia may keep things under control, but it will not solve Kosovo's endemic problems of poverty, ethnic discrimination, and nationalism. Moreover, should the situation deteriorate beyond the control of the militia, the government will likely send in army units to quell disturbances, as it did in 1981.

(C) The military, especially after the Paracin murders, is again criticizing the civilian leadership for its inability to resolve Yugoslavia's ills, but it will not intervene unilaterally to take over the government unless a situation of extreme instability threatening national unity were to develop.

[Omitted here is the body of the paper.]

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Yugoslavia—Substance 1988 (1). Secret; Noform.

248. Telegram From the Department of State to All European Diplomatic Posts¹

Washington, March 8, 1988, 1041Z

71654. Subject: A Conversation With Milovan Djilas.

1. Confidential—Entire text.

2. Summary. Renowned Yugoslav dissident Milovan Djilas shared his views on the future of communism in Yugoslavia, the Soviet Union and elsewhere in a meeting with EUR DAS Thomas W. Simons on March 2. The one-time Tito confidant, and author of such seminal anti-communist works as "The New Class" and "Conversations With Stalin," was in Washington for a series of lectures. His presence was itself newsworthy. Yugoslav authorities had confiscated his passport in 1970 and returned it to him only last year. Djilas believes that the economic crisis endemic to communism will gradually lead to economic reform and political democratization. Yugoslavia was further along this path than any other communist country. He recommended that the U.S. use positive economic incentives to quicken the pace of reform in Yugoslavia and throughout the communist world. End summary.

3. Djilas betrayed no bitterness over his years in prison and status as a non-person, and he was surprisingly upbeat about Yugoslavia's longterm prospects. He began by discussing the current Yugoslav crisis, which he expected to continue. The Yugoslav crisis was merely a variant of the economic and political crisis facing all communist countries. Yugoslavia was further along in this crisis than any other communist country. By this Djilas did not mean that Yugoslavia was deeper in crisis. He meant that Yugoslavia was further along in the crisis than any other communist country, and therefore closer to emerging from it.

4. Djilas linked the economic crisis endemic to communist countries to the communist political system. The Yugoslav economic crisis, for example, would continue until the political system changed. There was no way out under the current system. Although virtually all Yugoslav officials now say they favor a market economy, the political system remains too authoritarian to permit one. But Djilas was optimistic about Yugoslavia because it had gone further toward changing the political system than any other communist country.

5. According to Djilas, the old-line orthodox Titoists in the Yugoslav party were now decisively outnumbered by reformist elements. These

¹ Source: Department of State, Records from Ambassador Thomas W. Simons, Jr., Lot 03 D 256, Chron, March 1988. Confidential. Drafted by Schmidt; approved by Seymour.

latter elements represented a number of different currents. They ranged across the spectrum from ethnic nationalist to pro-Yugoslav, and represented varying shades of commitment to democratization. No one had yet embraced pluralism, but the party was in ferment. Developments within the party itself were now more important than developments outside the party. The move toward democratization was most advanced in the Slovenian Party, but Djilas believed that the Slovenian experience would sooner or later be repeated in the other republics, including those in the south.

6. According to Djilas, the current ferment in the party was itself a reaction to the economic crisis. The future was clear. Either the crisis would endure or the country would democratize. Djilas believed that the crisis would endure for a while, but that sooner or later Yugoslavia would become democratic. Given the fact that Yugoslavia is a nation of separate nationalities, he suspected that its final composition would be confederate rather than federal.

7. Although he did not address the issue in detail, Djilas clearly believed that the Yugoslav experience would be repeated in the Soviet Union and other communist countries. Perestroika and glasnost—involving both economic and political reforms—were themselves reactions to the Soviet economic crisis. As the Soviet Union liberalized, Djilas believed that ethnic nationalism would come increasingly into play, as had been the case in Yugoslavia. The result would be increasing decentralization, a result which would itself enhance the trend toward democratization.

8. In an earlier meeting,² however, he had cautioned against comparing the nationality problem in the Soviet Union too closely with that in Yugoslavia, because of the relative dominance of one nation, the Russians, in the USSR. He also said the movement toward democratization would take longer there, and predicted that Gorbachev would be seen only to have made marginal changes. Gorbachev is too much limited by the system within he must operate to make decisive changes.

9. Djilas believed that the U.S. should adopt a more activist policy toward Yugoslavia. He believed the U.S. could play an important role in furthering the pace of democratization in Yugoslavia (and, by parity of reasoning, in other communist countries). Political reform could not be influenced directly, but could be influenced indirectly by encouraging economic reforms. This would be done by providing communist governments with economic incentives to institute economic reforms. These reforms, which would reduce government control over the economy, would inevitably accelerate the pace of political liberalization.

² No memorandum of conversation for this meeting was found.

10. In the case of Yugoslavia, Djilas recommended that the U.S. offer a substantial economic aid package in return for Yugoslav implementation of three specific economic reforms: creation of a unified internal market, expansion of the private sector and liberalization of laws on foreign investment. Djilas made clear that the incentives he had in mind were positive ones. The U.S. should offer Yugoslavia assistance it would not otherwise provide, to be delivered only after the Yugoslavs implemented the specified reforms. DAS Simons noted that this was very similar to our current approach toward Poland.

11. Djilas believed that such positive incentives were very much preferable to negative ones. Threatening to withhold something that would otherwise be given created animosity and tended to cause the side being pressured to dig in its heels. Yugoslavs were particularly inclined to react in this way. For these reasons Djilas believed it was a mistake to hold Yugoslav debt rescheduling hostage to economic reforms. On the other hand, he also opposed giving Yugoslavia a blank check. Positive incentives were the key.

12. Comment: Djilas clearly believes that economic crisis is endemic to communism, and that economic crisis will sooner or later lead to economic and political reform. Thus, for Djilas, paradoxically, communism contains the seeds of its own destruction. While Djilas believes that the U.S. can accelerate the process of reform through the use of positive, as opposed to negative, incentives, he could only express sympathy when told of the difficulties, financial and bureaucratic, to providing such incentives.

13. Moscow and Leningrad minimize considered.

Shultz

249. Information Memorandum From the Acting Assistant Secretary of State for Intelligence and Research (Kamman) to the Deputy Secretary of State (Whitehead)¹

Washington, May 5, 1988

SUBJECT

The Gorbachev Era in Yugoslav-Soviet Relations

Next month marks the 40th anniversary of the Tito-Stalin split; in stark contrast to the tensions of that period, the political declaration signed during Gorbachev's March 14–18 visit to Yugoslavia inaugurates a new era in bilateral ties, one in which both sides now pledge to cooperate actively across the spectrum of relations. The attached analysis examines the implications of the visit results and concludes:

—Despite Gorbachev's success thus far in improving relations, Moscow is only just beginning to approach the level and depth of political access the West has enjoyed over the past decade in Yugoslavia.

—Economic and trade ties have the greatest potential for expansion. But the US \$1.4 billion Yugoslav trade surplus with the USSR must be reduced if any expansion is to occur.

—Bilateral relations could be set back or deteriorate precipitously if factional infighting in the Kremlin forces Gorbachev to relegate ties with Belgrade to the back burner; if he intervenes militarily in Eastern Europe; or is replaced by a more conservative leadership.

—External influences are likely to affect Yugoslav-Soviet relations more during the next decade than at any time in the postwar period. Yugoslavia's evolution toward Western political, economic and social norms, and the degree of success Gorbachev achieves with his programs, will condition the respective Yugoslav and Soviet approaches.

—Improving Soviet-Yugoslav relations will encourage reformist elements in Belgrade's Warsaw Pact neighbors to test the limits of "restructuring." The leaderships are aware, however, that Yugoslavia's non-bloc status limits the applicability to themselves of a Belgrade agreement.

—Any impact on Western security interests will probably be only marginal.

¹ Source: Department of State, Executive Secretariat, Sensitive and Super Sensitive Documents, 1984–1989, Lot 92 D 52, Super Sensitive, May 1–19 [1988]. Secret; Noform; Nocontract; Sensitive.

Attachment

Paper Prepared in the Bureau of Intelligence and Research²

THE GORBACHEV ERA IN YUGOSLAV-SOVIET RELATIONS

A New Era. Viewed from one perspective, the political declaration on bilateral relations signed during Gorbachev's March 14–18 visit to Yugoslavia codifies the improvement in ties since Gorbachev assumed power in Moscow. From another, it inaugurates a new era in the bilateral relationship, one in which both sides are specifically pledged to cooperate actively across the broad spectrum of relations.

Direct party-to-party contacts, a critical bellwether, have improved significantly in the last three years. The Yugoslavs dispatched a high-level delegation to the 70th anniversary October Revolution celebrations, the first such party representation since 1948. The same delegation also attended the November meeting of over 150 Communist and "progressive" parties in Moscow, the first attempt at an international communist party gathering since 1976. And Assistant Foreign Secretary Strbac has indicated that future party contacts will be much broader than in the past.

The improvement in relations is notable when placed in context with the moribund period of the early 1980s when bilateral party ties were all but nonexistent. Nonetheless, Moscow is only just beginning to approach the level and depth of political access the West has enjoyed over the past decade in Yugoslavia.

Gorbachev's New Approach. . . . Gorbachev has shown a greater tactical flexibility and willingness to experiment in overtures to Belgrade than any of his predecessors, but he also operates on a realpolitik recognition of the existing realities in post-Tito Yugoslavia. He clearly attaches more importance to relations with Yugoslavia, judging by the number of high-level Soviet-Yugoslav exchanges and the fact that his recent visit was his first to a non-Warsaw Pact socialist state, and Gorbachev has expended greater effort of any Soviet leader since Khrushchev to improve those relations.

. . . *different paths.* . . . More explicitly than ever before, Moscow has also recognized and accepted the existing status quo, i.e., independent, sovereign parties and states pursuing separate paths in building socialism. In the new declaration, Belgrade received the strongest reaffirmation since Khrushchev of the principles of mutual respect, equality and non-interference enshrined in the 1955 and 1956 Belgrade and Moscow Declarations. And, for the first time in any joint document, Moscow

² Secret; Noform; Nocontract; Sensitive.

made positive references to Yugoslavia's unique system of socialist self-management.

... minimizing ideology. . . . Moscow also seems more willing to minimize ideological differences. The Yugoslavs have indicated that the first draft of the new declaration was heavily ideological in tone but the Soviets agreed to remove objectionable passages on such issues as "socialist internationalism" without debilitating polemical exchanges. In another first, the Soviets agreed to refer to the Non-Aligned Movement as an independent entity existing outside of the Blocs. Previously, Moscow had only referred to the NAM if its international goals coincided with those of the USSR.

... acknowledging problems. . . . In still another first, Moscow now publicly acknowledges past errors in dealing with the Yugoslavs. Although Gorbachev stopped short of blaming Stalin directly for the 1948 schism when he addressed the Yugoslav assembly, he stated that "unjustified accusations" were made against the Yugoslav party and as a result of the split, "great damage" was inflicted on both countries and on the socialist movement as a whole. "Specialists" reportedly will meet later this year to discuss the 1948 break, the first talks to be held on that sensitive issue. Gorbachev clearly hopes to lay the events of 1948 to rest and go forward on a more positive footing.

... between unequals. Unlike Khrushchev, however, Gorbachev appears far more conscious of his status as the head of a superpower and of Yugoslavia's declining international stature. Gorbachev's statements and actions during his visit made these points implicitly clear. He praised self-management, not for its current status but for its initial innovativeness in adopting socialist theory to local circumstances. Nor was his acknowledgement of the NAM's still influential international role very lavish, reflecting the fact that the movement has lost much of its former prominence. But the Soviets also clearly want to move bilateral relations forward. During his talks with Yugoslav President Mojsov, Gorbachev stated Soviet willingness to have as close a relationship with Yugoslavia as Belgrade wanted.

Prospects

Both sides see economic and trade relations as the greatest potential for future growth, to judge by the recent adoption of an agreement of general principles on Yugoslav-Soviet economic and scientific-technical cooperation to the year 2000. Bilateral economic relations are slated to develop more intensively through inter-state banking cooperation, bilateral approaches to third countries and Yugoslavia's selective participation in the CEMA 2000 S&T program. Sales of critical weapon systems such as the MiG-29 could also be continued if the country's economic crisis forces Belgrade to postpone indefinitely the development

of indigenous programs such as the Novi Avion fighter aircraft. At a minimum, Yugoslavia's dependency on the Soviet Union as a source of energy and raw materials imports will increase if Belgrade agrees to expanded natural gas deliveries via Hungary and Bulgaria. This could help redress Yugoslavia's estimated U.S. \$1.4 billion trade surplus, however, given the continued importance of the USSR as a market for goods unmarketable elsewhere.

Moscow and Belgrade also share a particular interest in promoting "higher forms" of economic relations. At the conclusion of the Gorbachev visit, President Mojsov indicated two joint ventures had already been established and ten additional such undertakings would likely be agreed to by the end of 1988. The Soviets subsequently indicated that during the bilateral discussions the Yugoslavs made over 30 proposals for joint ventures.

Maintaining Momentum. The challenge now for both sides will be to maintain the positive momentum. Moscow quickly followed up on the Gorbachev visit by dispatching Politburo member and premier of the RSFSR Vorotnikov on a four-day visit to the republics of Serbia and Montenegro. The Soviets have also accepted the Yugoslav invitation for Premier Ryzhkov to visit Belgrade. Gorbachev also has the option of taking up Belgrade's invitation for second visit to reinvigorate ties should conditions warrant.

Trade Problems. Further progress in bilateral relations, however, promises to be slow going. While Belgrade and Moscow are willing to sidestep their divergent security interests and basic ideological and political differences, the two sides must agree on a mechanism to reduce the Yugoslav trade surplus—the most pressing problem in bilateral dealings—if these relations are to advance beyond their current level. The upcoming Ryzhkov visit no doubt will be used by the two sides for followup discussions on the framework arrangement hammered out during Gorbachev's visit on reducing Yugoslavia's surplus. Like past efforts, however, there is no guarantee the talks will prove successful.

Bilateral trade relations are also troubled by other problems. Although the USSR has been Belgrade's largest and most important trading partner since the mid-1970s, the volume of this trade has declined in recent years and in many areas direct economic cooperation is still in a nascent stage, such as joint venture arrangements. Equally important, both economies have significant structural problems and it remains to be seen how extensively these enterprise-to-enterprise contacts will develop. Trade relations will be burdened by the high Yugoslav inflation rate; many Yugoslav firms have integrated Western technology heavily into their production processes and must obtain re-export licenses; most Soviet enterprises have only taken the first steps in adjusting to Gorbachev's reforms; and only the most

competitive could hope to meet Yugoslav demands for hard currency compensation—if they are willing to do so.

External Dynamics

External influences are likely to affect Yugoslav-Soviet relations more during the next decade than they did at any time in the post-war period. Yugoslavia's evolution toward Western political, economic and social norms and the degree of success Gorbachev achieves with his programs will significantly condition the respective Yugoslav and Soviet approaches.

Centripetal Forces. The political importance to Belgrade of its ties to Moscow will increase in direct relation to Yugoslavia's continued drift toward westward political, economic and social norms. Belgrade's economic interaction and dependence on the West—formal relations with the IMF for the next several years and continued reschedulings of long-term official and commercial debts—will compound that importance.

This trend will likely be reinforced by the ever higher premium Belgrade places on maintaining its credentials as a non-aligned state. Even those leaders who are actively promoting the Western-style evolution of Yugoslav domestic policies will want at a minimum to maintain at least the facade of equidistance between the superpowers.

And, if Gorbachev proves more successful in implementing his domestic and foreign policy agenda, the Yugoslav conviction that Gorbachev's "new thinking" is pushing the Soviet Union closer to key Yugoslav political positions will likely become stronger. Equally important during a period of prolonged political and economic strain, the Yugoslavs will need the international prestige associated with Gorbachev.

The ideological component of Yugoslav-Soviet relations could also assume greater prominence as ties with the West deepen. As this Westward drift becomes more pronounced, continued association with Moscow will provide Belgrade with a degree of ideological legitimacy—due to the Soviet Union's unique status as the first socialist state.

Centrifugal Pressures. Besides fundamental mistrust of Moscow's long-term objectives, that same inexorable drift toward Western norms will remain one of the key limiting factors on the development of closer Yugoslav-Soviet ties. The partisan leaders who led Yugoslavia for the better part of the last four decades are rapidly passing from the scene and are being replaced by a postwar generation that looks increasingly to the West for new ideas. Despite Gorbachev's perestroika and glasnost, he has little new to offer the Yugoslavs in terms of policy innovation—Belgrade initiated a more fundamental reordering of its socialist society two decades ago.

To the extent Gorbachev's domestic reforms do actually influence the Yugoslavs, however, their influence may, paradoxically, have a debilitating effect on his efforts to expand bilateral ties by undercutting the more conservative and ideological elements within the Belgrade leadership—the most likely groupings to favor Soviet ties. As these elements appear increasingly less innovative and dynamic than the Gorbachev leadership, they may be more easily outmaneuvered by their more liberal opponents within the Yugoslav leadership.

At a broader level, Gorbachev's very success in developing closer ties may have a further burden on relations by instilling a sharper sense of the Soviet threat within a Yugoslav leadership which has never had broad, intensive contact with Moscow. At a minimum, increased contact with the Soviets will generate expanded Yugoslav counter-intelligence activities. Should Belgrade become overly sensitized to potential Soviet interference in their internal affairs, however, it could conceivably restrict ties with Moscow.

Intensive development of Soviet-Yugoslav economic relations over the next decade will in any event be limited by Belgrade's recognition that Yugoslavia's economic future lies with the West. If the Yugoslavs are to actively compete in international markets the economy must first be modernized but this modernization is critically dependent on access to sophisticated technology and financial largesse which the Soviets do not possess or would likely attach too high a political price for Belgrade to accept.

Potential for a Reversal. Bilateral ties could experience setbacks and, under certain circumstances, deteriorate precipitously from their current high-water mark:

—If Yugoslavia's trade surplus with Moscow continues to increase unchecked, political relations could be severely strained, particularly if the Yugoslavs declare a trade moratorium until a balance is achieved. For the financially-strapped Yugoslavs, that trade surplus with Moscow is, in effect an interest-free credit to the Soviets.

—If Gorbachev's political position is severely weakened by factional infighting within the Kremlin, forcing him to focus extensively on domestic issues for a prolonged period and relegate ties to Belgrade to the back burner.

—If Gorbachev were forced to use the Soviet military in Eastern Europe to control an unacceptable situation.

—Or, in the most extreme scenario, Gorbachev is removed from power and replaced by a leadership seeking to restore the status quo ante of the Brezhnev era to Yugoslav-Soviet relations.

Gorbachev could also overplay his hand in dealing with the sensitive Yugoslavs. While he has demonstrated greater sophistication in

the foreign policy arena than his immediate predecessors, he has also shown that he is not immune to policy failure; overt interference in Yugoslavia's internal affairs could conceivably elicit a pronounced nationalist backlash.

External Implications

Intra-Bloc Relations. The evolving Belgrade-Moscow relationship will impact on Soviet-East European relations generally and, to a degree, relations within the world communist movement as a whole. For the East European leaderships, the new Yugoslav-Soviet declaration reaffirms—and extends—Gorbachev's pronouncements on "socialist internationalism" made in Prague in April and in Moscow at the 70th anniversary celebrations when he indirectly legitimized the concept of "separate roads to socialism." Although the Yugoslav-Soviet Declaration may encourage reformers' propensity to test the limits of Gorbachev's "new thinking" in inter-state relations, the East European leaderships are cognizant that Belgrade's non-bloc status makes the new statement unique to Soviet-Yugoslav relations. More to the point, Moscow has not abrogated its right to defend "socialist gains" within the bloc.

Western Interests. Western security interests will be only marginally affected by the expected expansion of Soviet-Yugoslav ties:

—Moscow may develop increased intelligence collection capabilities and greater potential leverage to influence Belgrade's policies.

—Any Yugoslav accommodation of Soviet requests for increased port access will likely take the form of more frequent waivers of the law on limiting the size of foreign naval combatants visiting Yugoslav ports. (Belgrade recently adopted amendments in its maritime law that allow a larger number of foreign combatants to be serviced during a single port call.) But Belgrade will not readily accommodate Soviet requests for access to a second Yugoslav port.

—Any improvement in Yugoslav-Soviet security relations will likely be limited to existing areas of cooperation i.e., periodic information-sharing on hostile emigres and organizations and on international terrorism. Belgrade will continue to sidestep Soviet overtures for a liaison-type relationship involving regular exchanges of intelligence information and coordinated intelligence collection efforts against the US and NATO.

250. Memorandum of Conversation¹

Washington, May 6, 1988, 10:15–10:41 a.m.

SUBJECTThe President's Meeting with *Yugoslav Presidency Member Josip Vrhovec***PARTICIPANTS***U.S.*

The President

Secretary of State George Shultz

Howard Baker, Chief of Staff

John D. Negroponte, Deputy Assistant to the President for National Security Affairs

Thomas W. Simons, Jr., Deputy Assistant Secretary of State for European Affairs

John Scanlan, Ambassador to Yugoslavia

Stephen Danzansky, Sr., Director, International Economic Affairs, NSC

Rudolf Perina, Director, European and Soviet Affairs, NSC

Yugoslavia

Member of the Presidency Josip Vrhovec

Ambassador to the U.S., Zivorad Kovacevic

Dusan Strbac, Assistant Secretary for Foreign Affairs

Pavle Jevremovic, Director for International Relations

After exchanges of greetings, *the President* expressed appreciation to President Vrhovec for the Yugoslav expulsion of the Palestinian terrorist leader, Colonel Hawari, from Yugoslavia. The President said that this was a positive step in the fight against terrorism. The two men then chatted privately as the press was brought in for the photo opportunity.

After departure of the press, *the President* said that President Vrhovec must know the United States well because he served as a journalist here. He asked President Vrhovec if there were any specific items he wished to talk about.

President Vrhovec replied that he wished to convey the best wishes of the Yugoslav Presidency and people to the President and the American people. Vrhovec said he knew the President was busy, but all Yugoslavs hoped he could sometime visit their country. *The President* said he would like to make such a visit.

President Vrhovec said he had had a good discussion of bilateral and international issues with Secretary Shultz.² He had told the Secretary

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Yugoslavia—Substance 1988 (1). Secret. The meeting took place in the Oval Office. Presumably drafted by Perina. Perina sent a copy to Paul Schott Stevens under a May 13 cover memorandum, requesting that he “review and approve” the memorandum “for record purposes.” (Ibid.)

² No memorandum of conversation of this meeting was found.

that Yugoslavia strongly supported U.S. efforts to improve relations with the USSR and to make progress on arms control. Yugoslavia wished these efforts well. Yugoslavia also wanted to continue its good bilateral relationship with the United States, which was appreciated.

President Vrhovec said that much of his discussion with the Secretary focused on economic relations. Yugoslavia wished to increase its economic ties with the U.S., not just in the area of trade, but also in industrial cooperation, technology, and investment of capital. Yugoslavia was implementing a major economic reform to move toward a more market-oriented economy and also to develop ecologically. The country could not enter the 21st century otherwise. To succeed, however, the government realized that a process of democratization was also necessary, and it was pursuing such a process.

President Vrhovec said he hoped that the United States would support Yugoslavia's efforts. Yugoslavia had reached an agreement with the IMF, and the first stage of implementing this agreement would be the hardest, when the most support was needed. There would be significant liberalization in the areas of prices, imports, and foreign exchange, and Yugoslavia would need more credits to succeed in this stage. *President Vrhovec* said he had asked Secretary Shultz for U.S. understanding and support, and the Secretary had promised cooperation. This was appreciated.

Turning to the international scene, *President Vrhovec* said that Yugoslavia continued to follow a policy of non-alignment and sought in this way to make a positive contribution to making the world more secure. That was also why Yugoslavia supported the President's efforts to improve East-West relations.

The President congratulated *President Vrhovec* on Yugoslavia's agreement with the IMF and said that we would work together with the Paris Club to provide as much financial relief as possible. We would support efforts to help Yugoslavia out of its problems.

With regard to international relations, *the President* recalled that after a recent speech in Chicago, in response to a question, he had speculated how the world would react if suddenly threatened by invaders from another planet. All countries would probably unite together against the enemy, and our current problems would appear very small.

The President noted that General Secretary Gorbachev had recently visited Yugoslavia. The President said he recalled that during an earlier visit Gorbachev had visited Yugoslavia and acted like a top official, even though he had not yet become General Secretary. The President asked how this last visit had gone.

President Vrhovec said it was an important and significant visit. Gorbachev was a man with new ideas, but also with big problems because perestroika was not going well. On the eve of Gorbachev's departure, an

article had appeared in the Soviet newspaper "*Sovetskaya Rossiya*" which challenged Gorbachev's reforms and defended Stalinism. It was good that things were now being clarified as a result of this article because perestroika was in the interest of the whole world, and Soviet reform efforts were certainly preferable to a return to Stalinism.

President Vrhovec said that a Soviet-Yugoslav declaration was signed during the Gorbachev visit which had some new positions, especially on the 1948 Soviet-Yugoslav conflict. President Vrhovec said it was noteworthy that Gorbachev had admitted that there had been wrong on the Soviet side in this conflict. The admission was not just for the sake of courting the Yugoslavs, but also related to Gorbachev's own objectives within the Soviet Union. President Vrhovec said that Gorbachev wanted a dialogue with the U.S. to be as successful as possible because he needed successes. Otherwise, he faced the danger of being pushed back by his opponents.

The President said Gorbachev seemed different from previous Soviet leaders. He faced enormous problems, resistance from the bureaucracy, but he was really trying to bring some changes to the Soviet Union. At the same time, he believed a lot of the propaganda about our own country on which he had been raised.

President Vrhovec agreed that Gorbachev faced a lot of resistance, especially from the apparatchiks whose positions were threatened. *The President* said he had learned that just one of the reforms proposed by Gorbachev would cost more than 400,000 officials their positions.

Secretary Shultz said he had had an interesting discussion with President Vrhovec about Poland and suggested that President Vrhovec repeat some of his views to the President. *President Vrhovec* said that Poland had terrible economic problems. Yugoslavia did also, but those were at least manageable. Poland was also a very neuralgic part of Soviet interests. President Vrhovec said he did not believe the Soviets would intervene in Poland if there were no outside interference, but Gorbachev's new policies might be tested, hopefully in a positive way. Even in Yugoslavia, Gorbachev had shown new attitudes—not insisting on a monopoly of power but wanting unity on a different basis. The Poles thus had a chance to resolve their own problems. If there was any way the U.S. could help them, this would be good.

The President noted that there had been no new developments that morning in the Gdansk shipyards. President Vrhovec said he could only hope there would be no violence. He said he knew the U.S. had a great interest in human rights. Yugoslavia was also interested and realized that in this area more could always be done.

The President said that he approached human rights with Gorbachev by stressing that the U.S. would not take credit for improvements, and that improvements were in fact in the Soviets' own interest. This was

also the line he would take at the Moscow Summit.³ *President Vrhovec* said human rights were very important in Yugoslavia but also potentially very divisive because the country had so many different religions and nationalities.

President Vrhovec concluded by saying that he had been present when the President gave a 1981 speech in Vancouver in which he advanced ideas of free trade. It was a correct argument which others were not supporting. President Vrhovec thanked the President for the opportunity of the meeting, which ended at 10:41 a.m.

³ Reagan and Gorbachev met in Moscow from May 29 to June 1. See *Foreign Relations*, 1981–1988, vol. VI, Soviet Union, October 1986–January 1989, Documents 155–164.

251. Telegram From the Embassy in Yugoslavia to the Department of State¹

Belgrade, June 7, 1988, 1318Z

5536/Depto 3003. Subject: Deputy Secretary Whitehead's Meeting With Yugoslav Foreign Secretary Loncar.

1. C—Entire text.

2. Summary: On June 6 Deputy Secretary Whitehead met with Yugoslav Foreign Secretary Budimir Loncar. The Deputy Secretary expressed support for the changes that Yugoslavia is introducing and said that the U.S. recognizes that Yugoslavia is an important country that deserves U.S. support. Loncar expressed appreciation for U.S. support but urged the U.S. to be present politically "earlier" in ongoing financial discussions. Yugoslavia has made important changes in its economic system and it needs the support of its foreign creditors to get back on the right track. The Deputy Secretary welcomed the increase in U.S.-Yugoslav trade. He urged Yugoslavia to reduce barriers to investment and to take steps to put U.S.-Yugoslav trade in balance. Yugoslav Ambassador to Washington Kovacevic said that the U.S. Treasury Department sometimes does not seem to have the requisite degree of

¹ Source: Department of State, Central Foreign Policy File, D880485–0772. Confidential; Immediate. Sent immediate for information to Paris; sent for information to Eastern European posts, Moscow, and Vienna.

understanding and support for Yugoslavia. Some U.S. allies are also trying to make the U.S. a scapegoat for delays in rescheduling. The Deputy Secretary expressed confidence that Yugoslavia would obtain an acceptable agreement from the Paris Club. Some things that Yugoslavia was seeking, however, were probably not possible. There were other things, such as rescheduling of interest payments, that might be possible but that the GOY was not seeking. The U.S. provided a briefing on the Moscow Summit and Loncar described Yugoslav views on the process of change underway in the USSR. Loncar described changes under consideration in the NAM and stated Yugoslav interest in a conclusion of the Vienna CSCE meeting by the end of July. End summary.

U.S.-Yugoslav Bilateral Relations and Debt Rescheduling

3. Loncar welcomed the Deputy Secretary on his third visit to Belgrade and stated that he had been happy to read in the Deputy Secretary's speech at the Split meeting of the U.S.-Yugoslav Economic Council (USYEC)² that the U.S. Government recognizes that Yugoslavia is determined to move in the right direction in its economic policy and that the USG further recognizes this program is a good prerequisite for governments and financial institutions to support Yugoslavia. The Deputy Secretary responded that he wanted to inform Loncar that the USG firmly desires to develop its relationship with Yugoslavia. The U.S. considers Yugoslavia an important country that deserves more, not less, attention. The U.S. looks with respect on the economic and social changes that Yugoslavia is making. The U.S. realizes that such changes require courage and will also require sacrifices. The U.S. is confident that Yugoslavia is moving in a direction that will lead to the resumption of growth in the Yugoslav economy. The movement to free markets is occurring throughout the world. It is not a matter of ideology but rather of what works, as is proved by the U.S. experience and by the experience of other countries such as South Korea, Taiwan and Singapore. The process also begins to be seen in the USSR and China. It constitutes a recognition that economies develop more effectively where individual initiative is rewarded.

4. The Deputy Secretary continued that when the U.S. sees this process happening, we support it. The Deputy Secretary stated that Yugoslavia can count on U.S. support with the IMF, where we have assisted in the package that is being put together; with the World Bank, where Yugoslavia has only begun to tap the assistance that is available and which is eager to give more support than Yugoslavia has yet requested. The U.S. has also instructed its people at the Paris Club to

² The text of the speech was not found.

provide support for Yugoslavia. The U.S. is also working with Kuwait to try to get that country to participate in the loan.

5. The U.S. is also pleased with the way our relations are developing in other areas. The Deputy Secretary said he was pleased to be able to sign the consular convention that was initialed during his last visit to Yugoslavia.³ This allows the resolution of the problem of dual nationals on a mutually satisfactory basis. We are pleased at the initial reports that we have heard about the U.S.-Yugoslav consultations on counterterrorism that were recently held in Washington.⁴ The U.S. and Yugoslavia recognize that it is in our mutual interest to combat terrorism around the world and we are developing that mutual interest into real cooperation. Yugoslav representatives to the talks had expressed considerable interest in U.S. methods for obtaining information about terrorist actions. The Deputy Secretary pointed out that we have succeeded in reducing the number of terrorist acts around the world, although unfortunately there continue to be a small number of states that act outside all civilized standards in supporting terrorism.

6. The Deputy Secretary stated that he had been impressed by the USYEC meeting, where about 500 U.S. and Yugoslav representatives had discussed ways to increase economic cooperation between the two countries. An impressive number of projects in trade and investment are either in progress or on the drawing board. Total U.S.-Yugoslav trade reached the level of about \$1.4 billion last year. This is an increase of 20–30, and first quarter figures show an increase of about the same magnitude. The Deputy Secretary particularly stressed opportunities for direct investment, noting that investment has special advantages for a country like Yugoslavia because it does not represent a loan that must be repaid. It would only lead to a pay-out if the investment were a success. Investment also brings with it technology and know-how. The Deputy Secretary urged Yugoslavia to find ways to allow foreign investment to flow more freely into Yugoslavia. Unfortunately, there continue to be impediments to foreign investment in Yugoslavia.

7. The Deputy Secretary also pointed out that U.S.-Yugoslav trade continues to be imbalanced. The U.S. wants to increase trade on both sides. The Deputy Secretary urged Yugoslavia to devote greater effort to purchase its necessary imports from the U.S., to avoid a permanent imbalance in our trade.

³ See Documents 245 and 246.

⁴ Telegram 179786 to Belgrade, June 4, provided a summary of the consultations. (Department of State, Central Foreign Policy File, D88017–0171)

8. In response, Loncar particularly welcomed the Deputy Secretary's statement of interest in increasing political, economic and consular cooperation. Loncar said that the GOY also wanted to encourage cultural and non-governmental contacts and exchanges in both directions. Loncar said that Yugoslavia attaches the highest priority to its relations with the U.S.; this is a permanent factor. Good relations, however, need permanent efforts on both sides, including a dialogue at all levels. Yugoslavia considers the recent visit to the U.S. by Presidency member Vrhovec, and particularly his warm reception by President Reagan, to be a new element in our mutual understanding. Loncar expressed appreciation for the statements by the President and Secretary Shultz that conveyed their warm outlook toward U.S.-Yugoslav relations. Loncar also expressed personal appreciation to the Deputy Secretary for his third visit to Yugoslavia and for his efforts to understand Yugoslav developments.

9. At the present moment, Loncar continued, Yugoslavia needed special attention and understanding. Yugoslavia was now facing two contradictory problems. The country badly needed more innovation and reform in its economic structure. At the same time it needed to correct its net capital outflow. Yugoslavia needed understanding from its creditors to create the proper economic climate. But Yugoslavia also needed more political understanding from countries such as the U.S. that play a decisive role in world affairs. The U.S. needs to look at Yugoslavia not only in its capacity as a creditor but also in its capacity as a world power. Yugoslavia, of course, recognizes that the biggest burden in correcting its problems will have to be borne by itself. Loncar added, however, that the GOY had the impression that the U.S. had played a more active role in taking the lead to arrange the first IMF package than it has in this one. Perhaps that is why Yugoslavia had expected more from the U.S. than it saw now. Loncar added that the Deputy Secretary could discuss this with Finance Secretary Rikanovic. He pointed out, however, that fresh money and bridging finance were Yugoslavia's most urgent needs now. In order to get back on the right track, Yugoslavia would appreciate it if this support could be given quickly and under the most favorable conditions. The "three liberalizations" (note: of prices, foreign exchange and foreign investment) had been a courageous step. In this context, Loncar urged the U.S. to be more present politically in the on-going financial discussions.

10. Loncar said that the GOY was satisfied with the improvement in cooperation against terrorism. The Yugoslav delegation in the U.S. had reported a fruitful exchange of views, and had returned saying an increase in cooperation might be in order. At the present moment, Loncar said, there are no major bilateral problems between Yugoslavia and the U.S. Yugoslavia would like a visit by Secretary Shultz and also looked forward to another visit by the Deputy Secretary.

11. Yugoslav Ambassador to the U.S. in Washington, Kovacevic, pointed out that the Deputy Secretary had said that the U.S. wanted to be helpful but there had been little evidence of this attitude at Treasury. EB DAS Milam's recent conversation with the Yugoslav DCM had been "too tough."⁵ Kovacevic said that Rikanovic would have more to say on the subject but he pointed out that the GOY wanted to avoid a repetition of the events with the BIS. Noting that one of the virtues of the U.S.-Yugoslav dialogue was its frankness, Loncar stated that it appeared to the GOY that it was supposed to give special attention when the U.S. spoke, but that the U.S. appeared unconcerned when the GOY articulated its views.

12. In response, the Deputy Secretary pointed out that because the U.S. plays a leading role in international economic bodies such as the IMF, the World Bank and the GATT other countries sometimes take advantage of this to blame the U.S. for inaction and to assert that they are prevented from being more generous by U.S. opposition. The Deputy Secretary also pointed out that for all its wealth U.S. funds were not inexhaustible. The U.S. has to work with other nations to supply Yugoslavia's needs. Congress has reduced the funds available for foreign aid, and the U.S. deficit also limits what it can do. In any case, the U.S. had no reason to be ashamed of its contributions of \$50 million in CCC credits and \$50 million to the bridge. U.S. banks are active, with Manufacturers Hanover taking the lead.

13. Loncar stated that Yugoslavia did not expect the U.S. to do more than it could. The U.S. and Japan would have the decisive role, but in spite of U.S. economic difficulties its political presence was still the most important factor. The Deputy Secretary said he was not going to negotiate the terms of an agreement with the Paris Club. That is the responsibility of our people in Paris. He expressed confidence, however, that a good agreement would be reached, although this did not mean that there was no hard bargaining ahead. The U.S. wanted Yugoslavia to reach a successful debt rescheduling agreement and was working to achieve this result, but the U.S. had to be concerned about precedent. Some of the specific things the GOY had requested, such as the long stretchout period are not possible. However, the Deputy Secretary said the U.S. was puzzled about why the GOY did not seek to reschedule interest payments. This is an avenue the GOY might want to pursue. Loncar asked the U.S. to understand the psychological backdrop in Yugoslavia. Negotiations with the IMF had been difficult, but the IMF had said that what would come after would be easier. Although Loncar acknowledged that he had always doubted the IMF on this point, the

⁵ A memorandum of conversation of this discussion was not found.

process is still discouraging to many in Yugoslavia. Kovacevic added that the U.S. should be aware that, as the Deputy Secretary had stated, many countries, including U.S. allies are spreading the word that the U.S. is responsible for delays in rescheduling. The U.S. is being made a scapegoat. Kovacevic added that the Yugoslav Embassy felt cut off from any significant contact with Treasury in Washington.

The Moscow Summit

14. The Deputy Secretary said that U.S.-Soviet relations are improving, and the recent summit in Moscow had made an important contribution to that process. As in all meetings with the USSR, the U.S. had fully covered all points on its four part agenda. On human rights there had been definite progress. It is a regular topic of conversation, and the Soviets now avoid a confrontational approach. There is more openness in the USSR. Emigration numbers are up; some refuseniks are being allowed to leave, although there are still many who would like to emigrate who cannot do so. On arms control, the INF agreement has been signed and ratified with important inspection procedures to ensure compliance. There was some progress on START, although a number of important issues remain. The U.S. had expressed its intention to continue working on a START agreement up to the end of the administration.

15. On regional issues, the U.S. had said it was watching the Soviet withdrawal from Afghanistan. We were pursuing Gorbachev's comment that Afghanistan could provide the model for a solution in other areas, such as Angola, Cambodia and Nicaragua. The Deputy Secretary stated that bilateral relations had been an area of progress in the last several years. A whole series of exchange agreements in education, science and culture had been achieved. In sum, the Deputy Secretary concluded, U.S.-Soviet relations are good and improving. This is of great significance to the entire world.

16. At the Deputy Secretary's request, NSC Staffer Perina added a few remarks on the summit. Perina highlighted the joint statement.⁶ It covered in a detailed fashion all issues under discussion between the two countries. He added that the U.S. delegation to the summit had decided that the meeting had been characterized by change, consistency and continuity. The President had made it clear both privately with Gorbachev and in public that the U.S. welcomed and supported the process of change underway in the USSR. At the same time we also made it clear that we believe the basis for U.S.-Soviet relations laid over the past seven years was working and we do not intend to change

⁶ For the text of the joint statement, see Department of State *Bulletin*, August 1988, pp. 25–31.

the assumptions on which we are working. We had opposed—to Gorbachev's publicly expressed disappointment—the Soviet attempt to introduce a statement of general principles that to us appeared to harken back to the era of detente in the 1970's. The President had also informed the Soviets that they should not expect great changes in the U.S.-Soviet relationship no matter what administration took office next year.

17. Assistant Secretary Dusan Strbac asked whether the U.S. believed that sufficient progress had been made in U.S.-Soviet relations to preclude setbacks in the future. Perina responded that Gorbachev clearly had hoped there could have been movement and was disappointed we did not accept the Soviet public principles. Americans are pragmatic; we look at the facts and then attempt to draw a conclusion. The Soviet approach is more to devise a sweeping statement of principle and then from there move to more practical matters.

Toronto Summit

18. In response to Loncar's question, the Deputy Secretary briefly described preparations for the Toronto summit.⁷ There would certainly be considerable discussion of protectionism. The U.S. was prepared to discuss and step up to the burden of eliminating agricultural subsidies, on which all are guilty. Joint efforts against drug trafficking would also be high on the U.S. agenda. In response to Loncar's question on the Middle East, the Deputy Secretary said that Secretary Shultz believes that he should keep trying. The U.S. wants to keep the process going, to keep the peoples of the region focussed on the possibility of a peaceful settlement. The U.S. recognizes that any settlement must provide the Palestinians a say in their future. We insist on direct negotiations between the parties involved: Israel, Jordan and the Palestinians in some fashion. An international peace conference could serve as an umbrella but cannot dictate solutions.

Yugoslav Views on Soviet Developments

19. Loncar said that perestroika provides the framework for Gorbachev to pursue domestic reforms. These are proceeding but not as fast as Gorbachev had hoped. There is resistance and Gorbachev will need to remove some conservative opponents. Glasnost provides the atmospherics within which perestroika is pursued. Here the changes have been most dramatic. There has been real improvement in openness in the USSR. Gorbachev is also introducing "new thinking" in foreign policy. This has involved changes both in the image and substance of Soviet policies. The USSR has had great success in changing its image

⁷ Reference is to the G-7 Summit held in Toronto from June 19 to June 21.

and in reducing suspicion, particularly in Western Europe but also in the U.S. In sum, Loncar said there is no question but that Gorbachev will succeed in introducing change in the USSR; the only question is how fast and to what degree.

NAM Developments

20. Loncar said that the recent meeting of NAM foreign ministers in Havana had been the occasion for discussion of the need for the NAM to adapt its policies to the changes in the world, including the improvement in U.S.-Soviet relations. Many NAM members, including Yugoslavia, believe that the NAM needs to adopt a more constructive approach. This view is not shared by all NAM members, however. The NAM also needs to improve its procedures. Speeches and NAM documents need to be shorter and more focused on specific issues where the NAM can play a constructive role. The Deputy Secretary welcomed these developments. He urged the NAM to devote greater effort to defining what it is for rather than what it is against.

CSCE

21. Loncar pointed out that the NNA had recently introduced a draft concluding document in Vienna.⁸ Yugoslavia and other NNA believe it meets the interests of all parties. Some additional work is required to complete it, but Loncar said that Yugoslavia advocates an end to the Vienna meeting by the end of July.

22. Moscow minimize considered.

Scanlan

⁸ Not found.

252. Telegram From the Embassy in Hungary to the Department of State¹

Budapest, June 7, 1988, 1354Z

5861/Depto 3004. Subject: My Stop in Yugoslavia.

1. Secret—Entire text.

2. My visit to Yugoslavia could not have come at a better time. Yugoslavia, or at least the people running it, is absolutely consumed with its financial and economic problems. Since I arrived here Sunday,² the only government official who hasn't talked about IMF standbys or financing gaps or bridge loans was our tour guide in Split. I've been able to do some important hand-holding at a critical moment, give some valuable advice, and perhaps most important, assure the Yugoslavs that we believe what they are doing is positive, worthy of our support, and bound to succeed. I also beat Adamishin here by a day with our view of the Moscow Summit, which Prime Minister Mikulic and Foreign Secretary Loncar in particular appreciated.

3. The basic problem here is that Yugoslavia has finally realized it was making no progress on paying back its dols. 20 billion in external debt, and recently reached an internal consensus to do something about it. The IMF has approved a standby plan, but before it goes into effect June 30, the Yugoslavs must have identified some dols. 1.2 billion to close the gap between expected receipts and obligations. That is problem number one. The second, and more immediate, problem is that they need about dols. 250 million in short-term cash to cover a series of immediate reforms they have put into effect. These include devaluing the dinar 24 percent, liberalizing the foreign exchange market, and doing away with import controls on about 40 percent of their imports. Further fundamental economic reforms, which Mikulic correctly termed evolutionary, are to follow in the form of constitutional amendments.

4. Depending on who's counting, the Yugoslavs seem to have identified about one billion dollars from the IMF, the World Bank, commercial banks, and rescheduled interest to plug the dols 1.2 billion gap. That still leaves them short of the mark. And the BIS has agreed to provide a dols 250 million bridge loan to get them over the immediate

¹ Source: Department of State, Official Correspondence of Deputy Secretary of State John C. Whitehead, July 1982–January 1989, Lot 89 D 139, Potsdam Trip, June 4–16, 1988 (Eastern and Western Europe). Secret; Immediate; Nodis. Drafted by Kelly (D); approved by Whitehead.

² June 5.

hurdles as they open their exchange markets, a process which after the first six days seems to be functioning without crisis.

5. I think you get the best flavor for how dramatic all this is from my conversation with Mikulic.³ This is a man whose government survived an unprecedented no-confidence vote May 14. Who ever would have thought even ten years ago that a communist country would get to the point of holding such a vote? What's more, two of the Yugoslav republics voted against Mikulic's government. The former president of one of them, Ante Markovic of Croatia, who was my host last year in Zagreb, told me Monday⁴ Croatia voted against Mikulic not because they thought his economic reform package was too radical, but because it isn't radical enough.

6. Mikulic told me Tuesday⁵ he thought the country was united behind his plans to open Yugoslavia to the rest of the economic world. He noted that there has been resistance already from those who will be hurt by these economic reforms, particularly large and inefficient enterprises and others unable to adjust to the realities of an open marketplace. But he said he was confident that the efficient parts of the Yugoslav economy would be able to pull the rest of the country along into a brighter future. We are in for some hard times, Mikulic said, adding with some of the bunker vocabulary I often heard expressed, quote, although we are few, we are brave, unquote.

7. My approach in the speech I delivered Monday morning to the annual meeting of the U.S.-Yugoslav Economic Council, and in meetings with Mikulic, Loncar, Deputy Prime Minister Milosavljevic, and Finance Minister Rikanovic, was to stress that the U.S. strongly supports what Yugoslavia is doing. I also tried to counteract a mistaken impression that we weren't willing to help with a long list of measures we've taken. I noted our willingness to contribute dols. 50 million to the BIS package, the dols. 50 million we were adding to Yugoslavia's Commodity Credit Corporation credits, and the jawboning we are doing with commercial banks to encourage them to provide some of the needed new money. In private, I briefed Rikanovic and Milosavljevic on our efforts to twist the Kuwaiti bankers' arms, noting that we have raised the question of their participation to a political level since the bankers have turned their thumbs down. I also promised that we would support Yugoslavia when the Paris Club meets Thursday⁶ on their request for rescheduling, although I said their request must be within reason.

³ See Document 253.

⁴ June 6.

⁵ June 7.

⁶ June 9.

8. With Loncar, as with the others, I said we admired the courage it took to make the kinds of economic adjustments Yugoslavia faced, and I talked to him in detail about the advantages of a free market. I told him that centrally planned economies simply don't work, adding that this wasn't a question of ideology, but one of practicality. I also made some practical suggestions to Rikanovic on ways to convince the IMF that sufficient funds were identified so it would give the standby agreement the final green light.

9. I also managed with Loncar and Mikulic to give them our read-out of the summit. Loncar's analysis is that there is no question that Gorbachev will succeed; the only question is how fast. Loncar said that Gorbachev had been tremendously successful in changing the Soviet Union's image (indeed, they are getting the credit for leaving Afghanistan), and that this new atmosphere was especially seductive to the public in Western Europe.

10. Loncar and I also went over some of the nuts and bolts of our relationship. We signed the consular convention that we initialed last time I was here. This will help us more effectively protect dual nationals who get arrested here, a big problem in the past. We also reviewed the talks on terrorism the Yugoslavs had in Washington last week. They were impressed with what they saw and heard, and Loncar said they came back ready to extend even greater cooperation.

11. Finally, Loncar made a big pitch to have you visit Yugoslavia. He said that their relationship with the U.S. has top priority, and that they want to do more with us in all fields. He argues that it is time for a visit at the quote highest level unquote.

12. I agree. From the interaction of American and Yugoslav businessmen in a crowded reception room in Split, to the frank economic and political talks I had with top officials in Belgrade, I can see our countries have never been closer. Yugoslavia has major problems; there's no disguising it. But if we can help them solve their problems with Western solutions, the precedent will have a powerful effect on Yugoslavia's less liberal neighbors, and represent a real victory for our step-by-step approach to this part of the world.

Palmer

253. Telegram From the Embassy in Yugoslavia to the Department of State¹

Belgrade, June 9, 1988, 1127Z

5616/Depto 3006. Subject: Deputy Secretary Whitehead's Meeting With Yugoslav Premier Branko Mikulic.

1. C—Entire text.

2. Summary: On June 7 Deputy Secretary Whitehead, accompanied by Ambassador Scanlan and members of the Deputy Secretary's party met with Yugoslav Premier Branko Mikulic. The Deputy Secretary expressed U.S. support for the Yugoslav program of economic reforms and said that the U.S. would participate actively in helping Yugoslavia achieve its goals. Mikulic said that by January 1, 1989, a "revolutionary" new Yugoslav economic system should be in place. Mikulic said that Yugoslavia wanted to increase its trade with the technologically more developed countries and that its trade would be more and more oriented toward the West. He said that the imbalance in trade with the USSR was a serious burden on Yugoslavia and that there appeared to be little prospect of its early resolution. Yugoslavia was decreasing its share of trade with the USSR but it would continue to be present in these markets. End summary.

3. Prime Minister Mikulic expressed appreciation for the Deputy Secretary's words of support at the U.S.-Yugoslav Economic Council (USYEC) meeting in Split. Mikulic said that the government's program for economic reform was on track and that he was now more optimistic that it would be successful in achieving its objectives. Noting that U.S.-Yugoslav political relations are excellent and require no special commentary, Mikulic said he would like to make a few points on the Yugoslav reform program. He stated that after years of internal arguments the country had finally agreed that it was necessary to proceed with reforms which went beyond any yet seen in the post-war period. Mikulic said the government would have introduced its reform program earlier but there were divided opinions about reform last year and the country also lacked the prerequisites for reform. It was impossible last year to allow a liberalization of prices, as some had advocated, in view of Yugoslavia's high debt service obligations. However, the government had decided to seek debt rescheduling and had entered into negotiations with the IMF. These eventually led to an agreement by

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Yugoslavia—Substance 1988 (1). Confidential; Immediate. Sent for information to Eastern European posts, Moscow, Paris, Rome, Vienna, and Zagreb.

which Yugoslavia corrected the mistake made in 1984 of ending its relationship with the IMF. This had been a difficult decision for Yugoslavia but there was no real alternative that would offer the people the hope of a better future.

4. The difficulties, however, had forced the government to devote considerable time to sounding out the public opinion and the social terrain before it proposed changes. Mikulic said that the initial results of the introduction of the changes had not been as bad as some had feared. The foreign exchange market is working and prices had not risen as aggressively as some had feared. The government would keep a firm grip on internal demand to keep the situation from becoming more difficult. Mikulic acknowledged that the government expected to face protests as it implemented the reforms but that it would not weaken. He noted that dissatisfied miners from the Bosnian town of Tuzla had recently marched on the assembly to complain about the government's measures. There would be more protests in Yugoslavia but the government would "hold on."

5. Mikulic said he was particularly worried about how to prevent distortions in the foreign exchange market. The GOY had originally agreed with the IMF that \$1.4 billion in fresh money was needed; later that sum was reduced to \$1.2 billion. This is a prerequisite for the operation of the foreign exchange market, which is a prerequisite for the liberalization of prices. Mikulic stated that on its first ten days of operation the foreign exchange market in dinars had been fairly weak. There had been a total turnover of \$224 million. This showed that the government had set a realistic exchange rate. Yesterday, however, the government had decided to introduce a 5.1 percent "correction" in the exchange rate because of differences between domestic and foreign markets. Mikulic stressed, however, the importance of obtaining a secure supply of new money through the rest of the year. Achieving success in the government's current economic policies is a necessary element of success in the broader program of economic reform. The economic reforms and constitutional changes that have been proposed represent a complete change in the Yugoslav economic system from top to bottom. Mikulic also described the changes as a real "restructuring."

6. Mikulic said that the government had gotten full support for these changes from the recent conference of the League of Communists of Yugoslavia (LCY). There had been a decision to accelerate the enactment of the reforms and the constitutional amendments. Beginning January 1, 1989, Mikulic said, there will be a "revolution" in the Yugoslav economic system. Mikulic acknowledged that there would be resistance to these changes especially in areas which cannot adjust rapidly enough to the new conditions. It would also be necessary to overcome some "dogmatic" prejudices from the past that automatically

tended to favor large enterprises with several thousand workers over smaller firms. Mikulic said that the reforms would encourage small and medium sized firms that are more flexible and could therefore survive more easily in the new conditions. That part of the economy that is successful and export oriented, Mikulic said, will support us. He added that such successful enterprises are found throughout Yugoslavia, and are not confined to one republic or another.

7. Mikulic said that Yugoslavia was aware it had to rely primarily on its own efforts to get out of the crisis but he also said he liked to think that the American Government supported the Yugoslav program. He added that Yugoslavia hoped for U.S. support during the upcoming meeting of the Paris Club. He also hoped that U.S. commercial banks would not be a problem. Yugoslavia expected to get \$500 million from commercial banks but it would be even better if this could be obtained at an acceptable rate of interest. It was important for the success of Yugoslavia's reforms to have sufficient money on hand at the outset of the program.

8. In response, the Deputy Secretary stated that he believed an important and favorable revolution was beginning in Yugoslavia. The Deputy Secretary said he wanted to convey U.S. congratulations to Yugoslavia in view of the courage Yugoslavia has shown to initiate this program. The Deputy Secretary predicted that in a few months, when they saw the benefits it brought them, the people of Yugoslavia would be enthusiastic about the program. Yugoslavia is unleashing the ability of its people in a way it has never done before. The Deputy Secretary said that the U.S. recognizes the importance of balancing the financing gap and also acknowledged the validity of what Mikulic had said about the need to free up foreign exchange markets. The U.S. intended to participate actively in helping Yugoslavia to achieve its program. The U.S. has committed an additional \$50 million in CCC credits to Yugoslavia and it was participating with \$50 million in parallel with the BIS bridge. Noting that he had met earlier in the morning with Yugoslav Finance Secretary Rikanovic, the Deputy Secretary said that Rikanovic had quickly become a respected figure and that he expected he would have success in the upcoming Paris Club negotiations.

9. Mikulic said that in the past the U.S. had supported Yugoslavia in times of difficulty and Yugoslavia had counted on U.S. support again this time. Mikulic continued that he wanted to point out that the reforms would also affect Yugoslavia's position in the world economy. Yugoslavia wanted to increase its cooperation with the most scientifically and technologically developed parts of the world; in Europe this meant the EEC and the EFTA. Mikulic said that Yugoslavia has good trade relations with the USSR and Eastern Europe, but that the Yugoslav imbalance in payments with the USSR was a serious burden

on the overall Yugoslav balance. This problem had been discussed with Gorbachev during his visit to Yugoslavia but so far there had been no resolution. As part of the overall Yugoslav reform program they were seeking a way to revise the method of settling trade accounts with Soviet and Eastern European economies. Mikulic said it looked as if Yugoslavia would in the end have to reduce trade with this part of the world, even though a significant share of Yugoslav exports had been oriented to these markets. Mikulic said Yugoslavia would again raise this problem with the USSR but there appeared to be little prospect of an early settlement. Up to now the Soviets had only offered goods that Yugoslavia did not need or that it exported itself.

10. Mikulic pointed out that the problem had arisen only because of a fall in world oil prices. It was not Yugoslavia's fault. In the reverse situation, in 1981 when oil prices had increased, Mikulic noted, Yugoslavia had exported an additional \$1.1 billion worth of goods to the USSR to keep the account balanced. In view of the difference in size of the economies of the two countries Yugoslavia believed it would be easier for the USSR to resolve the current \$1.4 billion imbalance than it had been for Yugoslavia in 1981.

11. Whitehead thanked Mikulic for this information and said it would be to Yugoslavia's benefit to become part of the world trading system. Soviet style closed economies did not require the same quality goods as did market economies. But if Yugoslavia could get its quality up to the world level it would have the potential for unlimited growth.

12. Mikulic responded that Yugoslavia believed its trade would be more and more oriented toward the West. Last year there had been an increase of 50 percent in Yugoslav exports to the West while the participation of the USSR and Eastern Europe in Yugoslav trade was reduced by 30 percent. Mikulic emphasized, however, that the East remained a significant market for Yugoslavia and that it would be present there in the future. It was in Yugoslav interest to import strategic raw materials from the USSR in the future, if this could be arranged. But Mikulic acknowledged that the Deputy Secretary was right in saying that Yugoslavia needed to increase the quality of its goods to meet the most demanding standards.

13. The Deputy Secretary stated that he had spoken the day before with Croatian Presidency Member Ante Markovic, who said he fully supported Mikulic's measures. The Deputy Secretary said this was encouraging because it was important for Yugoslavia to be unified, but he added that it is also encouraging that the opposition wants to go faster, not slower, toward reform. Mikulic responded that the opposition, if that was what it should be called, should take note of what is really possible. The issue should not be politicized. The government

had liberalized the foreign exchange rules but only when it had enough goods on hand to meet demand and only when it was in a position to liberalize imports. To act otherwise would have led to an escalation of prices. Mikulic concluded by stating that he was glad to hear that his friend Ante Markovic supports the government's program now.

14. The Deputy Secretary briefly discussed the Moscow Summit. He stated that U.S.-Soviet relations were improving and that the meeting in Moscow had been an important step in this direction. The U.S. was interested in establishing stable relations with the USSR, avoiding the swings of the past. There had been steady progress in all areas of the four part agenda: human rights, arms control, regional affairs and bilateral issues. The Deputy Secretary said that these improvements would continue into the next administration as well.

15. Mikulic thanked the Deputy Secretary for the briefing. He said Yugoslavia fully supported the improvement in U.S.-Soviet relations. Mikulic said that Yugoslavia and the Nonaligned Movement (NAM) as a whole hoped that the issue of Third World debt could get the same kind of positive attention that had been devoted to arms control. This is a dangerous problem that if allowed to go unresolved for too long could threaten world stability. Mikulic expressed the hope that the Toronto Summit of the Seven could find some way to address this issue. The Deputy Secretary agreed that the problem was indeed serious. The U.S. believed that the best way to do so is for Third World countries to adopt reform measures as Yugoslavia has done that would encourage growth.

16. Moscow minimize considered.

Scanlan

254. Paper Prepared in the Central Intelligence Agency¹

Washington, September 28, 1988

Yugoslavia: Potential Crisis Developing

The push by Serbian party chief Slobodan Milosevic (pronounced Mee-LOH-sheh-veech) for his Serbian nationalist agenda is increasing the chance of a national political confrontation or widespread violence in the coming weeks.

—Milosevic's immediate goal is for the Republic of Serbia to gain greater control over its two autonomous provinces (Kosovo and Vojvodina). He is trying to intimidate other regional leaders into supporting constitutional amendments that would strengthen Serbian authority by encouraging massive, Serb demonstrations in their regions.

—We believe Milosevic's longer-term goal probably is to reestablish Serbia's hegemony in Yugoslavia with himself as the dominant, Tito-like leader. [*portion marking not declassified*]

Milosevic has strong grassroots support among Serbs and is determined to push ahead against all odds. But he faces strong obstacles.

—Most other regions bristle at Milosevic's aims and tactics and are trying to preserve the current regional balance and consensual decisionmaking system.

—Milosevic's support in the Serbian party may not run deep, and it could erode quickly if he fails to make progress on his agenda. [*portion marking not declassified*]

The current situation is fast-breaking and could play out in several ways.

—Opposition to Milosevic is likely to coalesce, and regional and national leaders probably will take some steps to constrain him. A move could come as early as at a key national party plenum now scheduled for some time in October. Such a move may provoke ethnic Serb violence, but in the long run would best promote Yugoslav stability.

—An alternative would be that other regional leaders try to appease Milosevic by granting him significantly greater powers over Kosovo and Vojvodina and sacking some anti-Milosevic leaders. Such a move may lead to a violent backlash from Kosovo's Albanian majority. It would also probably encourage Milosevic to push harder for a position in the national leadership, thus risking greater instability.

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Yugoslavia—Substance 1988 (1). Secret; [*handling restriction not declassified*]. Drafted in DDI/EURA.

—Another alternative is that the current tensions may drag on for months with no resolution. This would increase the risks of new demonstrations, moves by Serbia to introduce Serbian police in the provinces, Serbian appeals for support among the Serb-dominated military officer corps, and other provocative actions. The chances of ethnic Albanian backlash and violence would also be high. [*portion marking not declassified*]

There is also a risk that political confrontation among the regional leaderships or ethnic unrest could aggravate growing labor unrest. In such a case, a police or military crackdown ordered by national authorities would be more likely. [*portion marking not declassified*]

255. Intelligence Research Report¹

No. 185

Washington, October 6, 1988

(C) Yugoslavia: Whither the Federation?²

Key Judgments

Since May, three separate challenges have begun to test the resilience of the Yugoslav system. Individually or collectively, each could force far-reaching change. What course this change will take is difficult to predict because the pressures act in opposite directions:

—The most dangerous challenge, resurgent Serb nationalism, is rapidly evolving into a mass nationalist movement with protest rallies increasing in frequency and size—the largest to date numbered 300,000. Led by the Serb party, the movement seeks creation of a strong, unified Serbia and ultimately, some suspect, a Yugoslavia under Serb domination. It is openly challenging the authority of the federal leadership, threatening cooperative Serb ties with other major ethnic groups, and increasing the potential for ethnic violence between Slavs and Albanians in and around Kosovo.

—The republic of Slovenia and the Yugoslav military remain locked in a confrontation over the scope and pace of liberalization;

¹ Source: Reagan Library, Lisa Jameson Files, Subject File, Yugoslavia. Confidential. Drafted by Adrian Harmata (INR); approved by Richard Clarke (INR).

² This report is based on information available as of September 23, 1988. [Footnote is in the original.]

both sides are looking for a face-saving way out of their current test of political wills. But relations could yet deteriorate, precipitating mass demonstrations which the military might see as justification for wider involvement in Slovenia.

—Recent marches by workers on Belgrade and republic capitals have spilled over into the political arena with demands that incompetent leaders be removed and social reform implemented. A more serious wave of workers' marches this fall could lead authorities to bail out insolvent enterprises and sidestep proposed market-oriented economic amendments to the Constitution in November. Implementation of reforms would be delayed and the International Monetary Fund forced to scale back performance targets in its recently adopted standby agreement. Belgrade ultimately could be forced to seek a renegotiation of the latest IMF agreement.

The current problems are the most serious of the post-Tito era. The Titoist system is not likely to collapse, but far-reaching changes are possible in the next two months. Weathering them could pose a serious test to stability.

* * *

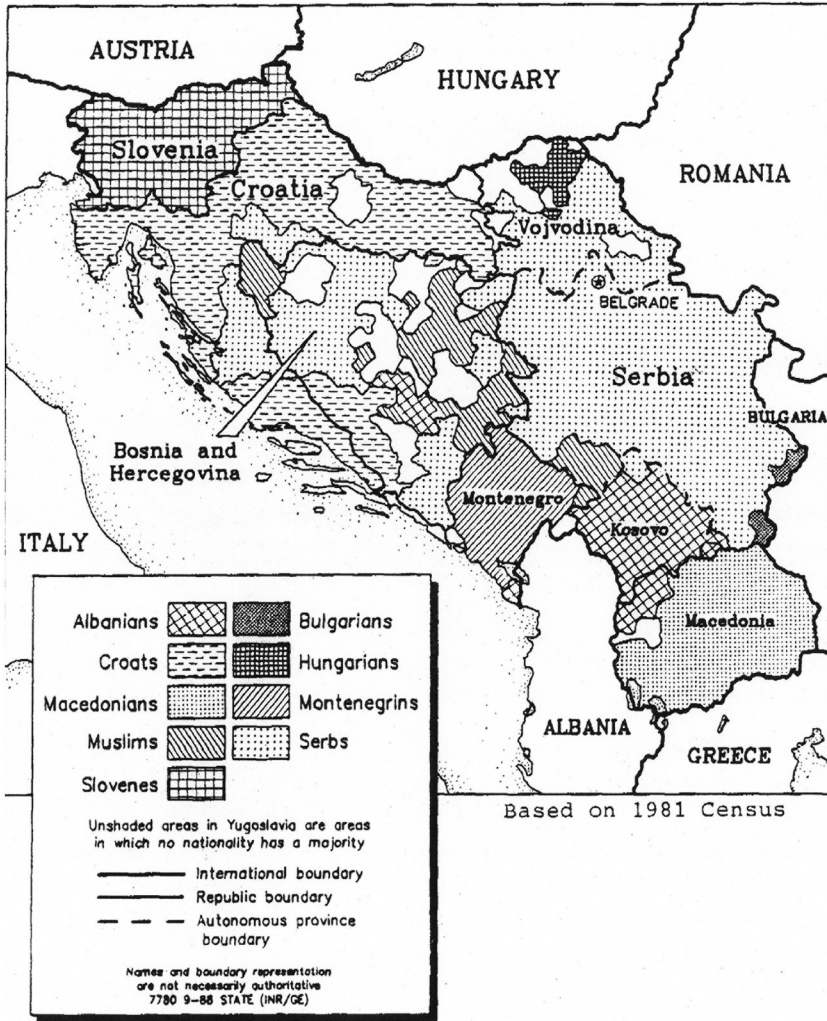
Systemic Challenges

Pressures for political change in Yugoslavia have been mounting since Tito's death in 1980. But since May of this year, three distinct systemic challenges have emerged—a nascent Serb nationalist mass movement, a Slovene-military confrontation over the scope and pace of political liberalization, and workers' demands for removal of leaders responsible for enforcing much-needed austerity measures.

Each of the three challenges is new on the postwar Yugoslav political scene—they are related only to the extent that they intensify pressures for changing the Titoist system. Their final resolution, however, could precipitate a significant shakeup of the party and state leadership, which in turn could force far-reaching systemic change. At a minimum, each of the three challenges will profoundly affect the constitutional amendment process currently under way. Again, depending on their final resolution, each has the potential to reduce prospects for much-needed reforms, as competing regional leaderships struggle to modify what they perceive as the more extreme positions of their rivals.

Thus far federal authorities have managed demonstrations and protest marches by disgruntled ethnic groups and workers fairly effectively, combining tough negotiating skills with a show of sensitivity for popular feelings. But given the frayed Yugoslav political fabric, one

Yugoslavia: Areas in which a Nationality Composes the Majority of the Population



misstep could significantly increase the potential for heightened ethnic and regional tensions—and violence.

1. Serb Nationalism

A mass movement. The dramatic resurgence of Serb nationalism is rapidly evolving into a political movement—the most serious, and as yet unmanageable, challenge currently confronting the Yugoslav

regime. Serb republic leaders are bent on protecting the ethnic and civil rights of minority Serbs in the republic's autonomous province of Kosovo; to do so, they are attempting to amend the republic's constitution to give Serbia greater control over the judicial, security, defense, economic, and foreign affairs of its two provinces—Kosovo and Vojvodina.

But for the first time since the 1971 Croat nationalist crisis, a republican leadership is openly appealing to nationalist sentiments to achieve political ends. Serb party chief Slobodan Milosevic has now gone beyond what Croat leaders did in 1971: He is publicly encouraging mass ethnic demonstrations—a political dynamic which may ultimately evolve out of his control. He has steadily advanced his political career by exploiting the plight of Kosovo Serbs, and gives no indication of stopping before he achieves his short-run political objectives in Kosovo and what may be his long-term goal of a leading role in Yugoslav politics for himself and Serbia.

Serb nationalism has intensified steadily since the 1981 ethnic Albanian riots in Kosovo. Through Milosevic's encouragement, sentiments have become virulent and aggressive. For the first time in postwar Yugoslavia, Serb demonstrations are being organized outside Kosovo province and Belgrade. Moreover, since the first protest march by 10,000 disgruntled Serbs and Montenegrins in Vojvodina on July 9, mass rallies are occurring on a weekly basis and are attracting growing crowds—the largest to date drew some 300,000. Increasingly, these Serb nationalist manifestations are taking the form of a popular movement, including such traditional symbols of the Serb nation as the Orthodox Church. Encouraged by Milosevic's repeated attacks on leaders at various levels, Serbs are demanding the resignations of provincial, federal, and republican officials outside Serbia who are opposed to Milosevic's campaign to amend the republican constitution.

Milosevic is orchestrating the demonstrations to force his provincial opposition and the federal leadership to adopt his political agenda on Kosovo. These tactics represent the most open and direct challenge to federal authority by a republican leader in the post-Tito era. Milosevic is acting in direct violation of established party policy: The federal party presidium explicitly condemned such ethnically inspired gatherings in July, calling on party organizations at all levels to prevent their occurrence. And on September 20, the collective State Presidency condemned the demonstrations with equal force, calling for their end and for leaders who do not prevent ethnic divisions to be "taken to task."

The political stakes have now reached unprecedented proportions. The Belgrade Socialist Alliance, the city party's official mass

organization, called for a mass rally in September in the city, apparently to coincide with a federal party plenum on political stability. The demonstration, which was expected to draw a crowd of 500,000 to 1 million Serbs and Montenegrins, has now been rescheduled for October. Planners apparently realized that interrepublican differences would prevent the party from holding the plenum during September. A gathering on this scale in direct defiance of the federal party would cast that body into political irrelevance and would be the most dramatic sign to date of the supremacy of the republics over Yugoslav institutions.

The impact. As a result of Milosevic's tactics, Serb-Albanian relations have deteriorated to their lowest point since the 1981 Kosovo riots. The potential for ethnic violence increases with each new Serb demonstration. Moreover, the non-Slav, Muslim Albanians are increasingly alienated from a system they perceive as being Serb-dominated and discriminating against them. Within the past several weeks, underground pamphlets have been distributed in Kosovo advocating an armed Albanian uprising; and some 22 Albanians in Macedonia were recently jailed and fined for participating in a violent protest against the enactment in that republic of bilingual education.

Interethnic relations in Vojvodina are strained but less troubling. Although the province has perhaps the most diverse ethnic mix of any region in Yugoslavia, intercommunal affairs have been fundamentally sound for most of the postwar period. But Milosevic-inspired "solidarity" demonstrations by Vojvodina Serbs, who constitute approximately 55 percent of the population, have created tensions with the province's large Hungarian minority (some 14 percent) and other minority groups and are exerting enormous pressure on the provincial leadership—forced or voluntary departures of high-level officials will remain a near-term possibility. Retired military general Petar Matic recently resigned under pressure from his position as president of the Yugoslav veterans' organization, and Bosko Krunic may leave his post as Vojvodina's representative on the federal party presidency.

The Serb-Albanian imbroglio also threatens the stability of Serb ties with Yugoslavia's larger, more important ethnic groups and, ultimately, the political cohesion of the country as a whole. To non-Serbs, the Serb nationalist resurgence is directly responsible for increasing ethnic tensions throughout the country. Milosevic's tactics raise the specter of a revanchist, Great Serb nationalism bent on dominating Yugoslavia—as was the case during the interwar period—which could provoke a counterreaction from other ethnic groups, particularly the Croats.

By relentlessly pursuing his political agenda on Kosovo—including attempts to build alliances with like-minded regional leaders—Milosevic

has seriously exacerbated fundamental differences within the collective Yugoslav leadership. The net effect has been to destroy even the facade of unity, publicly confirm the drift toward disintegration of the federal party into eight separate regional organizations, and further erode public confidence in the party as an institution capable of coping with the country's problems. At a time when Yugoslavia needs agreement among its disparate political groupings in order to enforce the tough decisions required to pull the country out of financial crisis, Milosevic's tactics are instead reinforcing ethnic and regional barriers to compromises on broader public policy.

Out of control? By inciting ethnic animosities, however, Milosevic may have unleashed a political force he cannot control. An unofficial committee has already been set up privately by Serbs and Montenegrins to organize mass rallies in other parts of the country. This quasi-political body has sponsored demonstrations in Montenegro and Vojvodina and announced its intention to hold "solidarity" rallies in Slovenia and Bosnia. It is also assuming governmental functions in Kosovo that provincial authorities have been unable to provide: The committee intervened in the village of Prekale—where intercommunal tensions had so deteriorated that 22 Serb households had announced collective emigration—and convinced residents to remain in the village. (Prekale was one of the first areas to receive members of the Serb republican militia unit dispatched to Kosovo on September 10.)

When the mass marches first began, the extent of Milosevic's control—whether he was actually leading events or merely responding to this groundswell of popular emotion—was unclear. He was forced to intervene in July to avert a potential crisis during the aforementioned federal party plenum: The "organizing" committee called off a march on Belgrade to coincide with the plenum—but only after a direct appeal from the Serb party presidium. Still, several hundred Serbs came to Belgrade to protest.

Milosevic has now demonstrated, however, that he is basically in control of events: Bosnia and Slovenia have condemned the rallies and refused to give the "organizing" committee permission to stage demonstrations in their republics. Bosnian authorities indicated that they would use all means, including legal action, to prevent such gatherings. The committee initially went ahead with plans for rallies in the republic but eventually backed down on September 11—albeit six days after Milosevic went on public record that the decisions by the two republics should be heeded.

Outlook. Deployment of the Serb republican militia unit to Kosovo on September 10 bolstered Milosevic's image among Serbs as a leader

capable of taking action to protect their civil and ethnic rights in the Albanian-dominated province. But the planned mass rally in Belgrade could well become a watershed in his career.

The federal party appears unable to prevent the protest; despite public warnings about “party discipline” against those undermining “democratic centralism,” plans for the gathering continue. Even if Milosevic decides to call it off, the already limited authority of the federal party will have been seriously eroded. Milosevic in effect is exploiting one of the greatest weaknesses of the political system bequeathed by Tito—the inability of the federal party leadership to rein in an errant republic leader. Current party statutes and the lack of Tito’s authority make it difficult for the federal leadership even to censure Milosevic, much less oust him.

Milosevic may have something larger in mind with the planned mass march. He reportedly has been demanding—during the special party conference in May and more recently through the city party organ in Belgrade—the convocation of a special party congress to replace the current federal party leadership if it fails to move decisively in addressing the country’s problems. His ultimate goal may be to change fundamentally the “rules” of the Titoist system—collective leadership and responsibility, regional representation, consensual decision-making, etc.—and create a “new” Yugoslavia, one based on a more centralized and authoritarian political model.

He could be calculating that the upcoming plenum will produce few, if any, tangible results and that a massive show of support for his political agenda immediately afterward could generate the political momentum (or the political crisis) needed to convene an extraordinary party gathering. Such a meeting could provide Milosevic with the opportunity to fulfill not only his Kosovo agenda but also his personal ambitions for a larger role in Yugoslav politics. At a minimum, he may succeed in toppling several of his opponents in Vojvodina and Kosovo if Serb demonstrations highly critical of those leaders continue to be held in the provinces.

Viewed from one perspective, several political trends are evolving in Milosevic’s favor. He is now the undisputed leader of Serbia “proper”—i.e., Serbia without the provinces—and has rapidly become the leader of the entire Serb ethnic nation throughout Yugoslavia. He is likely to remain in these positions unless he makes a fundamental political misstep which precipitates some form of collective federal action against him. Serbia currently lacks a leader of sufficient stature to challenge him, and his tactics vis-a-vis Kosovo have made him one of a few genuinely popular leaders—at least among Serbs—in Yugoslavia today. As a result, a political move by another Serb against Milosevic

would also be a stroke against his policy line on Kosovo—a step likely to invite the wrath of the entire Serb nation.

But the leaderships in Slovenia, Bosnia, Vojvodina, and Kosovo now actively oppose Milosevic. The Croat and Montenegrin leaderships appear internally divided by Milosevic's tactics and at present undecided on how to respond. Only Macedonia, its Slav-dominated leadership deeply concerned over the burgeoning Albanian population in the republic, appears to be Milosevic's natural ally—but it is unknown to what extent Macedonians actively support Milosevic in federal fora. With the increasing size, frequency, and highly emotional political content of Serb mass demonstrations, it is not inconceivable that this diverse group will be forced into a political showdown with Milosevic at the upcoming federal party plenum—leading to either his departure or extensive, high-level changes in the Yugoslav leadership. It is more likely, however, that if an anti-Milosevic group does take action, it will attempt to reprimand Milosevic, not remove him from power.

Milosevic would have to take some truly egregious, unilateral action—such as dispatching Serb republican militia units to Kosovo without federal authority—to galvanize these disparate elements into a united political front willing to take more forceful, collective action against him—and Serbia. Although he has approached that political threshold on several occasions, he has always skillfully backed away—and will likely continue to do so.

Milosevic has succeeded in reinforcing the rapidly growing federal recognition—evident last October with the dispatch of a special 400-man federal police unit to Kosovo—that the province is an all-Yugoslav problem, not simply a Serb issue. At the July plenum the party apparently discussed change in the unit's size and positioning, and in mid-August the State Presidency decided to broaden the unit's mandate to allow it to provide direct assistance to provincial authorities in carrying out security tasks. In addition, federal officials have ordered the dispersal of approximately 270 police from all the Yugoslav republics—including those deployed on September 10 from a Serb republic militia unit—to some 22 locations in seven towns in Kosovo. Although these steps are not likely to stabilize intercommunal relations in Kosovo in the long term, they allow Milosevic to claim positive movement on guaranteeing an ethnic Serb presence in the province.

Without significant political compromises, however, Kosovo will remain a region in an almost constant state of crisis for the foreseeable future. Intercommunal relations possibly could be stabilized if gerrymandering of local political boundaries, currently under way, creates ethnically pure or near-ethnically pure Slavic enclaves. This, combined with the amendments to the Serb constitution, could allow

republican authorities in Belgrade selectively to funnel development funds into these areas and also protect the rights of the indigenous Slav populations—thereby maintaining and guaranteeing an ethnic Serb presence in the province. But demographic trends—Slavs will likely constitute only 5 percent of the Kosovo population by the time of the next census in 1991—and Milosevic's willingness to exploit ethnic animosities for political purposes argue against this effort's success in calming the province.

2. The Slovene-Military Confrontation

Yugoslavia's most liberal republic and one of the country's most conservative political institutions are locked in a political struggle, ostensibly over four ethnic Slovenes (three civilians and a warrant officer) who the military alleges planned to publicize classified military information. A closed military court on July 27 sentenced "the Ljubljana Four" to prison terms ranging from 5 to 18 months for the civilians, and four years for the enlisted officer. The case is currently on appeal before the highest military court in Belgrade. The effect of this trial is to place Slovenia and the Yugoslav military in a larger confrontation over the scope and pace of political liberalization in Yugoslavia.

The military has maintained that its case against the three civilians is not related to their past criticisms of the army. Prior to the arrests, however, the Yugoslav People's Army (JNA) had grown increasingly alarmed over the rapidly evolving political scene in Slovenia. The evidence indicates that the military had considered direct intervention there but was preempted when the order was leaked to the Slovene youth newspaper by one of the defendants. The president of the Slovene republic also privately confirmed press allegations that the JNA had planned to arrest selected antimilitary civilians and had asked Slovene security officials in March if they could contain any ensuing unrest.

The arrests came after several months of increasingly contentious Slovene press reports questioning the JNA's role and its position in modern Yugoslavia. The military also deeply resented the Slovene government's ability to prevent federal prosecution of Slovene activists and the republic party's disregard of Yugoslav party and government urgings that it "control" the situation.

The JNA no doubt intended the arrests as an explicit warning to the liberal Slovene leadership that, if it is unwilling to maintain political "orthodoxy," the military is ready to do so. But the JNA badly mishandled the trial of the Ljubljana Four from a political perspective, refusing on grounds of protecting "state secrets" their requests for an open hearing, civilian defense counsel, and most important, conduct of the trial in Slovene.

Most Slovenes considered the defendants innocent—some 20,000 rallied in defense of the four in Ljubljana on June 21—and the secret trial illegal. And the republic leadership vigorously defended the right of Slovene youth to voice dissenting views, as part of the campaign to build a “civil society” based on the rule of law. The authorities demanded at the federal level that the military respect the Constitution and due process of law in handling the case. They also created an independent council for the protection of human rights and requested that proposed revisions in the republican criminal code be expedited—parliamentary debate has already begun in Slovenia on changing the law concerning military trials for civilians to include public trials and civilian defense attorneys.

But the republican leadership—probably in an effort not to antagonize the military unduly—has not rigorously pursued its defense of the four as demanded by some Slovene activists. Popular requests for political intervention in the trial have also been rebuffed. But the Slovene leadership and the populace did move back into political step on the language issue. The leadership has seized the military’s refusal to use the Slovene language during the trial—the one issue which unites all Slovenes—in order to regain some of its lost popular standing. The authorities have forwarded requests to the federal State Presidency and the federal parliament, noting their official concern on this score and insisting that Slovene be consistently used in all state organizations and military courts in the republic.

Unlike the Serb national question, both sides in the Slovene-military confrontation are likely to find a face-saving way out of their current test of political wills. The Slovene youth press exposed the former defense secretary in a case of personal corruption—gross misappropriation of military funds—and his response had all the trappings of a personal vendetta against the Slovene youth editors specifically and Slovene liberalism generally. His successors do not appear to have the same emotional involvement in the case and are likely to view the situation in and around Kosovo as a greater threat to Yugoslavia than Slovenia.

For their part, Slovenes as an ethnic group are very rational political actors, and local leaders are very much aware that the issues involved are larger than their republic. The expansion of political pluralism in Slovenia is directly dependent on the democratic development of the federation as a whole—any reversal in Slovenia will have serious consequences for all of Yugoslavia. Slovene authorities perceive far more important issues on their political agenda to push at the federal level; they will be careful not to allow any social unrest to be used as a justification for military intervention.

As a result of these considerations, if no further action is taken against the Ljubljana Four, political tensions in the republic should gradually subside from their recent high levels. But tensions will nevertheless linger. The military appears determined to prosecute Slovene recruits—as apparent in recent cases in Bosnia—on charges of nationalist agitation and disrupting interethnic relations. And Slovene youth have not been fundamentally deterred from advancing their programs: The official socialist youth league in the republic hosted an international conscientious objectors conference, August 25–28.

At the popular level in Slovenia, moreover, is a growing suspicion that the JNA's actions against Slovenes are part of a larger effort directed by the Serb republic to recentralize political power in Yugoslavia—under Serb leadership. Milosevic's actions reinforce these suspicions. As a result, historical Slovene reluctance to change the political status quo of a highly decentralized federation in Yugoslavia will be reinforced, and leading Slovene politicians will attempt to block or significantly water down political amendments to the federal Constitution which they perceive as leading to a strong central government.

In the most extreme case, military intervention in Slovenia could still become a self-fulfilling prophecy. A refusal by the military court in Belgrade to hear the appeal of the Ljubljana Four, a decision in favor of longer sentences (as now demanded by military prosecutors), or new arrests of Slovene civilians could still precipitate mass popular demonstrations which the military might use as justification for wider involvement in Slovenia.

Over the longer term, the steps taken by the Slovene authorities should reduce the military's ability to circumvent legal norms and extend civil liberties—and democracy—in Slovenia. But unless there are corresponding changes in the political thinking of the highest echelons of the military, the danger of confrontation, or military intervention, remains.

3. A Restless and Potentially Politicized Work Force

Dissatisfaction with declining living standards led last year to a postwar record number of strikes. But work stoppages in Yugoslavia tend to be short-lived and generated primarily by such specific issues as wage grievances which are usually resolved at the enterprise or local level without the involvement of republic or federal authorities.

Recent marches by disgruntled workers on Belgrade and republican capitals are a different kind of protest and have clearly spilled over into the political arena. Workers have sharply condemned individual officials for abusing their privileges and have demanded that incompetent leaders be removed and social reform implemented.

Belgrade witnessed several major labor marches this summer, the largest involving some 4,000–5,000; in one case approximately 1,500 striking workers forced their way, by sheer weight of numbers, past security police and into the federal parliament to air their grievances. Similar demonstrations occurred in Bosnia, Croatia, and Slovenia during the summer. Almost all of these marches originated in enterprises that had been insolvent for extended periods; thus far no major incidents of violence have been reported.

Federal leaders now concede that strikes under “worker self-management” will continue. Authorities at the federal and republican levels are currently considering a proposed constitutional amendment which would “legalize” strikes and a “strike code” for official trade unions and workers during work stoppages—both would recognize existing reality and help dissipate worker discontent. According to the president of the federal trade union organization, Belgrade will permit local unions to support striking workers as long as they do not challenge the constitutional system. In another first, the president of the Yugoslav party presidium recently warned the party that unofficial trade unions will appear unless the official ones actually represent the workers; he called on local party cells to support “justifiable” strikes.

Thus far, the authorities appear more firmly committed to enforcing economic austerity than they were in the past, granting in most cases wage increases only if they are within legal boundaries. But the true test of their determination will come as workers returning from summer vacations find that spiraling inflation and wage controls have further reduced living standards. New marches have already occurred: Two groups, albeit numbering only a few hundred each, marched on Belgrade in early September; and a protest march by more than 1,000 workers occurred in Bosnia on September 19.

The stakes are high; even limited concessions granted to strikers in the name of political expediency compound the government’s long-run economic problems. To cope with the threat to social peace of the first marches earlier in the summer, Belgrade granted limited wage concessions and sought in several cases to bail out insolvent enterprises. And the plight of the workers has now become a political football: The federal trade union leadership has forcefully demanded that the government ease legal wage restrictions and introduce a new social welfare program, and the federal party presidency has endorsed the union’s request to ease pay restrictions on profitable enterprises.

The government has responded by renewing an old promise to prepare a “comprehensive” social program to protect the unemployed and the lowest paid workers. But capitulation to workers’ demands will delay implementation of structural reforms and force the IMF to scale

back performance targets in its recently adopted standby agreement—as happened under the previous accord. Belgrade ultimately could be forced to seek renegotiation of the latest IMF agreement.

This summer's protest marches set a precedent that, as the economy continues to deteriorate, may be used by workers in other factories of borderline solvency to demand political change. Workers are likely to be further encouraged by the legalization of strikes, the eventual adoption of "strike codes," and the participation of local party officials in "justifiable" work stoppages. Confronted with a more serious wave of strikes and workers' marches, political authorities at all levels are increasingly concerned about the social costs of enforcing new, stringent austerity measures and less inclined to accept some of the proposed market-oriented economic amendments to the Constitution.

Federal authorities have instructed police throughout Yugoslavia to avoid force against demonstrators or strikers—except when property, lives, or public order are threatened. Police fully expect large numbers of strikes and are making preparations to handle mass demonstrations in Belgrade, but they apparently have been told that use of firearms is out of the question. These guidelines were observed during the recent marches, and crowd control was effective. Thus far police have not attempted to stop large numbers of strikers from marching on the federal parliament or other public buildings in Belgrade. Yugoslav authorities may, however, be forced to implement new security measures this fall if marches become too frequent or disruptive. Belgrade could demand that local officials prevent workers from leaving their communities or, barring that, send high-level representatives to hear workers' grievances before they reach Belgrade.

256. Telegram From the Embassy in Yugoslavia to the Department of State¹

Belgrade, October 6, 1988, 1719Z

9884. Subject: Ambassador, DAS Simons Visit to Kosovo. Ref: (A) Belgrade 9772,² (B) Belgrade 8784.³

1. C—Entire text.

Summary and Comment

2. The Ambassador and DAS Simons recently spent two days in Kosovo province, observing much of the region and speaking with official and private participants on current developments there. A surface calm continues to prevail, and there was no unusual police presence in the towns of Pristina (the capital), Pec and Prizren, nor in the many villages driven through en route. (Note: This was in daylight hours; the situation in villages where Serb-Albanian tensions have been most noticeable may be quite different at night.) A consensus apparently has emerged that agreement will be worked out on amendments to the Serbian constitution, thus meeting one of the major demands of Serbian party chief Slobodan Milosevic. But popular ethnic Albanian leader Azem Vlasi is clearly worried (his own term) about possible backlash among Albanians if the amendments appear to reimpose Serbian domination in the province, and/or if changes are forced within the provincial leadership. Since Vlasi himself has been one of the main targets of criticism by Serbs, it is inevitable that he is under ever greater pressure as the date approaches for the much-anticipated 17th Plenum of the League of Communists Central Committee, now scheduled for October 17. In conversations with both Vlasi and the President of the Kosovo Assembly, the Ambassador and Simons alerted their interlocutors to serious U.S. interest in Yugoslavia's human rights record as the country moves through the processes of political and economic change underway today. In a separate conversation, an Albanian intellectual (President of the Kosovo

¹ Source: Department of State, Records from Ambassador Thomas W. Simons, Jr., Lot 03 D 256, Chron, October 1988. Confidential; Immediate. Sent Priority for information to Zagreb, Eastern European posts, the mission to NATO, and Vienna.

² Telegram 9772 from Belgrade, October 4, reported that the Presidency of the League of Communists of Yugoslavia had approved draft amendments to the Serbian constitution. (Department of State, Central Foreign Policy File, D880884-0927)

³ Telegram 8784 from Belgrade, September 6, reported on the Ambassador's visit to Kosovo, which was rife with ethnic divisions. (Department of State, Central Foreign Policy File, D880788-0620)

Writers' Society) challenged the Serbian historical claim to authority in the Kosovo region. End summary and comment.

3. During a visit to Kosovo province on October 2–3, the Ambassador and DAS Simons called on leading Kosovo politician Azem Vlasi (member of the Presidency of the Kosovo provincial Committee of the League of Communists, and member of the Central Committee of the League of Communists of Yugoslavia (LCY), and on Vukasin Jokanovic, President of the Kosovo Assembly. The Ambassador and Mr. Simons also met with three of the four Karic brothers (of the "Braca Karic" enterprise, Kosovo's largest privately owned firm), as well as with Dr. Ibrahim Rugova, President of the Kosovo Writers' Society.

Vlasi on Constitutional Amendments

4. Asked first to comment on the constitutional amendment process, Azem Vlasi spoke briefly about proposed amendments to the federal constitution. The main goal, he said, is to promote integration of the country, especially economic integration. Yugoslavia's current divided market has resulted in economic stagnation and contributed to other problems, including ethnic problems, and has exacerbated political difficulties. While Tito was alive, he commented, such problems could be overcome more easily; there might be turmoil around the country, but at the same time the country would be stable. Alluding to frequent Serbian criticism of the 1974 federal constitution (because it is perceived as having "weakened" Serbia's status as a republic), Vlasi said that he does not approve of those who criticize Tito's outlook and the decisions taken in 1974. If Tito were alive, he concluded, some of the constitutional amendments would already be approved and there would not be so much quarrelling. Turning to proposed amendments to the Serbian constitution, Vlasi emphasized his belief that differences between Serbia and the provinces have been overpoliticized in public, but can and will be overcome. The attitude of the federal level now is to de-politicize the issues and work out solutions. In Vlasi's view, Kosovo supports this approach more than do the people of Serbia or Vojvodina.

5. Commenting further on Serbian constitutional amendments and in response to questions, Vlasi said that:

—The essential difference between Serbia and the provinces is that Serbia considers such matters as defense, internal security, and judicial/legal system to be classic state functions, and believes that Serbia should have the same authority as other republics in these areas. The provinces, however, believe that they, too, should have certain authority, pointing out that even local municipalities have certain obligations in these areas.

—For the most part, Kosovo and Vojvodina offer identical alternatives to the proposed amendments. One exception is that Vojvodina and Serbia agree on the question of official use of languages in the republic (specifying Serbo-Croatian as the language “in official use” in all Serbia), while Kosovo has particular problems on this issue and is concerned about guaranteeing the “official” status of minority languages, as well. On the other hand, said Vlasi, Kosovo finds it easier than does Vojvodina to accept expanded authority for the republican constitutional and supreme courts. For example, Kosovo believes that, in regard to certain types of criminal acts, citizens of the provinces should have the right to go to the republican supreme court through special legal procedures, but Vojvodina does not agree.

6. Vlasi then discussed briefly the question of Serbian emigration from Kosovo. He pointed out that the ethnic Albanian demonstrations of 1981 had a serious impact on political conditions in the province. They were in part responsible for emigration of Serbs from the region, but there is a historical dimension to this emigration as well. It is not only a recent phenomenon. Though there are various political and economic reasons for Serbian emigration, the process itself is of greatest concern, he said.

7. DAS Simons noted that constitutional amendments will not change the situation, and Vlasi replied that that is indeed the problem. In the current heated atmosphere, an illusion has been created that, if Serbia’s proposed changes are accepted, all the problems of the Serbs will be solved. For their part, Albanians believe that they will lose all their rights if the amendments go through. In Vlasi’s view, some of the changes will help, but will not solve all the problems. “There will not be a new sun the next day,” he concluded.

Vlasi “Fearful” of Reactions to Serb Nationalism

8. DAS Simons raised the point that masses of people have become involved in political debate. Serbian political passions are seen in the streets, he noted, where are Kosovo Albanian political passions? Vlasi responded that there are many different nationalities and historical traditions in Yugoslavia which are now being expressed on a “nationalist” basis. Each nationalism has different political motives and has to be dealt with differently. At such a critical time, he said, it is a “good thing” that Serb and Albanian nationalism are not “flaring up” at the same time. Just now it is the Serbs who are in the streets. “We” in Kosovo fear the reaction to this expression of Serb nationalism, said Vlasi, and “must do all we can” to see that a reaction does not develop. Yugoslavia’s overall situation, especially economic, has caused passions to be inflamed and to come out as nationalist feelings. In Kosovo, the least developed region, these passions are reflected most sharply, Vlasi observed.

9. In the public protest meetings, Vlasi added, “irrational passions” are seen, and the Yugoslav crisis is manifested “in the most severe way.” Slogans backing some leaders and calling for the downfall of others have a “nationalistic” orientation. “We should not have this any longer,” he said. “I don’t hide that we are worried how all this will work out.” (Comment: Vlasi himself has been a prime target of attack in the recent mass gatherings about Kosovo, at which placards urging “down with Vlasi” and even “death to Vlasi” have appeared. End comment.)

10. Asked about whether Serbian constitutional changes will put a stop to the mass meetings, Vlasi said that the protests may stop but their consequences will last. It is a matter beyond the framework of constitutional change. The key to progress, he believes, is at the federal level in terms of economic and political reform and reform of the League of Communists of Yugoslavia. Then there will be the pre-conditions for gradual resolution of the crisis. “We in Yugoslavia can overcome the crisis only as a whole; otherwise, there will be no solution.”

11. Vlasi went on to say that it would be “tragic” for Yugoslavia if Kosovo were “sacrificed for the sake of peace.” Despite questions, he avoided specifying just what he had in mind when he mentioned a “sacrifice” of Kosovo. Only superficially is the problem in Kosovo a Serb-Albanian problem, he said. It is really a Yugoslav dilemma, though in sharpest focus in Kosovo.

Vlasi on Human Rights

12. Vlasi noted with satisfaction the “more peaceable” attitude the superpowers are now taking toward problem-solving, and remarked that he thought “hostile attitudes” towards Yugoslavia are now lessened. He hoped that, likewise, militant emigre groups outside of Yugoslavia—Albanians, Serbs, Croats—will be less in evidence. The Ambassador took advantage of this opening to ask Vlasi to comment on charges by Albanian emigres in the United States, who claim that the human and civil rights of Albanians are being systematically violated, and that a process of “genocide” is underway. In reply, Vlasi said he is aware that in politics “repression is not seen favorably.” But because of the weight of the 1981 events and their consequences, repressive measures had to be used in order to prevent “more severe consequences.” “We have now come to a reduction of those measures,” he said.

13. DASimons pointed to press reports that 40 people had recently been arrested in Kosovo on charges relating to alleged hostile activity or hostile propaganda (septel).⁴ In this context, he explained that the

⁴This information was conveyed to the Department in telegram 9813 from Belgrade, October 5. (Department of State, Central Foreign Policy File, D880890–0728)

United States is interested in the human rights situation in Yugoslavia, as part of U.S. global concerns about human rights and because of American interest in Yugoslavia's continued stability, independence and territorial integrity. In reply, Vlasi said that there may be different understandings of what it means to violate human rights—whether it involves violation of the laws in force in a given country, or violations as perceived by other countries. In Kosovo, he emphasized, the laws have been applied in accordance with the Yugoslav constitution. With reference to the arrest of the 40 individuals, he would say only that the matter is under investigation.

14. As far as charges of genocide of Albanians are concerned, said Vlasi, in Yugoslavia the charges are the other way around—that Albanians are carrying out genocide against Serbs. On both aspects, he remarked, there is a greater impact from public charges about it than from what is actually happening in real life.

15. The Ambassador then raised the question of the approximately 400,000 Albanians living in Macedonia, and their complaint that their human rights are violated by, for example, lack of access to education in Albanian. He referred to remarks Vlasi made in the spring of this year, in Split, critical of the treatment of Albanians in Kosovo (for which Vlasi was in turn criticized by Macedonian officials). Will it be more difficult to solve the nationality problem in Macedonia than it is in Kosovo, the Ambassador asked. In reply, Vlasi focused on the reactions to his remarks in Split about Macedonia. We in Kosovo are not the protectors of Albanians in Macedonia, he acknowledged. But the Central Committee of the League of Communists of Kosovo is required to oversee party policy and its implementation. In the Yugoslav system, the federal level has to look after these things. In his remarks at Split, Vlasi said, he pointed out some questions about the implementation of party policy in Macedonia. "It turned out that I was accused of paternalism." Vlasi remarked, "but as a member of the Central Committee I have the right to comment on any particular problem in Yugoslavia."

Meeting With Kosovo Assembly President

16. In a separate meeting with Kosovo Assembly President Jokanovic, the Ambassador and DAS Simons again raised the question of Serbian constitutional amendments, asking in particular how they would affect relations between the Serbian and provincial assemblies. In response, Jokanovic reiterated the belief expressed by Vlasi, that the issues in dispute in amending the Serbian constitution can be overcome. He said he has been personally involved himself, and believes that they "are on the way to agreement." Regarding the relationship between the assemblies, he said that until now each assembly had been independent in lawmaking. In the constitutional amendments, more cooperation is foreseen

in various ways of proposing and considering measures; there has not been good cooperation in the past. Overall, Jokanovic said, the main goal of the amendments is to eliminate deficiencies in the ability of the republic to carry out “necessary functions” throughout the republic, while not changing the autonomous status of the provinces.

17. Despite several questions aimed at identifying just what those “necessary functions” are for the republic, or what elements of autonomy are most important to the provinces, Jokanovic would not be specific. He argued that the basic issues were solved by Article 2 of the Yugoslav constitution, which identifies the autonomous provinces as members of the Yugoslav federation. As long as the federal constitution is such, the essential autonomy of the provinces “cannot be questioned,” he said. The Yugoslav constitution guarantees rights for the provinces in a large number of areas—education, culture, and others. Based on this authority, Kosovo makes its own laws. Kosovo is thus assured a “high level of autonomy—it is not just a formality,” Jokanovic said. Asked whether some authority in public security in the provinces could be given to the republic, Jokanovic replied in the negative. In essence, he said, authority in this area will remain the same, but the matter of addressing security functions will be “interpreted differently.”

Jokanovic on Mass Meetings

18. In a reference to the recent wave of mass gatherings about Kosovo, Jokanovic argued that the two contrasting opinions about amendments to the Serbian constitution are both wrong. On the one hand, the changes will not solve the problems of Kosovo, as some believe. On the other hand, neither will they deprive the provinces of their autonomy. There has been a lot of unnecessary politicalization and speculation, he said. People discuss the issues without ever having read the suggested amendments, yet they think they know the solutions to the problems involved. More must be done to explain the issues to the public. Some people, he went on, are concerned that their rights to use their mother tongue will be abridged by the amendments. But these rights are not at issue at all, he argued. They are firmly established as fundamental rights in Yugoslavia and cannot be questioned. Implementation, of course, is another question, he acknowledged.

19. DAS Simons inquired whether the Serbian constitutional amendment process would be as far as it is, if it had not been for pressure from street demonstrations. Jokanovic agreed that there has been such pressure, but argued that the issues were being worked on even before the demonstrations began. Now, during the current “public discussion” phase of the amendment process, there is a chance to see “what is what” in a “democratic” way. In reply to a question, Jokanovic said that technical-political personnel are involved in the public discussion

to explain the amendment, but not to direct peoples' opinions. He acknowledged that the opportunity to educate people on issues such as this can mean giving direction to their opinions, but affirmed that "we want to explain things honestly." Much will depend, he said, on the capabilities and good will of those involved in the education process.

20. Asked whether the mass meetings will be coming to an end, Jokanovic expressed his personal belief that "they have started to end." They should stop, and circumstances are leading to their end, he said. Where such meetings have not yet been held, there will be no preventing them from taking place—including in Belgrade. There, it is only a question of the size of the meeting. Each area wants to express its feelings. But, he said, "I believe that our authorities, from the top down, will lead to an end to the meetings." (Note: The mass meeting in Belgrade is currently expected to take place October 20, just after the October 17 LCY Plenum.) Elaborating, Jokanovic remarked that "higher authorities" should be more sensitive to people, not only in one area (by implication, in Serbia) but in the whole country (by implication, in Kosovo as well). The mass meetings have begun to serve as a "safety valve" for people to vent their concerns on political and economic problems in the country.

The Karic Brothers

21. At lunch on October 2 in the town of Pec, the Ambassador and DAS Simons spoke with the Karic brothers about current political developments and about their experiences as private entrepreneurs in Kosovo (see also Ref B). The three were not unanimous in their views on political questions. Though they all believe that the proposed amendments to the Serbian constitution will be enacted, the eldest brother expects there will be a negative reaction to this eventuality on the part of the ethnic Albanian population. The youngest brother scorns this view, claiming that "every honest Albanian" will accept the changes. Speaking of the anticipated mass meeting in Belgrade in support of Kosovo Serbs later this month, the eldest reported that now two million participants are expected. (Comment: A month ago, his estimate was "well in excess of 500,000." End comment.) The eldest also mentioned that employees of the "Braca Karic" enterprise had recently suggested to the Confederation of Trade Unions of Yugoslavia that a brief country-wide strike be held to demonstrate worker solidarity with Kosovo Serbs. This suggestion was rejected, he said, but 30,000 workers in the Serbian town of Valjevo are planning a half-hour strike October 6, to protect general political and economic conditions in the country (septel).⁵

⁵This information was conveyed to the Department in telegram 9970 from Belgrade, October 11. (Department of State, Central Foreign Policy File, D880903-0365)

22. Concerning business developments at their firm, the Karic brothers mentioned two new points of particular interest:

—They explained that the enterprise structure includes a workers' council, trade union members among the workers, and a basic League of Communist organization. They said that they would not have been able to accomplish all they have, going beyond all the limits on private enterprise activities, if they had not been willing to cooperate in the formation of a basic party organization in the firm.

—They are optimistic about removal of restrictions on private enterprise through the federal constitutional amendment in process, including the elimination of any limit on the number of employees a private business can have. They claim that, in going beyond current restrictions themselves, they have provided a model for the future of private enterprise in Yugoslavia.

—In reply to a question about the ethnic makeup of their 320-person work force in Pec, they said that it is roughly 50–50 Serb and Albanian. (Comment: Although the Karic brothers are proud of their good record in terms of ethnic relations among the work force, ethnic Albanians may be under-represented among their employees. According to official statistics given us previously, the population of the Pec area was about 72 percent Albanian in 1981. That percentage is probably considerably higher by now, since Albanians are estimated currently to account for about 90 percent of the population of Kosovo. End comment.)

President of Kosovo Writers Society

23. Over dinner, the Ambassador and DAS Simons spoke with Kosovo Writers' Society President Rugova, Director of the Albanian Studies Institute in Pristina. Rugova's field is literary criticism, and he has published works on 16th to 19th century Albanian-language literature. Rugova pressed the point that Albanians have from ancient times inhabited the Kosovo area. This has been established by scientific research and is accepted in Western European academic circles. Nevertheless, he noted, this fact is forgotten as Serbs today press what they consider their historical claim to authority in Kosovo.

24. In reply to questions about what aspects of autonomy are of greatest importance to Kosovo Albanians, Rugova focused on cultural questions. In his view, it is most important for Albanians to protect their education and cultural rights in the course of the Serbian constitutional amendment process.

25. Comment: In a separate meeting with Rugova a few days earlier, EmbOff raised the question of ethnic Albanian political prisoner Adem Demaqi, a Kosovo writer who has been imprisoned for about 23 years and is frequently the subject of interest on the part of Yugoslav and Western human rights circles. Rugova said he is aware of the case,

but "because of conditions here" Albanian intellectuals have not been able to speak out about Demaqi. In a May meeting in Belgrade between the Serbian Writers' Association and Albanian writers from Kosovo, however, Rugova had been more outspoken about the general political situation in Kosovo province. As reported in the Belgrade news magazine "Nin" at that time, Rugova in a speech criticized Serbian strategy on Kosovo as "anti-Albanian" and as a revival of repressive measures applied against Albanians in Kosovo in the 1950's and 1960's. Only since 1966 he reportedly said, have Albanians enjoyed national, civic, cultural and economic rights at a higher level. But now Serbs and Montenegrins, whose authority dominated in an earlier period, do not want to be a part of current trends, "because they have lost their privileges and do not accept the new situation," Rugova charged. End comment.

Scanlan

German Democratic Republic

257. Telegram From the Mission in West Berlin to the Department of State¹

West Berlin, August 17, 1981, 1356Z

1897. Subject: Berlin Wall Statistics. Ref: A) USBer 1644² B) State 181403.³

1. The following are updated statistics issued by the Berlin Senat for the 20th anniversary of the construction of the Berlin Wall. Department should update the figures reported Ref A accordingly.

2. —Berlin Wall—total length	165.7 km
—Concrete slab wall	107 km
—Metal bar fence	55.4 km
—Barbed wire	4. 8 km
—Walls made of concrete slabs, walls in front of properties and house fronts	9 km
—Watchtowers and observation posts	277 each
—Bunkers, shelters	137 each
—Dog-blockades	271 each
—Anti-vehicular ditches	108 km
—Contact fences and signal alarms	123.5 km
—Shots fired by border troops	1,587 cases
—Shots striking in Berlin (West) with personal injury	20 projectiles
—With property damage	436 projectiles
—Arrests at the demarcation line	3,094 persons
—Fugitives (according to police findings)	4,747 persons
—Escapees belonging to “armed organizations of the GDR”	542 persons

¹ Source: Reagan Library, William L. Stearman Files, Subject File, Berlin Wall. Unclassified.

² Telegram 1644 from West Berlin, July 13, provided the initial statistics for the Berlin Wall. (Department of State, Central Foreign Policy File, D810326–0169)

³ Telegram 181403 to West Berlin, July 10, requested statistics outlining “human costs of the structure” at the time of the 20th anniversary of the building of the Berlin Wall. (Department of State, Central Foreign Policy File, D810323–0678)

—Escapees, those aiding escapees and West Berliners who perished at the demarcation line	71 persons
—Those above killed by gunfire	55 persons
—Injured persons through use of weapons	112 persons
—Attacks against the “Wall”	32 cases

Ledsky

258. Paper Prepared in the Department of State¹

Washington, undated

3. *EAST GERMAN PEACE MOVEMENT AGAIN PRESSING REGIME*

The unofficial peace movement in East Germany is again gearing up to protest against the regime's militaristic policies and the East-West arms race. Thus far, political trade-offs between the state and the peace activists' mentor, the Lutheran Church, have kept the movement under control. But with the GDR's consumer-oriented economy in difficulty, the peace coalition could attract others who are less susceptible to Church guidance.

* * *

The small, dissident peace movement in East Germany is planning new activities for November 7–17 under the slogan “Ten Days of Peace.” The program will build on earlier demonstrations and discussions which were characterized by appeals to pacifism and East-West disarmament. Like the FRG group which partially inspired it, the East German movement consists mainly of alienated youth along with some intellectuals and Lutheran clergy. They view East Germany's militarism and subservience to the Soviets as a sign of societal decay. Current preparations suggest, however, that the movement's appeal may now be broadening to include somewhat older individuals.

While any unofficial group activity with political implications is ipso facto disapproved of by the regime, the state and the party have had particular difficulty dealing with the peace movement. Among

¹ Source: Reagan Library, Paula J. Dobriansky Files, Germany, Democratic Republic of (1). Confidential. The paper is page 3 of a longer paper that was not found. An unknown hand wrote at the top of the page, “GDR 10/6/82.”

other concerns, the regime does not want to lose whatever capital it has among FRG leftists by moving too strongly against the activists.

The Lutheran Church, for its part, gives the activists moral support and institutional shelter, but does not want a confrontation with the state, which has been wooing it in an effort to gain greater political legitimacy. The Church's own interests vis-a-vis the regime dictate that it moderate the more radical tendencies within the movement—which it has so far succeeded in doing. Hence, for the upcoming “Ten Days of Peace,” the Church bowed to the authorities' demand that the “Swords Into Plowshares” symbol not be distributed as an arm patch, but the Church reserved the right to use the symbol in other ways.

The delicate balance maintained so far could easily be upset if the movement gains adherents less amenable to Church influence. The erosion in East German living standards, heretofore the principal basis of social order, could boost the peace movement's attractiveness as the only available means for expressing anti-regime discontent.

259. Intelligence Assessment Prepared in the Central Intelligence Agency¹

EUR 83–10129C

Washington, May 1983

East Germany: A Political Prognosis
[portion marking not declassified]

Key Judgments

Virtually immune to societal unrest for decades, East Germany has entered what we believe is a period of increasing ferment. Since the late 1970s—and especially over the past 12 months—consumers have become more assertive in protesting increasingly evident shortages. At the same time, young people have become more rebellious, an attitude that has led to increased delinquency and youth crime, greater job dissatisfaction, and a growing attraction to idealistic causes. Although the level of discontent is low compared with Poland during Solidarity's heyday, it marks a sharp departure from the traditional acquiescent behavior of East Germans.

¹Source: Reagan Library, William Clark Files, Berlin—May 1984 [1982–1983]. Secret; [codeword and handling restriction not declassified]. Information available as of March 31 was used in the assessment, which was prepared in the Office of European Analysis and coordinated with DO and NIC.

The populace was long thoroughly cowed by the regime's pervasive security and party apparatus. The regime gave high priority to internal order because of its insecurity over governing the weaker, less legitimate half of the German nation. The brutal suppression of workers' riots in 1953, the construction of the Berlin Wall in 1961, and the continued presence of 400,000 Soviet troops convinced many East Germans that protest was futile. Beginning in the 1970s, the new regime of Erich Honecker tried to go beyond sole reliance on coercion and win greater acceptance by improving the standard of living.

The new assertiveness seems largely to stem from the dashed expectations of a populace accustomed to increases in the standard of living. Consumer gains have slowed during the last three to five years as the regime responded to its mounting economic problems by imposing domestic austerity measures. Unrest in Poland apparently helped encourage grumbling as many East Germans enjoyed seeing a Communist regime in disarray. The regime's willingness to tolerate some complaining as a safety valve seems only to have encouraged more discontent.

Young East Germans in particular appear to expect the relative prosperity they knew in the 1970s. Moreover, they are repelled by authority—perhaps even more than rebellious Western youth—because of the totalitarian regime's endless demands for conformity. Their involvement in Eastern Europe's only spontaneous peace movement—the first grassroots political movement in East Germany—is a dramatic way of resisting regimentation, in this case expanded military training. The number of young men willing to risk imprisonment by refusing military service is small but steadily growing. Furthermore, we believe that the peace movement is helping to erode discipline in the armed forces.

The regime is trying to counter the new societal ferment with its traditional mix of persuasion and coercion. Party leaders have shifted around consumer goods to dampen discontent and sought to siphon off pacifist sentiment into a "peace movement" directed by the official youth organization. At the same time, the authorities are increasing pressure on peace activists and their church supporters and making the police more prominent in factories and stores. We expect this societal ferment, nonetheless, to grow, especially as East Germany's economic problems mount. The austerity measures—necessary because of the large foreign debt and the end of cheap Soviet raw materials and easy Western credits—virtually ensure that the regime cannot sustain its all-important "Consumer Communism." Furthermore, the regime's renewed emphasis on regimentation is likely only to intensify discontent.

We believe that the continuing economic and political problems will sharpen friction also between party and government officials over proper policies—including the desirability of economic reform—and widen the gap between the Old Guard top leadership and younger, better educated functionaries.

In the near term, we believe the regime's readiness and ability to crack down will keep East Germany from becoming a major crisis point in Eastern Europe. But such a course may prove counterproductive over the longer term. Repression will undermine the leadership's long-term goal of public acceptance, contribute to the downward economic spiral, and wreck any hope for economic reform. In the end, the high costs of repression might strengthen the hand of those—including younger, technocratic elements in the party—who call for a more pragmatic approach.

In foreign affairs, the regime's anxiety over domestic problems is likely to make it more prickly in dealing with the West, especially West Germany. An insecure regime intent on domestic repression may also act more assertively in areas directly affecting US interests—such as Allied access rights in Berlin.

[1 line not declassified]

East Germany: A Political Prognosis [portion marking not declassified].

Three incidents over the past six months highlight what we believe is increased discontent within the East German populace:

- Last November, workers in a Berlin factory taunted party officials who were trying to justify increasingly evident consumer goods shortages.
- Many East Germans, according to US Embassy sources, reacted to word of an attempted assassination of party leader Erich Honecker on New Year's Eve—the first known attempt on an European Communist leader's life—by praising the would-be assassin. The assailant's alleged motive—outrage over the party elite's privileged lifestyle—evidently struck a responsive chord.
- Representatives of over 40 local peace groups met in East Berlin in March in the first major attempt to organize the nonofficial peace movement. Some militants plan what one has called a more "action-oriented" meeting later in the spring. [portion marking not declassified]

Although these incidents neither threaten the regime's existence nor portend dramatic upheavals in the near future, they illustrate, in our view, a degree of societal ferment in East Germany not evident for the last 30 years. Furthermore, we believe that such actions are causing increasing concern within the regime. [portion marking not declassified]

Reputation for Stability

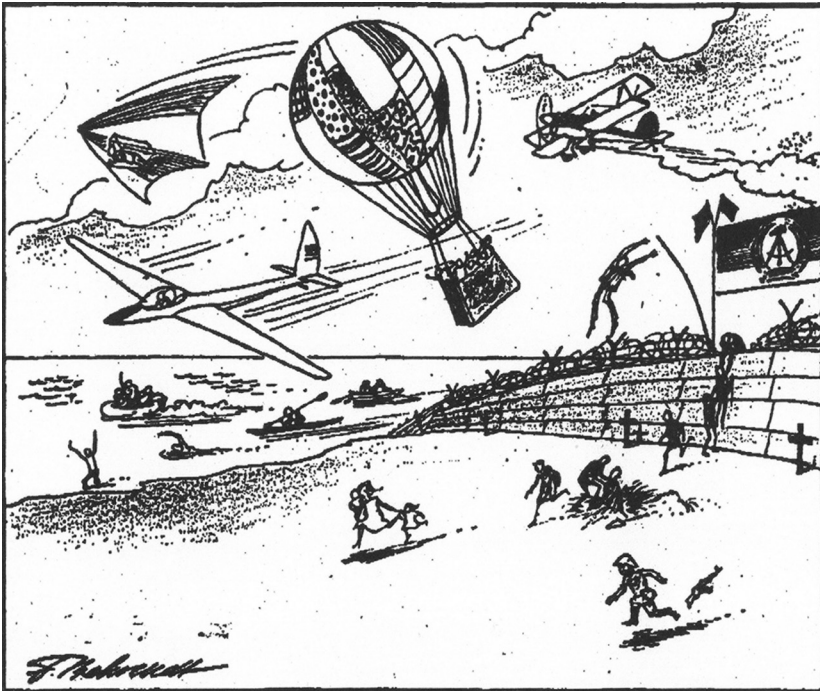
East Germany, or the German Democratic Republic (GDR), has long appeared to Western observers to be one of the most stable countries in Eastern Europe. Except for the brief worker riots of June 1953, the East Germans have shown no inclination to take to the streets as, for example, the neighboring Poles have done frequently. The brutal suppression of the 1953 uprising convinced East Germans for many years, we believe, of the futility of protest. Construction of the Berlin Wall in 1961 further sapped the will to resist. East Germans were disappointed that the Western Allies failed to prevent the isolation of East Berlin and were frustrated over the interdiction of their easy escape route to the West. The regime's longstanding practice of expelling the most troublesome dissidents to the West also discouraged the formation of any organized opposition. Finally, the continued presence in the GDR of 400,000 Soviet troops has been an important deterrent to protest. Knowledgeable Western observers, including US Embassy officers, have said that most East Germans, while contemptuous of the Soviets, respect Moscow's military strength and consider Soviet troops the ultimate guarantor of the East German regime. *[portion marking not declassified]*

The regime has always given highest priority to internal security and maintaining order because of its location on the "front line" of the Warsaw Pact and in direct contact with West Germany. Party leaders have long been well aware of the difficulties of competing with the larger, more prosperous Federal Republic of Germany (FRG). The regime knew well—as its defensive propaganda repeatedly makes clear to us—that the average East German continued to view the FRG as the "real" Germany. The attempt—reported by Amnesty International and other human rights organizations—by at least 100,000 East Germans to renounce their citizenship and emigrate to West Germany in the wake of the Helsinki Accords in 1975 provided a jarring reminder that, after almost 30 years in power, the regime still lacked legitimacy with much of the populace. *[portion marking not declassified]*

The leadership of the East German Communist party (SED) has been united and tough minded in pursuit of this basic goal of maintaining order, despite the differing styles of the two party leaders who have run the country so far. Walter Ulbricht ruled with an iron hand for more than 20 years, constructing a Stalinist-type party and brooking no opposition to his strict authoritarian methods. Erich Honecker, according to West German experts, has stressed collegiality within the top leadership. We believe that Honecker—Ulbricht's former security chief—is just as tough as his predecessor and has emphasized collectivity largely to ensure that responsibility for bad

or unpopular decisions is widely shared. Honecker's stress on collegiality has helped spark rumors, which periodically appear in the West German press, of factionalism in the top leadership, but we believe these reports are highly exaggerated. They may be part of regime tactics for dealing with West Germany: many tales cast Honecker as an advocate of better relations with Bonn who must be supported by West German concessions if intra-German relations are to thrive. *[portion marking not declassified]*

The leadership has relied on massive security forces and an extensive party apparatus to enforce its will. In addition to the ordinary uniformed police, a workers' militia, and militarized police units, there is a pervasive secret police network, comprising by our estimate 17,000 officers and 100,000 informers. A thousand-man Central Committee staff in East Berlin directs a party machine of 50,000 full-time and 300,000 unpaid, part-time functionaries. The party bureaucracy is only the most visible and important part of a party that has over 2 million members, 20 percent of the adult population. The party's oversight of society was intensified in 1963, when it was reorganized by function rather than territory. Large, specialized staffs were established at each administrative



Most East Germans have never accepted the GDR as a legitimate country, and many try to escape by any means. *[portion marking not declassified]*

level to deal with key areas such as industry, agriculture, and ideology.²
[portion marking not declassified]

During the 1970s the party bureaucracy increasingly sought to make its presence felt everywhere as problem spotter and solver. In the economic sphere, for example, better educated party staffs used the network of party organizations in factories to ensure implementation of central directives and to improve the flow of information in both directions. [less than 2 lines not declassified] ideology specialists maintained an extensive monitoring network that—as a major part of the leadership’s eyes and ears—looked diligently for signs of discontent. Each basic party unit was required to submit a monthly report on the mood in its enterprise or organization. Such reports were drawn together first at the county and district levels and finally in East Berlin where they served as the basis for the Central Committee’s assessment of trends and analysis of the attitudes of different segments of the population. Officials also reported immediate reactions to political events and kept track of such things as workers’ petitions, letters to newspaper editors, and comments made at public meetings. [portion marking not declassified]

Since the early 1970s, the regime has come to regard the provision of a constantly rising standard of living as an increasingly important “carrot” to supplement the “stick” wielded by the party and security apparatuses. Party leader Honecker publicly proclaimed consumerism as his highest domestic priority after succeeding Ulbricht in 1971, and since then the regime has relied on this course as its chief means to gain legitimacy among the populace. The East German “economic miracle” had produced by the mid-1970s the highest standard of living of any Communist country, higher than several West European nations. Relatively cheap Soviet raw materials and energy were key elements in the “Consumer Communism” the regime sought to construct. So too were the benefits to the regime when it moved to improve ties with Bonn after 1970. Not only did the GDR gain access to favorable credits and trade terms, but the regime also annually received hard currency payments we estimate at roughly \$1 billion for such things as transit fees to Berlin and ransom for political prisoners. [portion marking not declassified]

The regime has sought to sustain this relative economic prosperity within a system that gives priority to maintenance of political control. In the mid-1960s East Germany’s only experiment with economic reform and decentralization was halted by then party leader Walter

² These figures are the standard estimates from scholarly studies by East German experts in the FRG and elsewhere [less than 1 line not declassified] [Footnote is in the original.]

Ulbricht who, in our view, feared that easing central controls might threaten his personal political power. Honecker has gone even further in reasserting central political control of the economy by implementing the *Kombinat*³ system, which tries to substitute technical prowess and efficiency for economic reform. The entire top leadership has, in our view, seemed little disposed to consider seriously any of the notions of reform which are now abroad elsewhere in Eastern Europe. [portion marking not declassified]

New Ferment Among Consumers and Youth

Since the late 1970s there has been an increasing ferment within the populace. Moreover, we have detected over the last 12 months a new assertiveness which, although minor compared with events in Poland under Solidarity, is a significant departure from traditional East German behavior. The activism of young people in the peace movement, for instance, contradicts their longtime reputation for political apathy. This ferment has not been checked and, as both the private comments of government officials and regime countermeasures make clear, has increasingly concerned a regime that has long demanded—and usually exacted—a high degree of obedience and conformity. [portion marking not declassified]

Growing discontent among workers and consumers can in our view be traced to increasing economic problems. The East German “economic miracle” began to falter in the late 1970s because of numerous difficulties—especially the increasing burden of foreign debt, higher energy costs, and deteriorating terms of trade. Regime measures to boost exports and reduce imports significantly slowed the growth in personal consumption. In 1982, personal consumption, by our estimate, dropped below the level of 1981, the first such year-to-year decline during the Honecker era.⁴ Since the late 1970s, the populace has faced longer lines, even for some basic foodstuffs, and has had to contend with price increases. US Embassy officers believe that by the middle of 1982 much of the populace considered the “Honecker Honeymoon” of constantly rising living standards to be over. [portion marking not declassified]

[less than 1 line not declassified] convincing evidence of what we believe has been a growing assertiveness by unhappy consumers,

³ The approximately 130 *Kombinate*—industrial trusts which group together related enterprises—account for virtually all of East Germany’s industrial output. [portion marking not declassified] [Footnote is in the original.]

⁴ East Germany’s economic problems will be addressed in a forthcoming Intelligence Assessment [classification marking and handling restriction not declassified], *East Germany: Austerity and Slower Growth*. [portion marking not declassified] [Footnote is in the original.]

especially since early 1982 [*less than 1 line not declassified*] instances of workers walking off the job to protest shortages in the factory canteens; miners spurning government attempts to reduce their fringe benefits; and workers ridiculing party propagandists who downplay consumer problems. [*less than 1 line not declassified*] increasing resentment of the privileged, especially party members who use special connections to secure scarce consumer items or those people who are able to get West German Marks and buy luxury goods in the regime-sponsored hard currency "Intershops." [*portion marking not declassified*]

At the same time, the authorities have also faced increased ferment among a more rebellious youth. East German emigres tell West German interviewers that young adults aged roughly 18 to 24 are much more critical of the system than their elders when they were young. A veteran foreign observer notes, in a recently published book on the GDR, that young people more readily break the taboo of talking about "the Wall," comparing East Germany to a concentration camp and generally conveying a sense of feeling "locked in." [*portion marking not declassified*]

Young East Germans also seem more willing to behave in ways that are unacceptable to the regime:

- About 70 percent of the 4,500 to 5,000 political prisoners in the GDR in 1981 were under the age of 28, according to Western human rights organizations such as Amnesty International. Of



More flags and fewer sausages. East Germans have come to expect their high standard of living, and they resent the increasingly evident shortages. [*portion marking not declassified*]

these, almost half came from the families of SED members, and most were jailed for trying to escape the country.

- [less than 1 line not declassified] there has been an unmistakable, continued rise in street crime by youth since the mid-1970s despite increasingly strict laws against “hooliganism” and “parasitic elements.”
- Poorly motivated young workers, according to the public complaints of regime officials, account for much of the absenteeism, failure to fill work norms, and on-the-job accidents.
- Young people comprise the bulk of the growing unofficial peace movement—the first grassroots political movement in East Germany’s history and the only significant peace movement in Eastern Europe—and are increasingly attracted to other idealistic causes such as environmentalism. [portion marking not declassified]

Aside from frustration over stagnating living standards, the populace may have been roused by events in Poland, despite traditional German antipathy toward Poles and the tendency of many GDR citizens to scorn “disorder.” Embassy contacts, for example, make clear that many East Germans vicariously enjoyed seeing the Polish Communist regime in disarray. The regime’s toleration of mild consumer grumbling as a safety valve may only have encouraged greater outspokenness. Honecker’s leadership style—particularly his effort to contrast his down-to-earth image with Ulbricht’s stern aloofness—may also have contributed to the notion that the regime was becoming more tolerant. [portion marking not declassified]

Although East German youth ferment is part of a worldwide phenomenon—which in the West dates from the late 1960s—it has its own particular roots. Young East German peace activists, for instance, undoubtedly were inspired by West European antinuclear protesters, but international issues are not their main concern. An analysis of their grievances suggests a rebellion primarily against regime efforts to impose strict conformity—most recently increased military training. In addition, some East German youths consider the peace movement as a vehicle to further German reunification. Juvenile delinquency undoubtedly represents another form of alienation from the stifling demands of East Germany’s totalitarian state. [portion marking not declassified]

Consumer shortages have probably weighed most heavily on young workers, who knew only the relative prosperity of the 1970s. The country’s economic problems have made it more difficult for young East Germans to find attractive jobs, judging by reports of emigres and legal travelers. A government official admitted in a published speech in 1980 that, despite the regime’s emphasis on “scientific-technical



East German "punks" lounging in front of the Palast der Republik are a vivid symbol of youth rebelliousness in the GDR. [portion marking not declassified]

progress," about 100,000 young workers with technical training were unable to find suitable work. [portion marking not declassified]

The Peace Movement

The most important form of youth rebellion has been the growing opposition to military service and the advocacy of nuclear disarmament. A small group of conscientious objectors that began demanding alternatives to compulsory military service in early 1981 has grown into a movement—not yet organized nationwide but making steps in that direction in 1983—that has been able to draw as many as 5,000 participants to a single event, despite the presence of security forces. We have no firm figures on the size of the movement, but estimate that 10,000 to 15,000 people may have participated in one or another meeting or workshop sponsored by local peace groups throughout the country. [portion marking not declassified]

The peace movement's continued growth has been aided by support from the normally cautious East German Evangelical (Lutheran) Church, under whose auspices peace activists have been able to meet legally for "religious purposes," even though many of the young people are not communicants. The upsurge in pacifist sentiment among youth has dovetailed with the Church's larger public role and a growing assertiveness on political and social issues by some younger clergy. The Church's decentralized structure has given local Church militants more opportunities for action, which, in turn, has forced the cautious hierarchy to be more supportive. Although many Lutheran Church leaders are anxious to avoid a confrontation with the regime that would

jeopardize gains made in recent years, the Church shows no sign of withdrawing its support of the peace movement. Church leaders, in our view, probably have come to believe that such support is their moral duty and increases the Church's credibility with the populace, especially the young people. *[portion marking not declassified]*

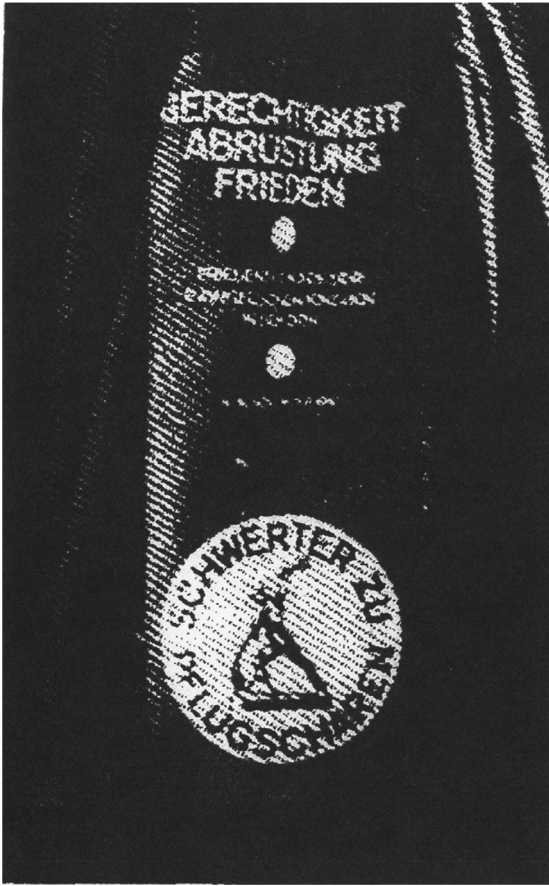
The Catholic Church has also come to support the peace movement in response to grassroots pressure and, *[less than 1 line not declassified]* the urging of the Pope. A strongly worded pastoral letter by the East German bishops read from pulpits on 2 January 1983 said pacifists' demands for alternative service were justified. Although the Catholic Church is likely to be very cautious about assisting the peace movement too openly, its continued support would significantly encourage peace activists and take some burden off the Lutheran Church. *[portion marking not declassified]*

The peace movement, in our view, is becoming the driving force behind what seems to be growing resistance to military service. Peace groups counsel draft-eligible young men on their options to military service and on avoiding service in combat units. The number of young men willing to risk imprisonment by refusing service is small but growing; as of January 1983 we knew *[less than 1 line not declassified]* of 100 draftees or reservists claiming to be pacifists, up from 42 in September 1982. For even one young East German to defy the regime in this manner shows extraordinary courage; publicity could encourage others to resist military service or to join noncombatant units. *[portion marking not declassified]*

The peace movement may also be helping erode discipline in the armed forces. The formation of penal units in the Army for the first time in October 1982 suggests disciplinary problems are becoming more troublesome for East German commanders. Moreover, public statements by senior officers during the past year have increasingly stressed the need for more ideological indoctrination of the troops, giving it precedence in some cases over weapons training. *[less than 1 line not declassified]* one West Berlin expert on the East German armed forces wrote in 1982 that the Soviets had raised a warning finger over shortcomings in discipline. *[portion marking not declassified]*

Regime Response

We believe that the leadership regards this discontent as a serious problem because of the regime's great insecurity and insistence on total conformity. The leadership's siege mentality was intensified by the onset of the Polish crisis. *[less than 5 lines not declassified]* The government official responsible for Church affairs frankly told the US Ambassador last year that the leadership seriously viewed the peace movement—and its effort to establish an identity by adopting an emblem depicting



A patch depicting a sword being beaten into a plowshare—based, ironically, on a Soviet statue given to the UN—is the symbol of the unofficial peace movement. The regime has banned the peace patch, fearing it could become as popular as the Solidarity logo in Poland. [portion marking not declassified]

swords being beaten into plowshares—as a potential political opposition similar to Solidarity. [portion marking not declassified]

The SED leadership has reacted to this ferment with its traditional mix of persuasion and coercion. Party leaders have shifted goods to areas of greatest consumer discontent and have made a special effort to boost supplies temporarily for special occasions. In October 1982, Honecker overruled opposition within the Politburo, according to Embassy sources,⁵ and ordered increased supplies of meat and other desirable foodstuffs for the Christmas holidays. [less than 1 line not

⁵ The report was not found.



Officers of the People's Police (VOPO) are conspicuously present wherever young people congregate in public. [portion marking not declassified]

declassified] local union and party functionaries have been ordered to listen sympathetically to consumer complaints and to avoid being too strict. Thus, workers who leave their jobs to queue up at meat stores evidently suffer few if any penalties. And special security forces ended a work stoppage in East Berlin in late 1982, *[less than 1 line not declassified]* by promising the prompt delivery of more consumer goods. More recently the authorities—apparently anticipating continued austerity—have been putting more emphasis on coercive measures. *[less than 1 line not declassified]* the police are conducting more obvious surveillance in factories and in stores. The government is also expanding the Workers' Militia—a paramilitary organization created in factories after the 1953 riots to help maintain order. *[portion marking not declassified]*

The regime is trying to nurture its own peace movement, relying on the official youth organization, Free German Youth (FDJ), to organize peace activities that it hopes will siphon off support from spontaneous peace activism. In February 1983 the FDJ staged a large peace rally in Dresden to preempt action by the unofficial peace movement. We believe that such “peace demonstrations,” by ignoring Warsaw Pact

armaments, are transparent and that East German youths discount them. [*portion marking not declassified*]

Since early 1983 the regime has increased pressure on peace activists and their church supporters, according to US Embassy contacts in the peace movement and Church. More draft resisters are being jailed, often in the same cells as hardened criminals, and others are being involuntarily expelled. Soon after the Catholic bishops' pastoral letter, East German media harshly attacked critics of the regime's militarization policies, singling out those "directed by Rome." The authorities also upbraided the leading Lutheran bishop for "allowing" publication in the West of a women's open letter to Honecker protesting a law that subjects them to military service during "national emergencies." [*portion marking not declassified*]

A combination of foreign and domestic constraints has, in our view, prevented the regime thus far from trying to crush the peace movement outright—as it might have done 10 or 15 years ago. Above all, the GDR wants to avoid actions that embarrass Warsaw Pact efforts to cultivate the West European peace movement and to foster opposition this year to INF deployment. Furthermore, Honecker does not want to damage relations with the Lutheran Church hierarchy, which improved after 1978 as he sought to woo the Church away from its connections to West Germany. In particular, the government does not want to jeopardize extensive plans for commemorating the 500th anniversary of Martin Luther's birth this year, celebrations aimed at enhancing regime legitimacy as well as earning badly needed hard currency from Western tourists. [*portion marking not declassified*]

We believe the leadership intends to try to enforce greater discipline among young people over the longer term by making greater use of the military as an instrument of socialization. A revised military service law of May 1982 increases the number of times reservists may be called up, provides for compulsory service for women, and also obligates schools, factories, and social organizations to "prepare" young men for military service. Compulsory premilitary training in schools—introduced in 1978 for 15- and 16-year-olds—may also be expanded to include younger boys and girls, even though such training has sparked youths, their parents, and the Lutheran Church to complain to school authorities and petition government officials. [*portion marking not declassified*]

The authorities also seem to be banking on the official youth organizations to try to play an even larger role in monopolizing the leisure time of the younger generation and instilling more discipline. The Society for Sport and Technology (GST) has the primary goal of preparing the younger generation for military service. The 500,000 members of the GST train in marksmanship, parachuting, and driving heavy



East German children learn to drive miniature tanks and to throw handgrenades in the regime's premilitary training program. Resistance to this training by students, their parents, and the clergy has given impetus to the peace movement. [portion marking not declassified]

vehicles, and bivouac in association with regular troops. The GST offers a way to qualify early for a driver's license, something attractive to many young people. *[portion marking not declassified]*

The FDJ and its affiliated "Young Pioneers"—which together claim 4 million members, or two-thirds of all children and young adults—have long offered young people many privileges, including travel, recreation, and easier entry into the SED. The FDJ leadership, seeking to appear more responsive to the demands of young people, has become more attentive to solving local grievances such as building youth centers. More important from the regime's viewpoint, the FDJ has created "police helper" units, probably to help combat juvenile delinquency. *[portion marking not declassified]*

By our assessment, the official youth organizations remain marginally useful tools in the regime's campaign to reassert control over restless young people. The FDJ's best efforts have not touched a hard core of over 30 percent of youth who by the regime's own statistics have not joined the organization. Its inflexible, superannuated leaders seem unable to design programs that would attract young people who have become increasingly sophisticated because of their constant exposure to West German media. *[portion marking not declassified]*

Problems To Continue

We expect societal ferment to continue as East Germany's economic problems intensify. Austerity measures to ease the burden of the foreign debt—which we estimated at nearly \$12 billion at the beginning of 1983—appear to have top priority now [3 lines not declassified]. The factors that made Honecker's consumerism work for much of the 1970s—relatively cheap Soviet energy and raw materials combined with the ready availability of Western capital—will not be replicated in the 1980s. [portion marking not declassified]

[less than 1 line not declassified] the Soviets continue to insist on higher prices for their raw materials and refuse to pay higher prices for East German products. Many East German contacts of the US Embassy point to Soviet leader Andropov's stress on economic efficiency and discipline and wonder if that presages *inter alia* a Soviet demand that Moscow's East European partners balance trading accounts. Continuing demands by Moscow to improve its terms of trade would severely restrict the SED leadership's efforts to increase domestic consumer supplies. [portion marking not declassified]

Western bankers—made wary by their overexposure in Eastern Europe—show no inclination to resume lending to the GDR, at least in the amounts they provided during the 1970s. East Berlin realizes that if the political climate is right, West German banks would be more willing than other Western banks to extend credits the GDR may need to prevent a liquidity crisis or even, possibly, a humiliating rescheduling of its foreign debt. Moreover, Bonn is the only likely source of capital for the expensive investments the GDR needs to modernize its economy. East Berlin expects that the Christian Democrats will be much tougher negotiators than the Social Democrats and will demand greater political concessions for further economic and financial aid. Honecker, for instance, told the US Ambassador at his farewell call⁶ that it was no "state secret" that he would rather deal with the former coalition. We believe there is little chance that East Germany will receive anything like the sums that previously helped sustain its consumer-oriented policies. [portion marking not declassified]

As a result, we think consumers may resort more often to sporadic protests. Disgruntled young people seem likely to take the lead in expressing their unhappiness over the economic situation and in resisting regime efforts to enforce conformity. Enthusiasm among young people for the peace movement shows no signs of abating, and the longer the peace movement operates, the more it could erode one of the regime's chief deterrents—namely, the threat of swift punishment.

⁶ No memorandum of conversation for this meeting was found.

Many more young people who previously rejected the regime's wooing, and who in their isolation retreated into apathy, might now find new hope and moral support in the peace movement or, increasingly, in the advocacy of environmental issues. These spontaneous initiatives will, at minimum, nurture pluralistic tendencies and accustom increasing numbers of citizens to independent social activism. [*portion marking not declassified*]

Regime Stresses

We believe that these continuing economic and political problems will intensify underlying stresses within the regime. There already have been signs of conflict among competing interest groups over allocation of increasingly scarce resources. [*less than 1 line not declassified*] for example, agricultural functionaries strongly opposed a Politburo decision last year to reduce costly feedgrain imports, a move that reduced the heavy subsidy that sector had long enjoyed. The subsequent resignation of the Minister of Agriculture suggests that he may have been made a scapegoat for deteriorating agricultural production. [*portion marking not declassified*]

This incident points to what we believe has been a general increase in friction between party and government officials as a consequence of the country's economic difficulties. Several senior economic managers were fired last fall, [*less than 1 line not declassified*] partly for resisting what they considered meddling by party cadres. Top party officials have increasingly stressed the importance of greater party control and increased propaganda exhortation. [*less than 6 lines not declassified*] A leading party ideologue sternly rebuked a well-known economist last summer for advocating in an officially sponsored youth magazine a relaxation of the ideological demands on talented university students to allow more technical training. [*portion marking not declassified*]

Furthermore, recent evidence suggests that the more orthodox SED leaders are increasingly concerned about the political "reliability" of younger, more pragmatic party bureaucrats. For example, in an article last fall in the Central Committee journal for party functionaries, the deputy chief of the powerful Berlin party organization noted with concern that only 10 percent of the leading party officials charged with oversight of the economy had held their positions for longer than 10 years. He expressed the fear that those who had experienced only the more favorable conditions of the 1970s were out of touch with the reliable methods learned by the party during its early struggles. In an attack reminiscent of those on "managerialism" in the mid-1960s, he criticized these leading officials for paying lipservice to the party line and concentrating on "practical matters." The message seems to be that the party must rely on experience, not innovation or reform. [*portion marking not declassified*]

We believe that these concerns about maintaining orthodoxy and tightening controls reflect a growing gap between the Old Guard party leaders and younger, better educated officials, especially in the government. Our tally of the Central Committee's membership shows that 76 of its 208 members are drawn from the government's technical and managerial ranks—an increase of 37 percent since 1971. The government's experts may enjoy greater perquisites because they belong to the Central Committee, but they remain excluded from real power. The top SED leadership is still composed mainly of elderly men—with backgrounds in security affairs, ideology and propaganda, and party organizational work—who are wary of the increasing number of technocrats. The few technical specialists in the Politburo are nonvoting candidate members. Full Politburo member Mittag is a possible exception, but even he seems to us more politician than technocrat; he has always championed central party authority and occasionally has harshly attacked economic pragmatists. [*portion marking not declassified*]

Seemingly intractable economic difficulties may help coalesce the vague sentiment for economic reform that we detect among some younger, lower level officials. The most telling criticism of the Honecker practice of dealing with one problem while ignoring or exacerbating others could come from working-level technical and other managerial elite who might argue that the strategy is untenable. The critics could argue that the only way to maintain consumerist policies and to deal with finance and trade problems is through systemic reform that improves investment efficiency, worker productivity, and managerial responsibility. They look to the Soviets to take this lead. Recently, some Embassy contacts in party institutes spoke positively—but perhaps too optimistically—about “real” economic reforms in the Soviet Union. They expect such reforms inevitably would be “duplicated” in the GDR regardless of the conservative party leadership's preferences. [*portion marking not declassified*]

Outlook

Even though the SED's reputation for being comfortably in control is likely to suffer as party leaders struggle to deal with economic and political problems, we do not expect East Germany to become a major crisis point in Eastern Europe. Instead, we anticipate an increasingly neuralgic leadership to tighten down on an increasingly disaffected populace. Anxiety over domestic problems is likely to make party leaders even more prickly regarding relations with the West—especially with the FRG if the regime feels the Kohl government is trying to press for political advantage. The regime may also be more inclined to assertiveness in such sensitive areas as the Western Allies' access rights to Berlin. It could, for example, increase

the harassment of US diplomats at Checkpoint Charlie. [*portion marking not declassified*]

Over the short term, the party elite should remain united in the pursuit of domestic repression. Such a policy would secure the tight control over society that commands top priority among all party officials—hardliners and would-be reformers alike. And a clampdown could be pressed with relative ease because most of the populace, in our view, would still be easily intimidated by the security forces. [*portion marking not declassified*]

A clampdown, however, could exact a heavy price on the regime over the longer term. The gap between the rulers and the ruled—especially the younger generation—would widen significantly, undermining the leadership's long-term goal of public acceptance. It would further depress worker morale and contribute to the downward economic spiral. It could accentuate differences within the party elite and increase pressure for more pragmatism, especially after the Honecker succession. A climate of repression would, in our view, wreck any efforts at major economic reforms, further alienating increasingly large numbers of technocrats. [*portion marking not declassified*]

The high costs of repression might buttress the arguments of those who call for more pragmatism and increase their influence in the party. Such men might be more inclined to improve relations with the FRG and—to the extent that they were not dependent on the Soviets for their positions—to defend East Berlin's particular economic and political interests vis-a-vis Moscow more vigorously. At minimum, the rise of those more innovative could increase divisions among party leaders about what overall course to chart. A more innovative top SED leadership—something that we consider possible but not highly likely—would go a long way toward establishing the regime on new, more stable foundations. [*portion marking not declassified*]

260. Intelligence Assessment Prepared in the Directorate of Intelligence, Central Intelligence Agency¹

GI 83-10201S

Washington, October 1983

East Germany: Soviet Partner in the LDCs
[portion marking not declassified]

Key Judgments

East Germany is an active partner in the USSR's drive to increase Communist presence and influence in the Third World. The East German programs are small compared with the Soviet effort but have grown in size and scope to the point where East Germany now provides a number of complementary services that serve Moscow's foreign policy interests. These services range from traditional military and economic assistance to specialized activities such as developing local security and intelligence services, establishing party and media links, and providing technical training courses. East Germany has contributed to the establishment or consolidation of a number of pro-Soviet regimes, notably in Angola, Mozambique, Ethiopia, South Yemen, and Syria. In addition, East Germany has used links with LDC Communist parties, media, labor unions, and front organizations to increase Communist presence and influence in the Third World. East German programs are most heavily concentrated in Africa and the Middle East, but recently have become more active in Latin America. [portion marking not declassified]

We believe that the East Germans in some instances act as surrogates performing duties at Soviet request and in other cases carry out programs in general coordination with Moscow but with the specifics left to East Berlin. The kinds of activities that appear to be most closely coordinated are those dealing with intelligence and security, military assistance, and covert support to nonruling leftist and Communist parties. Other activities—such as economic assistance—are apparently conducted much more independently, although with Moscow's knowledge and encouragement. [portion marking not declassified]

In addition to supporting Moscow's foreign policy goals, East German relations with the Third World have been driven by its desire to enhance its own international prestige, particularly vis-a-vis West Germany, and more recently, by economic necessity, particularly the

¹ Source: Reagan Library, Paula J. Dobriansky Files, Germany, Democratic Republic of (1). Secret. Information available as of August 31 was used in the preparation of this assessment.

need to gain access to hard currency and export markets. [*portion marking not declassified*]

We expect that the East German interest in the Third World will continue to increase because their activities provide benefits to the USSR and the LDCs as well as East Germany. Of the various East German programs, intelligence and security assistance and political influence activities are most likely to be expanded and pose the most direct challenge to US interests. While Africa and the Middle East probably will continue to be prime targets, recent East German activities in Nicaragua and Grenada indicate an increasing interest in Latin America and the Caribbean. [*portion marking not declassified*]

East German Programs in the Third World

Our knowledge about the size and scope of East German programs comes from [*less than 1 line not declassified*] Embassy reporting, and East German and Third World press. We are confident that our data accurately reflect the general size and pattern of East German activities, but we are less confident about the specific details of individual programs. Our data show that the East Germans are active throughout the Third World and that their programs are most heavily concentrated in Sub-Saharan Africa and the Middle East. Programs differ from country to country, but one or more of the following elements are at the heart of East German efforts in each target country:

- **Intelligence and Military Advisers.** We estimate that in 1982 there were 1,000 to 1,500 East German advisers in LDCs. Most of them were involved in assisting leftist regimes develop their intelligence and security apparatus. Others were employed as weapons instructors, maintenance and repair technicians, logistic specialists, and staff advisers.
- **Political Influence Mechanisms.** East Germany uses a variety of mechanisms to penetrate or influence key sectors of LDC governments and populations—such as providing political advice and support to Marxist parties; training journalists and supporting leftist newspapers; and exploiting youth, labor, and front organizations. In 1982 friendship exchanges were conducted with fraternal parties in seven LDCs, media agreements were signed with at least six LDCs, and some 300 East German youths were assigned to friendship brigades in nine LDCs.
- **Military Supply Program.** Since the start of its military supply program in 1964, East Germany has signed military sales agreements worth \$860 million with about 30 LDCs calling primarily for the supply of vehicles, artillery, small arms, and ammunition. Sales exceeded \$300 million in 1982 alone, largely reflecting sales to radical Arab states.

- *Economic Assistance. East Germany has signed economic agreements totaling nearly \$3 billion with some 50 LDCs since the program began in 1955. A large share of the recent agreements has been trade credits that call for repayment in hard currency or oil. In addition, East Germany had some 5,000 technicians in LDCs in 1982—three times the number in 1978—to help organize and develop government administration, install and maintain East German equipment, and work on development projects.*
- *Trade. East Germany's trade with Third World countries amounted to over \$2 billion in 1981, accounting for 5 percent of East German foreign trade, as it has since the early 1960s. [portion marking not declassified]*

[Omitted here is the body of the paper.]

261. Article in the Central Intelligence Agency's European Review¹

EUR ER 83-027

Washington, December 21, 1983

East Germany: Church-State Relations in Light of Church Involvement in the Peace Movement [portion marking not declassified]

The East German Lutheran Church's increasingly outspoken support for the autonomous peace movement threatens the delicate *modus vivendi* it has had with the state in recent years. Church leaders want to preserve a dialogue with the state to maintain the benefits of improved relations, but are under pressure from many lower level clergy to increase support for peace activists. The regime could step up pressure on the Church—perhaps by arresting some militant clerics and lay people—but it seems unlikely to crack down soon. It has an interest in helping sustain West German peace activism after the initial INF deployments, and policy shifts suggest division and confusion among party leaders.

¹Source: Central Intelligence Agency, Office of Support Services (DI), Job 84T00899R: Production Case Files (1981-1984), Box 6, Folder 1: European Review EUR ER 83-002 thru -027. Secret. European Review was a serial publication. Pages of this article were also found in the Reagan Library, William Clark Files, Berlin—May 1984 [1982-1983].

Background

Church-state relations in East Germany improved significantly in the late 1970s after decades of regime harassment of religious activity. A historic summit meeting in March 1978 between East German party leader Erich Honecker and Lutheran Church prelate Bishop Albrecht Schoenherr inaugurated the new relationship characterized by greater mutual tolerance and acceptance. The fact that Bishop Schoenherr agreed to the meeting did not lessen the Church's determination to preserve its independence, but it was a significant departure from the arm's length posture toward the state and was an implicit acknowledgment of the permanence of the socialist state. The regime, too, in effect recognized a legitimate role for the Church in East German society, but clearly it hoped to steer the Church's activities in ways profitable to the regime.

The improved atmosphere led to some significant gains for the Church. In an interview with a West German journal in 1979, Bishop Schoenherr expressed satisfaction that many of the regime's promises of concessions at the meeting had been met. He acknowledged that the authorities were allowing monthly radiobroadcasts, had approved all requests for religious telecasts, and had issued building permits for new church construction—financed primarily by the West German Church. The issue of pastoral care in prisons also appeared to have largely been settled.

Growing Politicization of the Church

Differences between the Church and state nonetheless persisted. The Church continued to take a stand on disarmament that, at times, led to open criticism of the government. Within months of the 1978 summit meeting, for example, Church leaders denounced the regime's plan to implement compulsory premilitary training for ninth- and tenth-grade students, questioned the value of a national petition supporting Moscow's disarmament proposals, and called for discussions of the dangers inherent in the peaceful use of nuclear energy. Unchecked by the regime, the Church increasingly attracted to its social and cultural events young people seeking relief from the repressive conformity demanded by the East German authorities. Some militant local pastors, who regarded support of pacifist sentiments as a Christian duty and as a necessary part of the Church's social mission, began taking positions on political and social issues at odds with the regime's views.

Top Church leaders also eventually became more active on peace and disarmament issues. Bishop Werner Krusche of Saxony, Schoenherr's successor in September 1981 as Chairman of the Lutheran Federation, was an outspoken champion of the peace movement and, during his one-year tenure, issued strong statements on disarmament

and in support of alternatives to compulsory military service. The Church also began sponsoring peace workshops and festivals that attracted thousands of young people. In the fall of 1981, regional Church synods staked out the most militant position ever on peace issues, calling for arms reductions in the East as well as the West. In 1982, the Church distributed the "swords-into-plowshares" peace patch—later banned by the state as "an expression of a mentality hostile to the state."

The decentralized structure of the Church increasingly revealed divisions within the Church, as more militant congregations and clergymen expressed their views. In February 1982 Lutheran pastor Rainer Eppelman of East Berlin led churchmen and pacifists in drawing up a petition known as "The Berlin Appeal" that called for the withdrawal of foreign troops and nuclear arms from both East and West Germany and for the eventual creation of a nuclear-free Europe. A pastor in East Berlin allowed a peace group to use his church in July for a six-day "fast for peace" without approval from his superiors; the fasters also sent a letter to Honecker opposing nuclear weapon deployment in East Germany. Embassy sources said the Church leadership did not support the fast and was angry about the letter to Honecker, and that State Secretary for Church Affairs Klaus Gysi reportedly reprimanded East Berlin Bishop Gottfried Forck about the incident.

The activity of local militants has caused a dilemma for Church leaders, who do not want to provoke a confrontation with the regime over the peace issue, but do not want to ignore the pressure from below for increased support for peace activists. Despite a membership of almost half of the country's 17 million people, the Lutheran Church lacks the self-confidence of the Catholic Church in Poland, and the leadership does not want to jeopardize the delicate *modus vivendi* and its gains of the past five years. Bishop Johannes Hempel, the chairman of the federation since mid-1981, has tried to steer a middle course, publicly supporting the peace movement while stressing the need to avoid a Church-state confrontation. He has publicly praised the "good will" of East Germany and the Soviet Union on arms reduction. In September, Bishop Hempel and a West German bishop carefully crafted a letter to Erich Honecker and West German Chancellor Helmut Kohl stressing the responsibility of both German states for maintaining peace without weapons.

Regime Reaction

The regime's tolerance of Church activity throughout 1981–82 probably reflected an effort to exploit the Church's peace positions in order to stimulate West German peace movement criticisms of NATO's INF deployment and to help deflect criticism of the Warsaw Pact. The regime may have also felt that a crackdown would generate adverse

publicity while East Germany was preparing for the 500th anniversary celebrations of Martin Luther's birth. The celebrations served the regime's efforts to create a pantheon of East German heroes and thereby construct a national identity.

The regime has adopted a more threatening posture this year, while continuing to make conciliatory gestures. This summer the state sentenced a Lutheran deacon active in the peace movement to three years in prison for "antistate provocation" in connection with his support for people seeking to leave East Germany. Moreover, the government refused Church efforts to intercede on his behalf—a marked departure from the government's attitude over the last four years. The regime also reacted angrily to a statement of the national Church synod in September, refusing to allow publication of a portion of a resolution calling for the withdrawal of Soviet missiles from Eastern Europe. This is the first time the state has censored a Church synod resolution.

More recently the regime seems to have backed away from this threatening stance. While continuing to show little tolerance of unofficial peace activism, the government has on two separate occasions given publicity to the statement that it excised from the Church synod statement in September. The party newspaper *Neues Deutschland* published a letter from a Lutheran pastor expressing horror at both Warsaw Pact and NATO missile deployments. The regime also broadcast a lay Church official's radio commentary that labeled counterdeployment in East Germany "alarming" and suggested that the Soviet Union "begin now to put into practice its declared readiness to reduce and scrap the SS-20 intermediate range missiles." Honecker also reportedly told a visiting Green delegation in early November that he would agree to a live telecast of a discussion of peace issues by West and East German Lutheran Church representatives.

The recent change in policy probably reflects division and confusion among party leaders—and perhaps among the Soviets—over how to deal with Church involvement in unofficial peace activism. It also suggests that while the authorities have become less tolerant of militant activities, they may feel that publicizing the Church's peace policies legitimizes their own. In early November the regime prevented a delegation of 30 East and West German pacifists from presenting to the US and Soviet Embassies statements opposing both NATO INF deployments and Soviet countermeasures, but subsequently allowed East Berlin Bishop Forck to make the presentation.

Prospects

The authorities seem very reluctant to crack down and probably will rely on preventive arrests to deal with potential troublemakers.

They probably realize a crackdown could jeopardize bilateral relations with West Germany and damage the regime's own peace offensive. Honecker also probably would hesitate to reverse the gains in international prestige Luther Year brought East Germany.

Church-state relations could become increasingly strained as the regime pursues its two-pronged strategy vis-a-vis the Church and peace movement. Bishop Hempel most likely will resist any attempt by the regime to co-opt the Church's commitment to peace. Although the leadership probably will appeal to the clergy to moderate their activities in order to prevent a serious deterioration in Church-state relations, it may be unable to control the activities of many of them. The leadership could come under increased criticism, meanwhile, from peace activists who view Church efforts at moderation a major obstacle to garnering popular support for peace proposals.

[1 line not declassified]

262. Telegram From the Embassy in the German Democratic Republic to the Department of State¹

East Berlin, January 26, 1984, 1337Z

260. Subject: Asylum Seekers in Embassy. Ref: (A) State 23572² (B) Berlin 255.³

1. Confidential—Entire text.

2. At about 1400 hours a family of three walked into the front entryway of the Embassy and requested asylum. They are in the same area as the one other (Ref B), making a total of four now just inside the front door.

Action requested: Department's guidance on handling per refuels.

3. We have not had a chance to interview the family, which includes a child, but they were carrying packages which contain a small stock of provisions.

¹ Source: Reagan Library, Executive Secretariat, NSC Cable File, Europe (State) NODIS IN (01/21/1984-04/23/1984). Confidential; Niact Immediate; Nodis.

² In telegram 23572 to East Berlin, January 25, Eagleburger wrote that he had established a working group to address how to handle asylum seekers. (Department of State, Central Foreign Policy File, N840002-0114)

³ Telegram 255 from East Berlin, January 26, reported on the asylum seekers who had entered the Embassy. (Department of State, Central Foreign Policy File, N840002-0134)

4. The physical situation was described Ref B for the current four persons. One basic option is to let them into interior spaces or halls for further discussion, which would have the psychological impact of admission by letting them through the controlled door, but could shut out the public. The other basic option is to ask them again to depart and to leave the steel screen door up, overnight if need be, until they do so. This means that others, including press, could enter the landing area with the asylum seekers. As noted Ref B, closing the steel screen makes the front door impassable.

Ridgway

263. Telegram From the Embassy in the German Democratic Republic to the Department of State¹

East Berlin, January 26, 1984, 1401Z

261. Subject: Asylum Seekers in Embassy. Ref: (A) Berlin 260;² (B) Berlin 255;³ (C) State 23572.⁴

1. C—Entire text.

2. The family of three left voluntarily at about 1430 hours after speaking with EmbOff. They were not stopped immediately on departure, but a GDR police car moved off after they turned the corner, and we can only assume they will be at least questioned.

3. The young man who came earlier (Ref B) remains in the landing area, still refusing to depart. We have continued to make the case that asylum is not possible and that it is in his best interests to leave and pursue existing mechanisms. He still maintains he has been in jail once before and has nothing to lose by staying.

Ridgway

¹ Source: Reagan Library, Executive Secretariat, NSC Cable File, Europe (State) NODIS IN (01/21/1984–04/23/1984). Confidential; Niact Immediate; Nodis.

² See Document 262.

³ See footnote 3, Document 262.

⁴ See footnote 2, Document 262.

264. Telegram From the Embassy in the German Democratic Republic to the Department of State¹

East Berlin, January 27, 1984, 1240Z

278. Subject: Asylum Seekers in Berlin.

1. Confidential—Entire text.

2. The FRG PolCouns told us that as of this morning January 27, there were asylum seekers present in the UK and French Embassies and the FRG Permanent Mission in Berlin. He would not add more except that the FRG Mission faced a difficult situation which may involve three separate cases, all of whom entered the FRG Mission this morning.

Ridgway

¹ Source: Reagan Library, Executive Secretariat, NSC Cable File, Europe (State) NODIS IN (01/21/1984–04/23/1984). Confidential; Immediate; Nodis.

265. Telegram From the Embassy in the Federal Republic of Germany to the Department of State¹

Bonn, January 27, 1984, 1746Z

2521. Subject: Policy and Procedures on Asylum Cases in East Berlin. Ref: (A) State 24489,² (B) State 23598³

1. Summary. The FRG has asked that the U.S., French and British Embassies in East Berlin not reject any Germans seeking asylum, that the FRG permanent representation in East Berlin be informed quickly of any German asylum cases, and that, if the asylum seeker cannot be persuaded to leave voluntarily, GDR lawyer Vogel be brought into the

¹ Source: Reagan Library, Executive Secretariat, NSC Cable File, Europe (State) NODIS IN (01/21/1984–04/23/1984). Confidential; Immediate; Nodis.

² Telegram 24489 to East Berlin, January 26, provided instructions to the Embassy on how to handle the initial asylum seeker who had sought refuge at the Embassy, including denying him food and water. (Department of State, Central Foreign Policy File, N840002–0140)

³ Telegram 23598 to Bonn, January 26, transmitted a message of thanks to the Federal Republic of Germany for its aid in dealing with the sit-ins by asylum seekers in the Embassy in East Berlin. (Department of State, Central Foreign Policy File, D840053–0247)

case. The permanent representation has been instructed to be at the disposal of the three Embassies in such cases. End summary.

2. The Director of the Office for Berlin and All-German Affairs (Kastrup) called representatives of the U.S., French and UK Embassies to the Foreign Office January 27 to discuss asylum cases in East Berlin. Kastrup said that the FRG had earlier in the day held a strategy session on how further asylum cases should be handled which was attended by Inner-German Affairs Minister Windelen, Chancellery State Minister Jenninger, State Secretaries Rehlinger from the Inner-German Ministry and Meyer-Landrut from the Foreign Office, and Permanent Representative to the GDR Braeutigam. As a result of this meeting, Kastrup had been instructed by the government to ask the allied Embassies to transmit three requests to their governments.

3. First, the FRG strongly urges the three governments to instruct their Embassies in East Berlin not to reject any German seeking asylum and not to use force to remove an asylum seeker from the Embassy. Kastrup noted that the FRG had heard of cases in which persons had been ejected from Embassies. He said that if news of such an action became public, there would be a public discussion in the FRG which would be embarrassing both to FRG and to the government involved.

4. Second, the FRG would be grateful if Embassies in East Berlin would provide to the FRG Permanent Representation as soon as possible information on any individual cases, in particular the names of those involved and other personal data. Kastrup said the Permanent Representation would use the information to check its own files to see if the person had applied for permission to emigrate and for any other helpful information.

5. Third, the FRG suggests that the Embassies try to persuade persons requesting asylum to leave the Embassy voluntarily. In this connection, the Embassy may inform the asylum seekers that the FRG Government will try to make an arrangement so that they would not be punished for their act. If these efforts fail, the GDR lawyer, Wolfgang Vogel, should be contacted. This can be done either directly by the government concerned or through the FRG Permanent Representation. The Permanent Representation has been instructed to be at the disposal of any of the three governments if they wish.

6. Kastrup asked that the Embassies inform their governments of these proposals and then inform the FRG if the procedures are acceptable. He said that this approach was being made only to the three allied governments.

7. Kastrup also noted that the FRG did not intend to close down access to its Permanent Representation or to select visitors to it. He also said that the FRG press spokesman had been instructed to hold firmly to the line that the FRG would not comment on asylum cases.

8. Comment: We strongly urge that whenever possible the FRG be the intermediary with GDR lawyer Vogel in these kinds of cases. In our view, the U.S. should consider engaging Vogel directly only in cases clearly involving non-Germans.

9. The Department may wish to repeat this message to Embassy Berlin.

Burns

266. Telegram From the Embassy in the German Democratic Republic to the Department of State¹

East Berlin, January 27, 1984, 1809Z

299. Subject: Asylum/Emigration Assistance Cases.

1. We will be presenting you and the EUR and HA working group with our view of the courses of action available to us in the asylum/emigration assistance situation in Berlin. The review will reflect our conviction that two important policy objectives—the promotion of human rights and the credibility of a no-asylum policy—are each valid and are, as they play out here in specific procedures to protect and advance them, in unresolvable conflict with each other. We believe we can contribute to the working group's review. I hope that despite the events in the larger world that fill your desk, you will find time to insist that the group, whether in its guidance to us for the immediate situation or the long-term, not duck either the inherent policy conflict or the tough, unhappy courses of action that result from it. This is one matter where the difference can't be split.

2. I feel compelled to write in this fashion because I saw in the instructions we received yesterday² an indication that we may not be choosing between policy options but rather attempting to combine them. And I'm not certain I know why we are trying to do so. For example, I fail to see the moral distinction between removing someone from the Embassy (and into the hands of the Vopos) and denying him food or water so that hunger and thirst might force him out (and into the same hands). I can see a public affairs distinction, but I wouldn't want

¹ Source: Reagan Library, Executive Secretariat, NSC Cable File, Europe (State) NODIS IN (01/21/1984–04/23/1984). Confidential; Immediate; Nodis.

² See footnote 2, Document 265.

the task of proving at a press conference that removing someone from our property is worse than denying them a glass of water. I find them equally dreadful.

3. You and I seem destined to be making the decisions at either end of the process. I think it essential not only to let you know where we're coming from but also to lay out certain elements on the local scene which cannot be changed. They should be confronted at the outset of our review even as we deal with daily difficulties.

4. Since 1982,³ this Embassy has understood, perhaps incorrectly, that asylum seekers are to be urged and cajoled out the front door and, failing that, to be put out using physical force if necessary. Neither the FRG Permanent Mission nor Vogel (or other lawyers) were to be engaged. Ejection from the Embassy would in all instances be a judgment call by me or the Charge, taking the particulars of each case into account.

5. In the months since my arrival, we have had a succession of cases involving people seeking asylum and emigration assistance. Our practice has been to keep them in an out of the way place and talk, talk, talk. Water and toilet facilities were available but no food. Until last week we had talked them all out of here before close of business. In all cases we have given their names to the FRG Mission so their fate could be followed. When they have decided to proceed from here to the FRG Mission themselves, we have followed them along the streets to see that they made it at least as far as the Mission.

6. In each such case and in the cases this week, we have asked ourselves, where are the Vopos, where is the press? The Vopos are always here (and everywhere). They are outside the door, at the corners, in buildings across the street, in parked or cruising cars. No one has gotten out of here without trouble, either immediately outside, on the street, or after emerging from the FRG Mission. Some very ordinary people who were not seeking asylum have not gotten out of here without trouble either.

7. I have watched the officers at this Embassy assigned the task of persuading people to walk out voluntarily into the certain arms of the Vopos struggle with the tragedy of each attempted asylum case. These are the very same officers who have been commended by the Department for their human rights, peace movement, and Church affairs work. They are as committed to human rights principles as anyone in the Department. They also understood why the Embassy could

³Telegram 2212 and 3479 from East Berlin, May 23 and August 23, 1982, respectively, outlined the police harassment of GDR citizens who attempted to enter the Embassy and the U.S. démarche in response. (Department of State, Central Foreign Policy File, D820273–0418 and D820437–0079)

not become a haven. They would be the first to feel relieved were the burden of the existing guidelines lifted, but would not find any relief in "no water." It has been tough, but the job has been getting done.

8. Two things were new in last weekend's case of the six. The press that never before was around was present from the outset and was even a player in the Embassy foyer in its early moments. It was on this basis that the Embassy, for the first time since 1982, brought the Department into a case. And then Genscher called you to ask that we not eject them and thus the Department's instructions to us to let the FRG play it out for us.

9. With the conclusion of the case of the six, we were back to the status quo ante, excluding the few physical changes in the Chancery made in the hope we could affect the psychology of the asylum seeker and keep at least the initial stages of the problem beyond the controlled doors. There are limits to what we can do. Three disparate examples suffice. The USIA library in the Chancery has been closed this week as we rebuild in the foyer area, but it must reopen. I plan to open the library on Wednesday.⁴ In moving Marine posts around, the Marine can become visible from outside. The Marines should not be placed in a position so as to be caught in the same photo frame as the Vopos at the door. And we cannot conduct our business on the street.

10. And so because the Embassy is here and open for business we have had more asylum seekers. We have gone back to talk, talk, talk, and we still understand physical force is an option, but no longer ours to call. Some cases are meritorious and almost all are poignant. The young man I ordered ejected when talk failed frankly was not among those. By thrusting himself past the guards and inside the controlled area and refusing to give us a name or a plausible, consistent story, he made himself something other than an asylum seeker.

11. We share the hopes and the frustration of those who seek freedom. But the minute they walk in the door, they already are in trouble with the police outside. Only Vogel, for those cases he decides to take, has ever been able to alter that.

12. It is all as stark as that.

Ridgway

⁴ February 1.

267. Telegram From the Embassy in Czechoslovakia to the Department of State¹

Prague, March 9, 1984, 1700Z

1077. Subject: Asylum-Seekers. Ref: (A) Prague 985,² (B) Bonn 5654,³ (C) Bonn 6223.⁴

1. S—Entire text.

2. Summary: As a result of intensive recent discussions with the GDR, the West German Government can no longer assure GDR citizens who seek asylum in West German Embassies that they will be immune from harassment should they return to the GDR, or that they will be allowed to emigrate within a stipulated period of time (e.g., 3–4 months) to the FRG. Reportedly, the GDR will henceforward only permit emigration via established “legal” procedures and will not rpt not work out individual deals to “reward” asylum seekers who attempt to emigrate “illegally” by first seeking refuge in West German Embassies in Eastern Europe. We have worked out a set of procedures with the West German Embassy to deal locally with the expected consequences of this change of policy in Prague, but we are not sanguine that these procedures will resolve all the anticipated difficulties from this adverse development. In the meantime, we need to know the details of the “US-FRG agreement” referred to in Ref B. End summary.

Change in Rules of Game

3. In strictest confidence, West German Ambassador Meyer briefed Ambassador March 8 on the conclusions of the March 7 Bonn meeting on policy toward GDR asylum-seekers attended by West German Ambassadors from selected East European countries. The FRG now believes that the rules of the game have been dramatically altered as regards GDR emigration and asylum-seekers. In the past, the FRG felt confident that it could—after negotiations through Bonn with the GDR—guarantee to those GDR asylum-seekers who came to West

¹ Source: Reagan Library, Executive Secretariat, NSC Cable File, Europe (State) NODIS IN (01/21/1984–04/23/1984). Secret; Immediate; Nodis.

² Telegram 985 from Prague, March 2, discussed the coordination in Prague between the American and FRG Embassies in dealing with the case of asylum seeker Christian Richter. (Department of State, Central Foreign Policy File, D840140–0388)

³ Telegram 5654 from Bonn, March 1, reported FRG dissatisfaction with the U.S. Embassy in Prague’s holding of Christian Richter. (Department of State, Central Foreign Policy File, D840136–0033)

⁴ Telegram 6223 from Bonn, March 8, addressed the rising influx of immigrants from the GDR to the FRG, including the case involving Willi Stoph’s niece. (Department of State, Central Foreign Policy File, D840154–0057)

German Embassies in Eastern Europe (principally Prague) that 1) they would not be harassed or arrested following their return to the GDR, and 2) that within a brief period (3–4 months) they would be permitted to emigrate to the FRG. As a result of recent discussions with the GDR concerning the fate of the greatly increased numbers of asylum-seekers who are either now in or have been processed through FRG Embassies since the January incident in our Embassy in Berlin,⁵ the FRG has concluded that earlier assumptions are no longer valid. (Comment: According to Meyer, the GDR has not stated this directly, but the message conveyed during the discussions was clear).

4. Meyer hastened to add that he still believes that the large exodus of East Germans to the FRG from the GDR itself will continue and that the GDR will continue to allow emigration (perhaps even an expanded number of persons) but will insist that this emigration be accomplished via established “legal” procedures and channels in the GDR, rather than through “illegal” requests for asylum at West German Embassies outside the GDR.

Comment

5. If the West Germans are correct, such a change in policy has important implications in the way Bonn must now approach its present and future dilemma. There are no easy answers. Thirty-six persons now in the West German Embassy in Prague are caught in the middle. We presume that Bonn will attempt to cut a last deal in order to get rid of those already in their Embassies. If they are successful, however, this weakens the new line which they have apparently already begun to use here and elsewhere. Ambassador Meyer has told us that Embassy officials here have successfully turned away a number of new-comers by convincing them that circumstances have indeed changed and that seeking asylum was no longer a viable alternative. This line is immediately undercut if those now in the Embassy do indeed emigrate, and this becomes public knowledge.

6. Here in Prague, and we suspect elsewhere, it will be extremely difficult for the FRG to face the implications of this changed situation. Judging from conversations with Ambassador Meyer, he is not yet prepared to be as discouraging to potential asylum-seekers as he may need to be in the future, if individual deals can no longer be worked out with the GDR. The West German dilemma thus becomes even greater than ours, given their special attitude toward “German” nationality. Nevertheless, Ambassador Meyer expects his Embassy staff will soon be increased to help deal with the new situation, and we have offered

⁵ See Documents 262 and 263.

him whatever logistical assistance we may be able to provide in this respect.

7. A final problem for the West Germans is how the Czechoslovak Government may react to all this, particularly if East German citizens continue to accumulate in the Embassy. Up to now the GOC has taken a passive position, although it has made known to the West Germans that it is aware of what is going on and is concerned. For the moment, however, we suspect the Czechoslovaks are as uncertain with how to deal with this situation as everyone else involved.

Implications for Us

8. The above situation also has implications for us and we have begun to examine them with the West Germans here. We have worked out a series of procedures whereby we can notify the West German Embassy of GDR citizens who seek asylum here. We have told them frankly, however, that we cannot agree that a GDR asylum-seeker can remain in the Embassy after close of business. Meyer was given to understand that, as a hard general rule, such persons will not be allowed to remain in our premises beyond the close of normal working hours because the U.S. does not repeat not recognize or practice diplomatic asylum or the granting of asylum within our diplomatic or consular premises. But this will become a real problem if the GDR citizen should refuse to leave our Embassy to go to the FRG Embassy up the street, or if West German willingness to accept GDR citizens waivers or declines, given the fact that there is no longer a functioning pipeline through which to move them on.

US/FRG Agreement

9. Up to now both of our Embassies have worked closely and cooperatively to resolve these problems and we will continue to do so. We cannot exclude the possibility, however, that changed circumstances will eventually result in some friction and disagreement. For this reason also we need to know immediately the terms and conditions of the "US-FRG agreement" referred to in Ref B.

Interesting Sidelights

10. Meyer (please protect) told the Ambassador that in all there had been 86 GDR asylum-seekers in his Embassy in Prague since January who have returned to the GDR under the old arrangements. There are now less than 40 GDR citizens in the Prague Embassy and only four in FRG Embassies in other Eastern European capitals (Bucharest and Berlin). There was no rpt no basis to press reports that these numbers had climbed into the hundreds or thousands. He said that some FRG ministers had been actively and publicly encouraging such asylum seeking in FRG Embassies much to the annoyance of the

Foreign Ministry. Also, in response to a question, Meyer said that he believes there are East German provocateurs or observers among the three dozen GDR nationals now taking refuge in his Embassy. He also expressed his deep regrets over Bonn's initially adverse reaction to the Richter case (Bonn 5654) and hoped that it had not caused undue difficulties for us. Ambassador Luers replied that the important thing was for such differences not to interfere with our cooperation in future.

Luers

268. Paper Prepared in the Bureau of Intelligence and Research¹

Washington, March 11, 1984

1. EAST GERMANY: THE NEW EMIGRATION POLICY

East Germany has drastically increased the flow of emigrants from the GDR and may include as many as 30,000 people over the next several months. Recent membership gains by the independent peace movement and growing popular activism on environmental and security matters has apparently led the regime to resolve a potential security problem by exporting it. Economic and political considerations also appear to be factors.

* * *

Liberalized emigration stands to improve the atmospherics of inner-German relations, and a limited and brief "clearing the decks" of potential troublemakers will not meet much criticism from the USSR and other Pact states. If the numbers mount too spectacularly, however, the GDR will come under pressure from its Pact allies to curtail it.

Some estimates put the number of potential applicants at 250–500,000, numbers which even if inflated represent a portion of the population that the GDR cannot afford to lose. The regime seems, however, to have set itself a 20–30,000 ceiling for permissible departures under the current liberalization. But the knowledge that emigration possibilities had improved quickly led to an upsurge of emigration attempts, including many GDR citizens entering Western embassies to seek

¹ Source: Reagan Library, Paula J. Dobriansky Files, Germany, Democratic Republic of (2). Confidential. No drafting information appears on the paper. An unknown hand wrote "GDR" in the top right-hand corner of the paper.

asylum. It thus appears likely that mounting popular pressure to leave will soon force the regime either to crack down and severely curtail exit permissions or accept the economic and political consequences of a mass exodus. One additional advantage of relaxing exit policies would be to discourage the embarrassment of a wave of asylum seekers by giving renewed hope to those applying through official channels.

The quick influx of hard currency through FRG “ransom” payments—perhaps up to \$400 million for those potentially involved under current new liberalization—may also figure in GDR calculations. Such sums, however, would not offset the long-term loss of skills and manpower to the GDR economy and, despite the country’s current economic problems, may not be decisive: the GDR posted a hard currency surplus in 1983. Furthermore, any worsening of the economic situation caused by labor shortages could result in even greater dependence on the FRG, which neither Moscow nor East Berlin wants. Thus the question arises whether the new emigration policy reflects an unofficial *quid pro quo* for last summer’s jumbo loan from the FRG and for a possible future loan.

269. Telegram From the Embassy in the Federal Republic of Germany to the Department of State¹

Bonn, April 10, 1984, 1433Z

9557. Subject: More on Immigration to the FRG. Ref: (A) State 97758,² (B) Berlin 1074.³

1. Summary: The government here has confirmed that the case of the “Prague 35” was resolved along the lines of earlier cases (i.e. the persons involved would come to the FRG after return to the GDR). Reacting to assertions made by the GDR in its first official comment on the immigration wave, officials here have also indicated that they

¹ Source: Reagan Library, Paula J. Dobriansky Files, Germany, Democratic Republic of (2). Confidential. Sent for information to West Berlin, the mission to NATO, East Berlin, London, Moscow, Paris, Warsaw, Prague, Budapest, Bucharest, Sofia, Belgrade, Copenhagen, European POLADs Collective, and POL FRG Collective.

² In telegram 97758 to East Berlin, April 4, the Department reported GDR Ambassador Herder’s explanation as to why his government was allowing the level of emigration that it was. (Department of State, Central Foreign Policy File, D840220–0115)

³ Telegram 1074 from East Berlin, April 5, reported the GDR’s public statement regarding its surge in emigration. (Department of State, Central Foreign Policy File, D840224–0392)

have no knowledge of East German immigrants wishing to return to the GDR. The immigration wave, meanwhile, continues amid some sharply worded appeals to the West German citizenry to assist in the integration process in a spirit of solidarity. End summary.

2. Government spokesman Boenisch confirmed to journalists on Friday⁴ that the case of the 35 asylum-seekers in the West German Embassy in Prague would be handled along the lines of earlier cases (i.e. the persons involved would return to the GDR and subsequently be permitted to come to the FRG). The same arrangement would reportedly also apply to three asylum-seekers in the FRG's Permanent Representation in East Berlin. Boenisch warned again in strong terms that immigration to the FRG was not to be forced by asylum actions in Western diplomatic missions. He repeated Chancellery Minister of State Jenninger's earlier suggestion that the would-be asylum-seeker could find himself at the end of the line. It is widely asserted in the press here that this case of the "Prague 35" represents East Berlin's last concession on the asylum front: from this point on, it is reported, the GDR intends to hold firm.

3. Last week's first official GDR comment on the immigration wave described in Ref B, and in particular the reference to the "many former GDR citizens" who had emigrated and now wished to return to the GDR, has predictably also been the subject of attention here. The GDR's Permanent Representation in Bonn has pointedly declined to make any statements about former GDR citizens applying to return to the GDR. Spokesmen for the Ministry for Inner-German Affairs and the Ministry of the Interior indicated late last week that the government had no knowledge of whether or how many of the Germans who had recently immigrated to the FRG had sought to return to the GDR and been prevented by GDR authorities from doing so. It was to be assumed, according to these ministries, that some immigrants wished to return to the GDR, but hard facts were simply not available, since no one in the FRG was obligated to make known the destination of his travels. It was also indicated that GDR authorities, according to all experience, were particularly cautious in granting permission for emigrants to return.

4. The prospect of Russian-German emigration to the GDR, noted in Ref B, has also garnered attention in the FRG. The press reported last week that there were indications that the Soviet Union was permitting increasing numbers of ethnic Germans, particularly from the eastern provinces of the Soviet Union, to emigrate to the GDR. Several hundred families, according to these reports, had already moved into the Dresden area over the past several weeks—and indeed into the very dwellings that had once been inhabited by those GDR citizens

⁴ April 6.

who recently emigrated to the FRG. Red Cross sources here reportedly have indicated that some 50,000 Russian-Germans have applied for permission to be united with family members in the FRG. Last year, however, only 1447 Germans received permission to move to the West. According to the Red Cross, this was the lowest number in 12 years. Reports here have also suggested that Russian-Germans were increasingly being forced to choose between withdrawal of their applications and emigration to the GDR (rather than the FRG).

5. The wave of East German immigration to the FRG, meanwhile, continues. Figures just released by the Ministry of the Interior reveal that during the month of March 10, 778 Germans immigrated from the GDR to the FRG. This figure compares with 2,626 in February and 1,545 in January. During the first three months of 1984, therefore, a total of 14,949 immigrants from the GDR have arrived in the West.

6. The integration of the new arrivals into West German society has continued to elicit commentary from political figures here. Last week Chancellor Kohl sharply rejected suggestions that the immigration wave could have negative consequences for the labor market in the FRG. Kohl said that if Germans were serious about the idea of a common German people and a common German destiny, the least that Germans in the FRG could do was to accept the new arrivals in a spirit of solidarity and helpfulness. If the FRG could not deal successfully with the integration of these East Germans, Kohl said, "then we can give up the thought of the future unity of the nation."

7. Kohl's call for solidarity has been echoed by others in the government. State Secretary Hennig at the Inner-German Ministry appealed to West German states and cities to assist the immigrants quickly and flexibly. The example of "family sponsor" programs adopted in some communities, Hennig said, should be emulated elsewhere. State Secretary Waffenschmidt at the Interior Ministry, who visited the reception center at Giessen last week, similarly called upon German citizens to show solidarity in meeting the "challenge" of integration. The chairman of the inner-German working group of the CDU/CSU Bundestag Caucus, Eduard Lintner, declared that if sixteen million persons could be integrated successfully in destitute post-war Germany, it was surely possible to integrate a few thousand into this nation of prosperity today.

8. Lintner's Inner-German Working Group, however, has gone beyond general expressions of solidarity. The group recently visited the reception camp at Giessen and issued a 10 point paper calling attention to some very specific areas in which the integration process needed improvement. Among the points made by the committee were these:

—The federal government and concerned states should quickly join forces to provide increased financial resources for the reception camp at Giessen.

—Better medical care should be provided for former political prisoners.

—Unemployment compensation, to which the immigrants can make claim, should be paid more quickly by local employment offices. In some instances immigrants have had to wait for over seven weeks for such payments. The compensation, moreover, should be commensurate with the actual employment level of those involved and not simply with the last position held, since after applying for emigration many of those concerned were forced to take positions in the GDR that did not accord with their level of training and experience.

—Insurance offices here should be informed that the immigrants have automatic health insurance for three months. Some immigrants have encountered financial difficulties flowing from mistaken information regarding their insurance status.

—The various West German institutions involved with the integration process should perform their work more quickly. Physicians, for example, have discovered in many instances that recognition of their professional status can take a long time.

—The issue of which governmental entities should contribute what financial resources to assist the immigrants should be regulated as quickly as possible.

9. Increasingly, officials here have taken the occasion of the immigration wave to suggest that the GDR should liberalize its travel regime. Last week, for example, government spokesman Boenisch told journalists that increased travel opportunities constituted for the GDR the best means to stem the flow to the West. The suggestion has been voiced in other political quarters as well. Chairman of the FDP Bundestag Caucus Mischnick said last week that if the GDR would loosen up on its travel restrictions, fewer GDR citizens would seek to leave the GDR for good. Mischnick added that of those GDR citizens who had been permitted to come to the FRG for specific reasons (such as family emergencies), less than 1 percent had chosen to remain and two thirds of those had declared that they would never even have thought of remaining in the FRG if they had been permitted to make regular visits here. In a similar vein, SPD Praesidium Members Bahr and Wischnewski issued a joint declaration at the end of last week stressing the advantages that would accrue to the inner-German relationship if the immigration wave were to lead to a normal visit regime between the GDR and the FRG.

**270. Telegram From the Mission in West Berlin to the
Department of State and the Embassy in the
Federal Republic of Germany¹**

West Berlin, April 26, 1984, 1616Z

1297. Subject: Refugees From East Berlin. Ref: US Berlin 700 (Notal).²

1. Summary: More than 2,800 East Germans have arrived in West Berlin thus far in 1984. As part of regular refugee processing at the Marienfelde Refugee Center (MRC), each has been interviewed by screeners of the Joint Allied Refugee Operations Center (JAROC). From 130 separate interviews, we have put together the following analysis. End summary.

2. A Profile of Those Interviewed

The great majority of those interviewed were between the ages of 20 and 39, although there were several in their 40's and 50's, and even a few retired people. About 75 percent were men. All had had at least 8–10 years of primary education. Approximately 15 percent had completed secondary school and gone on to university training. All had had apprenticeships or additional training of some kind. A full range of occupations was represented: butcher, mason, plumber, organ builder, auto and truck mechanics; engineers, opticians, draftsmen, and electricians; many truck drivers, waiters, lathe operators; a doctor anesthetist, a technical director for the physics department at Humboldt University, a retired minister and several teachers. Approximately 33 percent had current or previous church affiliation, although less than half that number regularly attend church.

3. Life in the GDR

While most respondents expressed satisfaction with their general areas of work and the training received, specific complaints surfaced repeatedly in the survey: low pay, shortage of materials for work, lack of tools, no spare parts, no safety equipment, and political pressure at work. Most responses carried one or more of these complaints. Many (50 percent) also commented on lack of meaningful employment

¹ Source: Reagan Library, Paula J. Dobriansky Files, Germany, Democratic Republic of (2). Confidential; Immediate; Exdis. Sent for information to East Berlin, Moscow, Paris, London, the mission to NATO, Frankfurt, Hamburg, Munich, Stuttgart, and Dusseldorf.

² Telegram 700 from West Berlin, March 7, provided statistics on the influx of refugees from East Germany to West Germany. (Department of State, Central Foreign Policy File, D840151–0466)

opportunities. Rising unemployment was noted by many. While there is officially full employment in the GDR, one respondent noted that his factory was often shut down for 2–3 weeks because of shortage of materials. Another commented that although there is full employment in the GDR, there are more and more people looking for work.

4. While few attend church themselves regularly, there was almost unanimous agreement that church membership was growing. Most cited an influx of young people who see the church as not only a religious institution, but also a political and social alternative where opinions can be freely expressed. The Lutheran Church was viewed by most as being more politically active than the Catholic Church. A few were interested in the church also because of its ties to the peace movement. Only two percent of respondents said that they had experienced any pressure to leave the church.

5. A deterioration of living conditions was noted almost unanimously. Most claimed this had taken place within the last 3–5 years especially. Fruit and vegetables are unavailable or inedible, and clothing is extremely expensive. There has been no improvement this year, and some claimed that this had led to a great increase in black market activity.

6. Western television and radio plays a large role in the lives of East Germans. Only those from the Leipzig and Dresden areas, where West German television signals are not received, said that they did not watch Western television. Most considered the Western media by far more reliable and credible in reporting events than those of the East. Many said that they now watched and/or listened to Western media exclusively.

7. Very few respondents were actively involved in party politics. A large number had memberships in youth (FDJ) and trade union (FDGB) organizations. Indeed, the pressure to have these memberships was often a chief complaint. Many said, however, that if one paid membership dues, one would be considered active enough to avoid problems at school or work. This was seen as the chief motivation for membership among the majority of the people: without a membership one is disadvantaged in chances for training or education, choice of work and material benefits. Many complained especially about the intense pressure on youth to join and take part in political life. Respondents unanimously recognized a privileged class in the GDR, singling out principally party bigwigs, "the upper 10,000", government officials and artists. Some noted that people take low-paying jobs for which they are over-qualified simply to avoid the political pressure involved with prestige jobs.

8. Departure From the GDR

Most applicants had filed their papers within the past 2–3 years although some applications went back to 1973. One person interviewed applied only in February 1984. Of the older age group, many had considered leaving the GDR for many years. One man first decided to go on August 13, 1961, (the day the Berlin Wall went up). Most cited lack of political and economic freedoms or a desire to travel as their reasons for deciding to leave. Others saw no career prospects for themselves or wanted to be reunited with family members in the West. Once papers had been filed with the authorities more than half of the applicants experienced harassment from officials ranging from interrogation and travel restrictions to demotion or loss of job. Most had just days or even hours to prepare for final departure when the notice came that they could leave. One applicant was taken directly from interrogation to the border crossing point with no chance to go back.

Ledsky

271. Telegram From the Embassy in the German Democratic Republic to the Department of State¹

East Berlin, May 2, 1984, 0857Z

1358. Subject: Asylum Seekers in Embassies: Talks With FRG. Ref: State 126765.²

1. I have nothing to add to the many words we have already sent in on the subject. We're comfortable with the existing US/FRG coordinating procedures and current US policy. I would simply underline that at the end of any given "asylum day," US and FRG interests may not always be the same, thus arguing against "agreements." As for current problems which can serve as examples, the recent East German intruder into our attic provides one, and the reported continued residence in the FRG Permanent Mission of an East German soldier provides another. Frankly, I see no basis for a "common formula" or "agreement" of the sort that would meet Foreign Minister Genscher's real objective,

¹ Source: Reagan Library, Executive Secretariat, NSC Cable File, Europe (State) NODIS IN (04/24/1984–11/30/1984. Secret; Immediate; Nodis.

² Telegram 126765 to Bonn, April 1, proposed U.S.-FRG consultations regarding asylum seekers. (Department of State, Central Foreign Policy File, N840006–0412)

and there is every reason to believe that such a “common formula” or “agreement” does not exist even among West Germans who deal with the matter.

2. Please pass to Bonn USBerlin Prague Moscow Warsaw Belgrade Budapest Bucharest Sofia.

Ridgway

272. Information Memorandum From the Chairman of the Policy Planning Council (Rodman) to Secretary of State Shultz¹

Washington, July 19, 1984

SUBJECT

The German Question and U.S. Policy

Recent developments in inner-German relations have raised new questions about the longer-term evolution of the two German states. Much of this attention has been stimulated by East Germany's increased assertion of its “national” interests vis-a-vis Moscow, in pursuing its own *Westpolitik* with Bonn. Together with uncertainties about FRG foreign policy and West Germany's search for national identity, these events suggest new wrinkles on the post-war German question and raise new issues for U.S. policy.

This paper analyzes the inner-German relationship and the advisability of adjustments in U.S. policy toward the GDR. It counsels caution on this score. It also examines the sources of current West German frustration and suggests the need for a U.S. initiative in the economic/technological field to revive US/FRG relations and strengthen broader Western cooperation.

Inner-German Dealings

The FRG plan to extend another major loan to the GDR reflects Kohl's continued attempts to insulate inner-German policy from the vicissitudes of East-West relations and to breathe new life into detente. Fundamentally, Bonn views these loans as a tool to obtain GDR cooperation in establishing closer relations between the two Germanies.

¹ Source: Reagan Library, George Shultz Papers, Executive Secretariat Sensitive (07/18/1984–07/23/1984). Secret; Sensitive. Drafted by Philip Kaplan (S/P) and Barry Lowenkron (S/P). McKinley initialed and wrote “19 July” on the memorandum.

Recent events suggest that this policy may be working:

—The GDR has increased significantly (albeit erratically) the flow of emigration to West Germany.

—Honecker has voiced displeasure with the Soviet reaction to INF deployment, a remarkable reaction from one of Moscow's most rigid allies, who had earlier threatened an "ice age".

—Honecker still plans to visit the FRG later this year, an event that will unnerve Moscow at least as much as the other states of Eastern and Western Europe, none of which have any desire for basic changes in post-war arrangements concerning Germany.

We will need to monitor the evolving inner-German relationship to ensure that it does not move in directions incompatible with U.S. interests or with our quadripartite rights and responsibilities in Berlin and Germany. We have adequate mechanisms available, in the Bonn Group and other channels, to keep close track. The Soviets also will be closely observing these events and will not hesitate to move if they think the GDR is going too far. So far, we have no reason to suspect FRG motives in this dialogue, but we should be aware that Bonn occasionally has turned off the consultation valve when pursuing its own agenda with the East Germans.

US/GDR Relations: Need For A New Policy?

These developments have raised the question of whether adjustments are advisable in US/GDR relations. Proponents of this course argue that improving our relations with the East Germans could have several advantageous results for the U.S. and the West:

—First, and above all, it is argued that closer US/GDR relations could undercut the solid Soviet hold over East Germany and enable us to coax the East Germans slowly toward the West. In a word, we would seek to destabilize the Soviet empire at its core, along the inner-German dividing-line, much as Moscow seeks to undermine the FRG role in NATO.

—Second, we could use a US/GDR connection to caution the FRG against ignoring U.S. interests in its inner German dialogue. More active US/GDR relations, so goes the argument, would afford us the possibility of reacting to Bonn with signals of our own.

—Third, more normal US/GDR relations allegedly would represent a step toward stability in Central Europe by enhancing the GDR's incentive to act with restraint on Berlin. Similarly, strengthened U.S. commercial ties with East Germany, the leading industrial nation of Eastern Europe, could serve U.S. economic interests and, it is asserted, induce East Berlin to respond to U.S. interests on Jewish claims and other bilateral matters.

—Finally, some contend that the GDR has earned the reward of positive differentiation, given its increased foreign policy independence, and that the weakening of Soviet control over East Germany could have far-reaching repercussions for Moscow's relations with its more independent East European allies, thereby furthering the goals of our differentiation policy.

Grounds for Caution

This menu of motives makes an American fling with the East Germans a tantalizing prospect. There certainly is no doubt that the Communist successors to Bismarck's Prussia would greatly welcome such a U.S. initiative as a key to GDR international legitimacy. This is no small matter for what may be Europe's most insecure state.

But there are real grounds for caution that weigh strongly against such a course:

—First, and above all, the key goal of destabilizing Soviet/GDR relations is probably unattainable and the effort could pose great risks:

- It is illusory to imagine Moscow would permit the East Germans to play the role of Romania with its U.S. superpower adversary or, for that matter, with their West German brothers. Keeping Germany divided, and the GDR in Moscow's pocket, has been the very essence of Soviet European policy for 40 years. There are strict Soviet limits on GDR foreign policy.
- As to the GDR itself, Honecker and his fellow East German apparatchiks know full well that their leadership positions rest squarely on the shoulders of the 20 divisions of Soviet occupation forces. While they would like the commercial and political benefits of U.S. trade, they share Moscow's fear of the contagion of Western ideas. Honecker is, after all, the inventor of East Germany's earlier policy of *Abgrenzung*, or *separation* of the two German states.
- Coaxing the GDR also could prove risky. The destabilization of post-war arrangements defining Germany's division, to Moscow's disadvantage, could be a *casus belli* for the USSR. At the very least, long before we began to undercut GDR loyalties, the Soviets would use their leverage on the Berlin access routes to challenge U.S. interests and threaten West Germany. Instead of destabilizing East Germany, we would end up with a crisis that we probably could not sustain.

—Second, playing a U.S. East German card in order to limit the FRG's inner-German dialogue would also be counter-productive and risky:

- counter-productive, because US/GDR detente would legitimize rather than limit the FRG's efforts in that direction, thereby

intensifying the inner-German relationship and probably ultimately heightening FRG dependence on East Germany's Soviet controller;

- risky, because serious US/GDR engagement would raise profound uneasiness in Bonn concerning a basic element of the US/FRG alliance at a time when Moscow will be acting to keep East Germany nailed to its mast. For 40 years, the stronger German state has been in our camp and the weaker one has remained beyond our influence. Flirting with the East Germans could threaten US/FRG ties with little to show with the GDR.

—Third, there may be some gains to be pursued with the GDR in the commercial field and on other bilateral matters, but these are marginal. Trade relations are limited by the Jackson-Vanik prohibition of MFN;² this is unlikely to be changed by recent GDR emigration practices, given the continued existence of the Berlin Wall. We deal with Berlin issues with the USSR rather than the GDR. On other bilateral matters, we have had little luck gaining East German cooperation since establishing relations a decade ago.

—Finally, if our differentiation policy aims at enhanced internal liberalization and foreign policy autonomy, it is hard to find that the GDR has earned preferred treatment. Besides the Berlin Wall and the strict internal repression, East German foreign policy operates in close concert with Soviet strategy. The GDR is currently supplying 25% of Warsaw Pact aid to Nicaragua as well as revamping the Sandinista National Liberation Front into a Communist political structure. The GDR has a 25-year Treaty of Friendship and Cooperation with Cuba. Similar treaties of friendship and cooperation enable the GDR to provide intelligence and security training to Angola, Mozambique, Ethiopia, South Yemen, and Afghanistan, as well as to Syria. The GDR has even provided broadcast facilities for the Iranian Tudeh Party, the Greek Communist Party and clandestine radio facilities for the Turkish Communist Party. Thus, in the Near East, Africa, and, increasingly in Central America, the GDR is a spearhead of Soviet policies, in direct opposition to U.S. interests and objectives.

Reviving West German Cooperation

The main problem confronting our German policy is not a reassessment of our policies toward the GDR but how to handle the sense of frustration prevalent in the FRG. The post-war era has been marked by such astounding FRG successes as the economic miracle, acceptance

² Reference is to the Jackson-Vanik Amendment, part of the Trade Act of 1974, which prohibited the U.S. Government from providing most-favored-nation status to any non-market country that did not allow for the free emigration of its citizens.

into the club of western democracies, increased international power and influence, and a bold effort at East-West detente.

For the most part, these FRG achievements have served our interests well. Indeed, FRG acceptance in the 1950s of NATO and the European Community as channels for German national energies greatly strengthened the West and eased the psychological and political burden of Germany's division. Maintaining these arrangements, through all the post-war turmoil and crises, has been one of the cardinal successes of American foreign policy.

Sustaining a strong US/FRG alliance in the future will be a far tougher task. The West Germans are asking basic questions about their national vocation. It would be wrong to view this debate primarily in left/right terms: Egon Bahr and Franz-Josef Strauss are West Germany's two most nationalist political leaders. Nor is it mainly a matter of nuclear weapons neuralgia. The debate turns, instead, on how to define West Germany's future *national* aspirations and how to reduce FRG foreign policy dependence. That is why Kohl and Strauss vie with SPD leaders to strengthen bonds with East Germany, and go so far as to speak of common German responsibilities and political arrangements for ensuring peace in Europe.

Bonn's problem is that, 40 years after World War II, its post-war successes have turned sour and the future seems bleak. Beyond the normal German *Weltschmerz*, the FRG is surrounded by frustrations:

—Reunification and inner-German detente remain remote. Despite the current loan deals and Honecker's scheduled visit, Kohl knows the limits. The recent public Soviet "memorandum" warning against FRG "rearmament," and recalling the Potsdam Agreement, has underscored these realities.

—Dependence on America is growing less attractive as a basis for FRG policy. West Germans know they remain fundamentally security-dependent on us and see no real alternative, but don't like it. They also are concerned by the volatility of U.S. foreign and domestic politics over the last 15 years. The Nunn amendment³ is a sharp reminder of how quickly FRG security can be endangered.

—The European connection, grounded in Franco-German reconciliation and the European Community, has been more or less stalled for a decade.

—*Ostpolitik* was designed to give Bonn re-insurance in case the U.S. security guarantee flagged. It has brought stability in Berlin and some

³The Nunn amendment to the Omnibus Defense Authorization Act of 1985 (S. 2723) threatened to reduce U.S. troops in Europe if defense improvements were not made by other NATO members. For additional information, see *Congress and the Nation*, vol. VI, 1981–1984, p. 241.

humanitarian gains. But short of a giant Faustian gamble with Moscow, it presents no safe alternative to current security arrangements.

—The economic miracle, which carried Adenauer and Erhard through all the Soviet threats and crises, has been deflated. The Germans now face high unemployment, a sagging D-Mark and structural economic problems. Bonn also dreads the technological challenge from America and Japan.

These developments are deeply worrisome to FRG leaders. Even *if* the economic situation improves, the sources of political frustration probably will remain and may even deepen over the next 10–20 years. Moreover, history teaches us that frustrated Germans have sometimes pursued their bent for political romanticism. While that may not be an immediate concern, we *have* just experienced a phase of *nuclear* romanticism in their reaction to INF deployments.

Conclusion

The policy issue for the United States and its Western partners is how to respond to current FRG frustrations and to re-channel West German energies into allied cooperative ventures that are relevant to central FRG concerns. For the last several years, arms control has been a key part of the answer to this question, in order to secure INF deployments. Arms control will continue to be an important element in our relations, but also may continue to be a greater source of division than unity.

I believe we need to increase our focus on the economic dimension, especially cooperation in science and technology. West Germany's future as an economic and security partner will depend to a critical degree on its ability to revive, restructure, and modernize the German economy. It is exactly in this field that the U.S. enjoys its largest comparative advantage vis-a-vis the Soviets and the West Europeans. Bolstering U.S. (and Japanese) technological cooperation with Western Europe would greatly strengthen the West as a whole and ease some of the West Europeans' malaise about their economic and political future.

For these reasons, I believe we should, as part of our Looking Ahead exercise, undertake a systematic USG examination of the possibilities of Western technological cooperation, with the aim of raising this topic as major initiative at next summer's 7-nation summit in Germany. Together with a sound program to restore NATO's conventional defense posture—which we are already undertaking—such an approach could go far to address West German national concerns, to revive US/FRG relations, and to strengthen the West.

273. Information Memorandum From the Chairman of the Policy Planning Council (Rodman) to Secretary of State Shultz¹

Washington, August 17, 1984

SUBJECT

The German Question and U.S. Policy

In response to our July 19 memorandum to you on this subject (Tab 1),² Mike Armacost asked us what specific steps were being urged by proponents of a more forthcoming U.S. policy toward the GDR. Subsequently, Rick Burt sent you John Kornblum's paper,³ which sets forth in general terms a new U.S. approach to inner-German relations, including US-GDR relations. The essence of that position is as follows:

—West Germany has moved from its post-war exclusive Western orientation to the traditional search for German identity that has characterized German political life for more than three centuries; there is little we or anyone else can or in fact should do to lure the West Germans back.

—West Germans (and East Germans) must come to terms with their identity, joint interests and existence as separate states within a single nation before the FRG can become a stronger, more self-confident and cooperative ally.

—We will have to be especially sensitive to FRG concerns about their "rightful" role in Europe and the world, and to their sense of the importance of ties to the East, especially the GDR. Indeed, it will be essential that the U.S. establish itself as *sponsor* of realistic inner-German reconciliation.

—We also must take account of the changing needs of the GDR, whose pressing economic, scientific and technological imperatives can only be met by the U.S. and the West. Helping the GDR is important to avoid instability and a breakdown in inner-German relations, and because the GDR also may be "one of the best ways to send messages to Moscow." There is no need for dramatic initiatives at this point. But we should expand US/GDR bilateral relations even though the East Germans must remain a loyal Soviet ally and have not met the criteria of our differentiation policy.

¹ Source: Department of State, Executive Secretariat, Sensitive and Super Sensitive Documents, 1984–1989, Lot 92 D 52, ES Sensitive August 17–24 [1984]. Secret; Sensitive. Drafted by Kaplan.

² Attached but not printed. See Document 272.

³ Not found.

I confess to being rather concerned by this line of argumentation:

—Bonn's "exclusive Western orientation" in fact ceased at the moment of Brandt's 1970 Moscow treaty.⁴ This was designed to buy re-insurance against an ostensibly unreliable U.S. protector and to lay the basis for a more independent West German foreign policy, especially vis-a-vis the Soviet Union. Nixon and Kissinger were in fact apprehensive that Ostpolitik would erode FRG Alliance ties. The change in West German policies over the last decade (now under the CDU as well) has borne out those concerns.

—The FRG's current inner-German romance builds on its 1972 normalization treaty with the GDR.⁵ The FRG hopes to promote a common German approach to sustaining detente and deepening internal bonds between the two German states, a kind of long-term *de facto* re-unification. This Ostpolitik-II can make West Germany a permanent *demandeur* with East Germany, which will drive tough bargains that Bonn may not be able to refuse. (Note how the FRG capitulated on the Berlin clause in Honecker visit negotiations.) The Soviets also will set their own price for allowing this process to continue, even within tight bounds. Moreover, there is no final inner-German *modus vivendi* for Bonn short of re-unification that would theoretically facilitate resumption of a stronger Alliance role. (In fact, it would shatter NATO.) Since the Soviets will not permit German re-unification on *any* terms, a West German preoccupation with inner-German identity is a factor for long-term FRG distraction from Alliance responsibilities.

—It is one thing to remain sensitive to West German needs (as we have), another thing to be politically neutral on Bonn's inner-German dialogue (as Nixon and Kissinger were), and something else yet again to *sponsor* such a process. I believe this process is contrary to U.S. interests and would advise strongly against such a favorable position.

—We have no national interest in meeting the needs of the GDR, which is the hard core of Moscow's East European empire. The Soviets *will not permit* East Germany to be lured away. West German efforts to do so could threaten central European stability, leading the USSR to crackdown on the GDR directly or on us through the sensitive nerve of Berlin. Honecker and the East German leadership, while cautiously testing Soviet limits, already are using these Soviet pressures to draw new concessions from Bonn, while giving little in return. Finally, after our experience of the FRG's playing "intermediary" with Moscow, the notion of a GDR middleman frankly strikes me as ludicrous.

⁴ For the text of the treaty, signed August 12, 1970, see *Documents on Germany, 1944–1985*, pp. 1103–1105.

⁵ For the text of the treaty, signed December 21, 1972, see *Documents on Germany, 1944–1985*, pp. 1215–1230.

Policy Implications

The prospect of exploiting centrifugal forces in East Germany is intriguing but, in terms of *central U.S. interests*, I believe we should be very wary about the consequences of a free-wheeling Germany in the center of Europe. I can see the point, in Rick's August 11 memo,⁶ of tactically allowing the current inner-German process to "play itself out" with our general support for Kohl's stated goals, while refusing to comment publicly on details. Soviet media attacks on the two Germanies already are antagonizing West (and East) German opinion, with prospective gains for us. Nonetheless, as Rick comments, this situation is not without dangers. We will have to keep the West Germans aware of U.S. interests in Berlin and elsewhere, and on our central goal of improving *Western* cooperation.

The fact is that *all* our allies, especially France, are nervous and share our interest in channelling FRG energies toward the West. They, as well as all the East Europeans, will want to keep Germany divided. (The Yugoslav DCM told Phil Kaplan that Jaruzelski recently expressed profound Polish concern over the inner-German process to the visiting Yugoslav President.)

It is true that a more credible East-West negotiating process will ease the West German frustrations that have helped stimulate their latest search for identity. We will, of course, seek to explore this terrain with Moscow after our elections, including the arms control field. But our purpose here is to enhance East-West stability—*not*, in EUR's words, "working with the Germans to deal with their national dilemma". Far less is it to *sponsor* or encourage deepening of an inner-German entente which proclaims common declarations on the route to European peace. A "community of responsibility" between the two German states is a phenomenon that will lead over time either to (1) deeper West German political dependence on the Soviet Union and dilution of FRG Alliance responsibility (note how Genscher was foreshadowing a joint German statement on "non-use of force" in Bonn the same day the FRG NATO mission was criticizing that idea in Brussels and on the eve of the Molotov-Ribbentrop anniversary); or (2) to Soviet intervention that could revive the German and Berlin crises of 1958–62.

Our real goal, instead, must be to work steadily with West Germany to re-channel Western German energies into *Western* cooperative ventures that are relevant to central FRG concerns. As one example, at Mike's suggestion, we are working on ideas for a possible initiative on European technological "decline" for the next 7-nation summit in Germany.⁷

⁶ Not found.

⁷ May 2–4, 1985.

Meanwhile, the inner-German process may continue, with further West German concessions that marginally damage FRG interests and gradually undercut West German public support. If Bonn starts to go more seriously off-course, we will need to caution Kohl privately. If Honecker is in fact pursuing pan-German illusions, Moscow will crush him, and, in the process, jolt West Germans back toward their Western orientation.

The bottom line: The United States should not encourage West German dreams and should leave it to Moscow to dash them.

274. Telegram From Secretary of State Shultz to the Department of State and the Embassy in the German Democratic Republic¹

New York, October 5, 1984, 1006Z

Secto 11091. Subject: Memorandum of Conversation: Secretary's Meeting With GDR Foreign Minister Fischer—October 4, 1984.

1. (S) Entire text.

2. Secretary Shultz met with GDR Foreign Minister Fischer in the Secretary's suite at the UN Plaza Hotel in New York at 1045 on Thursday, October 4. Minister Fischer was accompanied by GDR Ambassador Herder, two aides and an interpreter. Other US participants were EUR Assistant Secretary Burt, Department Press Spokesman John Hughes, EUR/CE Director Kornblum and interpreter Harry Obst.

3. Summary: Primary topic of discussion at the meeting was US-GDR bilateral relations. After presenting a standard expression of Eastern positions on the need to lower the level of nuclear armaments in Europe, Fischer stressed the GDR's interest in improving bilateral relations with the US. He said the GDR attached high importance to these relations for reasons of national interest and because better US-GDR ties could have a positive effect on the situation in Europe. Fischer said most rapid progress should come in the fields of trade and science and technology. He suggested negotiation of agreements in these fields which could also serve as a foundation for progress in other areas.

¹ Source: Reagan Library, Paula J. Dobriansky Files, Germany, Democratic Republic of (3). Secret; Immediate; Exdis. Sent for information to Bonn, Moscow, Paris, London, Vienna, West Berlin, and the mission to NATO. Shultz was in New York for the UN General Assembly.

4. The Secretary expressed US interest in improved ties also, but noted our belief that these ties could move forward through progress on practical issues. As three examples of such practical issues he mentioned Jewish claims, human rights and emigration and the rumored arrest of GDR citizens who had visited the US Embassy in Berlin. The Secretary followed this presentation with a short discussion of meetings with Soviet Foreign Minister Gromyko.² Fischer reciprocated with a short statement on relations with the FRG.

5. The meeting concluded with agreement on both sides that there should be efforts to establish an expanded framework for bilateral ties. The Secretary suggested intensifying contacts through ambassadors, but also agreed that other types of political contacts could be considered. End summary.

6. Fischer opened the meeting by expressing his pleasure at the opportunity to meet with the Secretary. The two ministers had sat next to each other at meetings, but had never met formally. Fischer thought it a positive step that they had now met. The time had come to continue US-GDR exchanges at the Foreign Minister level. There was no alternative to the policy of peaceful coexistence and no alternative to dialogue between states. The US and the GDR should pursue the issues facing them. Fischer noted that Assistant Secretary Burt's talks in Berlin in February, 1984 had been especially useful in developing such a dialogue.³

7. Fischer noted that in the current somewhat tense atmosphere, all sides should make an effort to pursue not only better understanding, but also solutions to outstanding problems. The GDR believed the time had come for a dialogue of reason. Otherwise, those who bore responsibility could not fulfill their tasks. One main problem was the continued growth of military confrontation in Europe. The GDR was of the view that more weapons did not bring more security. Fischer noted that during the UNGA session, he had asked many of his ministerial colleagues whether they believed more weapons would bring more security. None of them had answered in the affirmative. One negative example had been the stationing of new Western missiles in Europe and the necessary counter measures by the East including the GDR. Peace and security must be based on military equilibrium. This had been the situation for the past 40 years and the GDR hoped to maintain this equilibrium at a lower level of armaments.

8. The Secretary noted that President Reagan had made many proposals to reduce arms in Europe. As for reductions of nuclear weapons,

² See *Foreign Relations*, 1981–1988, vol. IV, Soviet Union, January 1983–March 1985, Documents 284–288.

³ Burt had meetings in East Berlin on February 21. Telegram 588 from East Berlin, February 24, provided a summary of the meetings. (Department of State, Central Foreign Policy File, D840121–0491)

the Secretary recalled that during his visit to East Berlin, Assistant Secretary Burt had showed his GDR interlocutors a chart on which the top line showing Soviet deployments had risen continuously. All this time, the Soviets had been saying that equality existed. The US had continued to negotiate despite Soviet deployments. Then, when the NATO alliance found it necessary to increase its strength to meet Soviet deployments, the Soviets had broken off the talks. The Secretary said he agreed on the need for dialogue, but it should be clear that it was the Soviets who had broken off the exchanges.

9. Despite these differences, the Secretary said that both sides should do their best to improve bilateral relations. He suggested that the conversation turn to US-GDR bilateral issues. Fischer said the Secretary knew that the GDR was closely allied with the Soviet Union. It was also clear that negotiations on nuclear arms could succeed only if there was a basis for such talks. It was necessary for both sides to demonstrate the will to improve relations. It was in this context that the GDR viewed bilateral ties with the United States. Our relations should be based on reason and good will.

10. In Fischer's view, US-GDR bilateral relations could serve two purposes. They could of course strengthen the interests of both countries. But in the current situation in Europe, bilateral relations also served an important international function. Fischer said the GDR attached great importance to its bilateral relations with the United States, also in the international context. Noting that bilateral ties had existed for 10 years,⁴ Fischer was of the impression that these ties had stagnated for the past five years. He thought that arrival of the 10th anniversary provided a good opportunity to build on the existing basis to achieve a more active relationship.

11. Fischer said that the GDR was ready to expand ties in areas such as trade, science and technology. He thought it would also be especially useful for he and the Secretary to repeat their meetings and in the coming period to conclude agreements in the fields of trade and scientific and technological cooperation.

12. Fischer continued by noting that he had mentioned the fields of trade and scientific and technological cooperation because they seemed to him to be the most important issues facing the two sides at the moment. He understood that it would not be possible to make the same amount of progress in all areas simultaneously. He thought that the political dialogue could help form a foundation for these efforts by building trust between the two countries. But a trade agreement could also be a solid foundation for all the rest. In general, the GDR saw no

⁴ The United States recognized the GDR and established diplomatic relations in 1974.

problem which could not be addressed or even solved. The GDR had the political will to move forward. Speaking informally, Fischer added that the East Germans sometimes would prefer not to be situated on such a strategic spot, but that was their fate and they must live with it.

13. The Secretary responded that the US was perfectly prepared to broaden bilateral relations, including in the fields which Fischer had mentioned. We also had no objection to agreements. But the two sides should also focus on areas where actual progress could be reported. Such progress would demonstrate that the two sides could work together and would stimulate efforts to achieve agreements.

14. The Secretary wished to mention three areas where specific progress could be made:

a. Jewish claims: The Secretary understood that Fischer had met earlier in the week with Rabbi Miller and officials of the Conference on Jewish Material Claims. This issue was something which could be dealt with and it was important. If it were possible to deal successfully with the claims question, overall relations would be improved.

b. Family reunification: The Secretary noted strong US support for the principle of free emigration. Improved GDR performance in this field would help relations. For example, the son of the new conductor of the Detroit Symphony Orchestra was being refused the right to emigrate. If he were allowed to leave, this would be a positive development in our relations.

c. Visitors to Embassy: The Secretary said he had heard reports, still unconfirmed, that some persons who visited our Embassy might have been arrested after they left. This was not a good development and could not help further relations.

15. The Secretary said that these were only selected examples of the types of things the US looked at to see if agreements could work. However, he wished to stress again that the US was interested in improving relations.

16. Fischer said he had been encouraged by the Secretary's remarks. As a result of this discussion, it was possible to hope that improvements could be pursued. One could also hope that the US and the GDR could affect the world around them. The Secretary interjected that his remarks had been intended to be encouraging.

18.⁵ Fischer said he assumed that the Secretary would be informed about the results of his meeting with Rabbi Miller and that he need not go into detail. He did not know what Ambassador Ridgway had reported, but there had been no arrests of persons visiting the Embassy. As for the case of the conductor's son, Fischer had not heard of the issue but would look into it. He added that for completeness sake, he should

⁵There is no paragraph 17 in the original.

add that such matters of course fell within the sovereign competence of the GDR. Finally, he wished to say that he was truly encouraged that the Secretary's appraisal of the future of US-GDR bilateral relations was the same as his own and that of his government.

19. The Secretary suggested that he and Fischer agree to work on the problem of building a better framework for relations. He would ask Assistant Secretary Burt and Ambassador Ridgway to examine ways to move things forward. Perhaps the fact that he and Fischer had met could stand as a symbol of their mutual good intentions.

20. Since time was running out, the Secretary said he would like to make a few summary comments about recent meetings with Soviet Foreign Minister Gromyko. (Fischer nodded strongly in support of this suggestion).

a. First, taking the meetings as a whole, the Secretary believed that one way or another the two sides had touched on practically every issue one could think of which might have come up between them.

b. Second, while the discussions were sometimes intense, they were never angry or polemical. Both sides had been very engaged in the discussions and the Secretary thought there had been a good exchange of views.

c. Third, in terms of formal positions, neither side had expected the meetings to result in negotiations or agreements. Basic positions remained unchanged.

d. Fourth, the Secretary assumed that the Soviets shared the US intention to develop the dialogue systematically and carefully. Management would be through diplomatic channels. The Secretary believed the effort would be worth pursuing. The outcome remained to be seen, but the US would move forward with care and energy in private diplomatic channels.

21. Fischer noted that he had not spoken with Gromyko since his visit to the United States. However, Gromyko would be arriving in East Berlin at 5:00 p.m. on October 5 and the GDR would have a full chance to hear his views. From what he had heard so far, Fischer believed that the meetings had been timely and helpful. The Secretary asked whether Fischer would be in Berlin during Gromyko's visit. Fischer said that he had a speaking engagement at the Council of Foreign Relations in New York and thus could not return for the visit.

22. Fischer added that it would perhaps also be useful for him to say a few words about the GDR's relations with the FRG. The GDR also viewed these ties in a broad context. The GDR meant it when it said that war should never again begin on German soil. Relations with the FRG were governed by a basic treaty and there was no open German question. There were still a few small problems kept alive by certain circles in the GDR's western neighbor, but there were now two

separate and sovereign German states. The GDR was certain that this situation was a positive contribution to the search for peace and security in Europe.

23. Fischer concluded by saying that he hoped to see the Secretary again and that during that meeting it would be possible to draw up a positive balance of progress in relations. The Secretary agreed that it was important to continue the dialogue on bilateral relations. He would also continue to be interested in GDR insights on relations between the two German states and its perceptions of overall developments, in particular the dialogue between the US and the USSR.

24. The Secretary noted that one way to continue the dialogue would be to discuss such matters with Ambassador Ridgway. The Secretary considered her to be one of our best Ambassadors and he wished to put her name forward as a good means of pursuing the dialogue which he and Fischer had begun. Other contacts would of course also be possible.

25. Fischer thanked the Secretary for his sentiments. He had a high regard for Ambassador Ridgway. He thought it also useful to refer to the fact that GDR Ambassador Herder was a top diplomat who had known Honecker since 1949. He was one of Honecker's closest collaborators and was an excellent partner for a dialogue. The Secretary said that the US would be pleased also to continue contacts through Herder.

Shultz

275. Telegram From the Embassy in Czechoslovakia to the Department of State¹

Prague, November 8, 1984, 1740Z

5348. Subject: GDR Refugees in FRG Embassy.

1. S—Entire text.

2. East German refugees in FRG Embassy here have begun today departing quietly to return to the GDR. FRG Ambassador Meyer (protect) told me that a middle-ground decision has been taken "unilaterally" by the GDR Government to offer, for a short period of time, conditions that the FRG finds acceptable under which the refugees

¹ Source: Reagan Library, Executive Secretariat, NSC Cable File, Europe (State) NODIS IN (04/24/1984–11/30/1984). Secret; Immediate; Nodis.

- Can return to the GDR without fear of persecution,
- And apply to “local” authorities for emigration.

According to Meyer the GDR will not give “assurances” as they have in the past that the returning refugees will be able to emigrate to the FRG within a few months’ time. The FRG has been led to understand, however, that there is a good chance that emigration will be permitted for all the refugees after an uncertain waiting period. The GDR believes that this decision may permit the relief of this problem in Prague but not promote a dramatic new flow of refugees.

3. Meyer hopes that this GDR view is correct since before the departure of about 20 refugees today from his Embassy, the number of asylees had reached 161 and was still rising. Meyer said that he met with the entire group this morning and told them the news. He urged them to take these assurances now, together with several additional assurances from the FRG. Meyer did not enumerate the FRG assurances but presumably they dealt with the FRG’s commitment to continue to negotiate early emigration of each individual who agreed to return to the GDR.

4. Meyer said the process of emptying his Embassy will take several days. He indicated that if the word gets out and many more East Germans come in as the others leave the GDR might discontinue this arrangement. Meyer said there are many complicated cases, for example some of the refugees entered Czechoslovakia illegally. He has begun working today with the Czechoslovak Government to assure that the police “protection” in front of his Embassy does not interfere with the departing East Germans.

5. It is unclear what the FRG had to give up for this arrangement. They may have agreed to pay a considerably higher price per emigrant. Meyer said, however, that Genscher had refused to agree to the building of a more-restricted entry to the FRG Embassy here since it could be interpreted as a restrictive approach to “some German citizens”. Meyer indicated that Vogel is now involved in intensive telephone conversations with Bonn over the individual complicated cases now in the Embassy.

6. Comment: This is good news for Meyer who has been exhausted by this past two months. It is difficult to imagine, however, that the news of this breakthrough can be kept quiet for long. Once it is out, the flow into the Embassy will increase again. I assured Meyer that it would not be the US Government that lets the word out.

7. Department may wish to pass Embassies Bonn and Berlin.

Luers

276. Memorandum From the Ambassador to the German Democratic Republic (Ridgway) to Secretary of State Shultz¹

Washington, December 1, 1984

SUBJECT

Next Steps in East German Claims/Trade Negotiations

Over the past fifteen months I have been engaged in the development of a proposal to resolve the longstanding issue of the payment of claims by the GDR to the Council for Jewish Material Claims Against Germany on behalf of victims of the Nazi Holocaust, and to the USG on behalf of American citizens and nationals whose property has been taken. This issue has been with us since 1974, and has been consistently described by the USG as important to our national interests and central to our responsibilities to our people. I was authorized by Larry Eagleburger to take up the matter on a personal, nonbinding, informal and exploratory basis with as wide a group of interested parties—interdepartmental, interagency, Congressional, and East and West German—as would be necessary to refine a proposed solution for future consideration and decision.

As I mentioned during our conversation the other day,² I was to go as far as I thought necessary, leaving it to me to hear the sound of the saw at the end of the limb. In fact, strong interest in the effort (and perhaps a bit of fascination laced with incredulity) has fostered an entirely supportive atmosphere. With rare exception, even those who reserved the right eventually to say no to the proposal have assisted in its development.

I believe the exploratory, personal phase is now over. What follows reflects the result of my effort and provides, I believe, a reasonably dispassionate presentation of the proposal for its more formal consideration by others.

The Proposal

Having taken into account the informal views of staff from L, EB, HA, STR, NSC, Commerce and the Hill, as well as the CJMC (henceforth called also “the Jewish claims group”), the proposal has five parts:

—The GDR agrees to pay the Jewish claims, at levels and over a period of time acceptable to the CJMC;

¹ Source: Department of State, Executive Secretariat, Sensitive and Super Sensitive Documents, 1984–1989, Lot 92 D 52, ES Sensitive December 1–6, 1984. Confidential. McKinley initialed and wrote “14 Jan” on the memorandum.

² No memorandum of conversation of this meeting was found.

—The GDR agrees to pay the USG official claims, at levels and over a period of time acceptable to the USG;

—In response to the claims settlements, the USG agrees to a trade relationship with the GDR, defined in a bilateral agreement, the period of which is keyed to the payout period for the claims settlements;

—All three documents are subject to annual review, consultation, and possible termination for failure to meet reciprocal undertakings;

—All three documents are concluded but not signed until:

—The passage of legislation by Congress stating that, “Notwithstanding the provisions of the Trade Act of 1974” (Jackson-Vanik), a list of specific products from the GDR will be accorded Category I tariff treatment for a period of years the same as those in the claims agreements. This would also be subject to annual review and, if it is the will of Congress, termination;

—A GDR human rights performance that is measurably improved;

—An indication from the FRG that it believes this overall approach—the settlement of claims and agreement on a limited trade relationship—advances humanitarian interests in the field of emigration.

Why This Particular Approach?

—In the past, the USG has been able to force governments against which it had claims to settle up by seizing assets within our reach and using them, after negotiations which were legally face-saving for both parties, to pay claimants. Thus, our 44% settlement with the PRC, and our 126% settlement with Czechoslovakia, represent, in fact, 100% takings by the USG of everything we could get hold of. By contrast, there are no East German “assets” within our reach.

—The CJMC leadership developed the concept of a claims payment to be reciprocated by trade relief and in 1981 requested Administration and Congressional support for it. Mac Baldrige and Lionel Olmer, with whom I have discussed the proposal before us, are persuaded that support for the CJMC concept probably could not be withheld. They are prepared to consider our broader approach on the basis that, if we have to go this way anyhow, let’s solve our own claims problems, too.

—In my conversations on the Hill, which have covered representative House and Senate members and staff, there is sympathy for the Jewish claims (on the House side a word from Rabbi Miller might well carry the day; the Senate is less clear), a willingness to look at a broader approach, but a sense as well that any “package” would have to make a bow to the spirit of Jackson-Vanik.

—The conversations I have had with the East German leadership, and the counterparts designated to meet with me on the same “personal, non-binding, etc.” basis, reveal an absolute unwillingness to assign any value to that part of our differentiation policy that says improved performance will be followed by unspecified rewards. As you have heard me say in other meetings, their reaction is much the same as a used-car-lot customer asked to pay \$5,000 first, only then to learn which car on the lot has been purchased. As you also have heard me say before, I make no case for the attractiveness of the GDR regime, but I find it difficult not at least to nod when they ask, what are, in fact, the “rewards.” This proposal puts the rewards on the table along with the elements of “improved performance.”

—Additionally, lacking much positive experience dealing with each other, the various elements of the proposal are listed so that each party can protect its interests after signature.

The Decision to be Made

I believe we have reached the point at which State must decide whether—

—it wishes to move ahead, changing the character of the effort from personal at least to “State”;

—if the proposal enjoys State support, how should we proceed to present it formally to other agencies? I know that STR has reservations, and all others who have helped out have been promised a crack at saying yes or no to the total package once it was put together, as it now has been.

Other Elements

—“*Differentiation*” policy: There are those who believe the proposal is inconsistent with NSDD.54.³ I believe it is entirely consistent with overall policies towards Eastern Europe. The GDR would not move ahead of Hungary and Romania, who have full MFN. (MFN is more than tariff relief on selected items. We have told the GDR that MFN is out of the question. I for one cannot imagine testifying in favor of it while the Wall still stands.) As a matter of philosophical interest, I have in any case been assured by the responsible NSC staff members that NSDD.54 did not purport to fix a particular constellation of relationships among the Pact countries. This view apparently is now shared by everyone.

—Rabbi Miller and the CJMC spokesmen believe the proposal will not be opposed by the major American Jewish organizations. Rabbi Miller believes the Conference on Soviet Jewry will not be interested;

³ See Document 18.

the American Jewish Committee is pleased with recent developments concerning the very small Jewish community in East Germany. There will be those, however, who will oppose, as they have before, any CJMC settlement with East Germany as being “blood money.” Others will oppose the administration of the claims payment by the CJMC. The problem here will be to get an accurate measure of opinion without undercutting Rabbi Miller and without getting caught up in arguments about how the money is spent.

Conclusion

—I believe the proposal we have identified is do-able;

—I believe there is a substantial body of positively inclined interest across Washington and up and down the avenue for it, though that interest naturally could increase or diminish as specific terms emerge;

—I believe the East Germans are prepared to negotiate the elements of the package seriously with us and with the Jewish claims group.

—I believe there also will be opposition to the proposal. I think it can be made manageable, but it cannot be ignored.

277. Telegram From the Embassy in the German Democratic Republic to the Department of State¹

East Berlin, December 6, 1984, 1009Z

3873. Subject: Probable “Asylum” Incident Report.

1. C—Entire text.

2. At approximately 2320 hours December 5, 1984, Marine security guard discovered a young man on an outside second floor window ledge of the Chancery building. The man was trying to gain entry, presumably in an effort to gain permission to emigrate from the GDR. Duty officer and RSO proceeded to the scene, but arrived only after GDR police and fire personnel had deployed with ladder and rescue net.

3. Before Embassy officers could engage in any meaningful conversation to ascertain the individual’s identity and confirm his intentions, a fireman forced the man off the ledge. He was immediately taken away, unhurt, by police at about 10 minutes after midnight.

¹ Source: Reagan Library, Executive Secretariat, NSC Cable File, Europe (State) NODIS IN (12/01/1984–03/02/1985). Confidential; Immediate; Nodis.

4. Consul General is informing FRG Permanent Mission of the incident as soon as he can be received.
5. RSO is also reporting details in SY channel.
6. Department may wish to repeat to Embassy Bonn and US Mission US Berlin.

Wilkinson

278. Memorandum Prepared in the Central Intelligence Agency¹

EUR84-10245

Washington, December 11, 1984

Challenges to the Western Position In and Around Berlin

During the last year, the Soviets and East Germans have taken a series of actions in and around Berlin that impinge adversely on the allied position by further eroding Western rights under Four Power agreements.² In the last three days, however, they have taken steps apparently designed to defuse Western protests over these actions and avoid the appearance of an East-West confrontation over Berlin. This new demonstration of flexibility may have been timed to influence Allied discussions of Berlin issues at the NATO ministerial meeting this week. It may also reflect increasing Soviet interest in smoothing over secondary disputes with the United States in anticipation of your meeting with Foreign Minister Gromyko next month.³

The actions taken this year involve narrow technical matters and have antecedents in earlier disputes, but, taken collectively, they could be interpreted as an effort to demonstrate Western vulnerability in Berlin at a time of heightened East-West tension:

—On 20 February, the Soviets launched their most serious challenge to quadripartite management of the air corridors in recent years by unilaterally announcing that henceforth all Soviet temporary reservations of airspace in the corridors would cover the entire length of

¹Source: Central Intelligence Agency, Office of Support Services (DI), Job 85T00287R: Production Case Files, Folder: Challenges to the Western Position in and around Berlin. [classification marking and handling restriction not declassified]. An attached memorandum for the record, dated December 18, indicates that it was cabled to Shultz, who was in the United Kingdom, on December 11. (Ibid.)

²See footnote 3, Document 32.

³Shultz met with Gromyko in Geneva January 7-8, 1985. See *Foreign Relations*, 1981-1988, vol. IV, Soviet Union, January 1983-March 1985, Documents 355-363.

the corridors. Previously, they had requested reservations for only part of the corridors. Although the new restrictions have not reduced the number of Allied air flights to Berlin, they have, in the view of Allied authorities, created a safety hazard.

—On 16 May, the Soviet military command in East Germany informed the Allied military liaison missions of new restrictions on their travel in East Germany, [*less than 3 lines not declassified*].

—On 15 November, the East Germans closed the Glienicker Bridge, the military liaison missions' primary transit point between West Berlin and their headquarters in Potsdam. Although reopened on the same day, the East Germans indicated that the bridge could be closed again if the West Berlin Senat does not agree to its terms for financing repairs to and maintenance of the bridge.

As a result of the Soviet and East German actions this week, some progress has been made on two of these issues. The Soviets notified a reservation for less than the full length of the corridors, only the second partial reservation since 20 February. On Monday,⁴ the Soviets indicated to Allied officials in West Berlin that "most" of their future airspace reservations would be for less than the full length of the corridors. In addition, the East Germans and the West Berlin Senat reached an agreement on the Glienicker Bridge in which the East Germans backed away from their earlier demand that West Berlin pay for future maintenance of the bridge. We do not believe the East Germans had an interest in coming to a quick agreement to keep the bridge open, and their retreat may have been at the behest of the Soviets.

Despite these signs of Soviet flexibility, Moscow clearly has no intention of returning voluntarily to quadripartite management of the air corridors. The Soviets still are asserting the right to make unilateral adjustments in the Berlin air corridor regime, contrary to the Allied position that management of the corridors is a four-power responsibility.

We believe that Soviet frustration with the failure of their efforts to block INF deployments contributed to this year's troubling actions on Berlin issues. The air corridors and travel actions taken this year have an inherent military rationale suggesting that recommendations by Soviet military commanders in East Germany—whose military requirements now differ considerably from those which existed at the time the access understandings were established—have weighed heavily in Kremlin deliberations. For example, Soviet political authorities may have approved such recommendations as a convenient way to signal to the West the costs of increased East-West tensions. The degree of Soviet and East German harassment to date almost certainly will not

⁴December 10.

itself endanger the Western presence in Berlin; Western access has been inconvenienced but not reduced or explicitly threatened.

Nonetheless, the Western position in and around Berlin is not as good today as it was a year ago. The problem is essentially one of an incipient erosion of access rights stemming from incremental steps by the Soviets and East Germans to change established practices. Whenever opportunities arise, the Soviets probably will continue to seek changes in the status quo, including Western acquiescence in their interpretation of the rules governing access to Berlin. They and the East Germans also will act to frustrate any improvement in the Western position or efforts to strengthen political ties between West Germany and West Berlin.

The West faces a difficult task in responding to Soviet East German encroachments. The three Western powers sometimes are not in agreement on how to respond. Moreover, there would be little West European public sympathy for any Allied effort to escalate issues which could be perceived as minor—such as length of corridor reservations—into a major East-West confrontation.

The prospects for a settlement that restores full quadripartite management of the air corridors may increase if an East-West thaw leads Soviet authorities to decide the Berlin issue is not worth the potential damage to improved relations or if the West escalates its response to unilateral actions beyond verbal protests and presents the Soviets with new risks.

In evaluating threats to the Western position in Berlin, the West Germans sometimes present political and juridical problems for the Allies. The West Germans do not accept the Allied view that West Berlin is not legally a part of West Germany. Other activities by the West Germans, including their active pursuit of intra-German relations, sometimes have impinged negatively on status questions involving the Allies.

More serious Soviet challenges to the West in and around Berlin cannot be ruled out. The Kohl government's moves to increase the Federal Republic's ties to West Berlin are sharply attacked by Soviet propaganda and carry the risk of provoking a Soviet retaliation. At the moment, West Germany is a special target for Soviet hostility. A perceived Allied failure to contain assertive West German behavior could provide Moscow the pretext for further changes in the status quo in Berlin. Moreover, in the event that East-West relations do not develop favorably from Moscow's point of view or that US actions are perceived in Moscow as dangerous to important Soviet interests in regions less accessible to Soviet military power, Moscow might be tempted to exploit its inherent leverage over Western access to Berlin in more direct and threatening ways.

[1 line not declassified]

279. Telegram From the Embassy in Czechoslovakia to the Department of State¹

Prague, January 9, 1985, 1520Z

145. Subject: GDR Refugees in FRG Embassy, Prague: Nearly All Have Left.

1. C—Entire text.

2. The FRG Government this week has reduced the number of GDR refugees in their Embassy to about six hard core cases. Ambassador Ekkehard Eickhoff, who is usually assigned to CSCE matters in Bonn, has been visiting Prague for the past week along with a West German diplomat from Berlin (who has served as liaison with Vogel) to try to persuade the refugees to return to the GDR. When they arrived last week there were still over 40 refugees.

3. The conditions worked out with the GDR have evolved slowly and through extended negotiations. They now are that:

—Each returnee will be free from persecution and will be “reincorporated” back into his job and living situation without prejudice;

—Each returnee can apply immediately for emigration and his/her case will be handled expeditiously. Eickhoff then said (strictly protect) on a close (#) chance to emigrate. The GDR has refused, however, to give specific assurances to individuals as it used to do. This element is obviously extremely sensitive. If it should become public the flow of refugees to the FRG Embassy here would start all over again. Eickhoff, in fact, believes that several of the refugees will not be given permission to emigrate and others may have to wait a long time.

4. Eickhoff also believes, however, that the GDR has been forthcoming on several difficult cases. For example, one returnee, a lieutenant in the GDR secret police, will be allowed to return, will not be persecuted, and may well be allowed to emigrate. He will not be taken back into the secret police, however. Eickhoff also said that many individuals who fled did so because they had high debts—one of the hard core cases remaining is simply fleeing his many creditors. The refugees will not be put in jail on return for nonpayment of debts or even for other crimes, such as desertion from the armed forces. Eickhoff said most of the recent cases have been relatively young Germans, in their 20’s and 30’s. Many of them, particularly the last ones to leave, are a sorry lot with criminal records or worse who were not fleeing for

¹ Source: Reagan Library, Executive Secretariat, NSC Cable File, Europe (State) NODIS IN (12/01/1984–03/02/1985). Confidential; Priority; Nodis.

political reasons. The FRG Embassy is particularly suspicious of three of the remaining six and considers they may well be GDR police plants.

5. A complication arose involving the U.S. Embassy in a separate conversation between one of our consular officers and the German Embassy Charge, Siemes, who said that several of the refugees will be returning to the GDR with a story that they were able to leave the FRG Embassy and move around in Prague for several hours by sneaking out through a common fence with the U.S. Embassy back garden which gave them access to our garden and then the public garden. The East Germans allege that they accomplished these clandestine exits and returns with the assistance of the U.S. Marine security guards. I have personally assured Siemes, after checking with every Marine, that the allegation is completely unfounded. There are holes in the long common fence which some Germans may have used, but we have neither observed nor assisted in such activity. Moreover, our security people here have been working with the FRG Embassy to repair the fence.

6. As this difficult problem here reaches the end of another chapter, FRG Ambassador Meyer is in Bonn for several weeks, on a long over-due leave that Genscher finally granted him now that the problem has been nearly resolved in his Embassy. The strain on Meyer and his Embassy staff has been severe. Moreover, the differences within the FRG Government on how to handle the problem and the heavy press attention to it added significantly to the stress. Eickhoff told me that there is now a sense in Bonn that there is a need for a tougher approach to this refugee issue. He mentioned that some are talking about the need for stationing the equivalent of our "young strong Marines" in their Embassies in this part of the world. I made clear to Eickhoff that I believed Meyer had done an excellent job in carrying out his Foreign Minister's policy and that he has worked closely and effectively with us during this period.

7. Comment: Even though the FRG Embassy here has followed a policy which we obviously have found unsound and certainly inconsistent with our view of the way to manage refugees or asylees, Meyer was clearly following a policy that came directly from Foreign Minister Genscher. That Genscher's policy on German refugees was not shared by others in the FRG was apparent. In any case, there appears to be a move to tighten up procedures and policies in a way that will not in the future leave the FRG Embassy so exposed, crowded, and distracted as it has been over the past year with the hundreds of temporary occupants. The access to the FRG Embassy now is closely controlled. The experience of living side by side with the refugees, many of whom were common criminals and misfits, has been educational for Bonn and apparently Genscher.

8. Department please pass to Embassy Bonn and Berlin.

Luers

280. Action Memorandum From the Assistant Secretary of State for European and Canadian Affairs (Burt) to Secretary of State Shultz¹

Washington, March 8, 1985

SUBJECT

Policy Toward the GDR

ISSUE FOR DECISION

How to proceed with the GDR concerning Ambassador Ridgway's exploration of a settlement of US and Jewish claims, concerns on human rights, and limited trade concessions.

ESSENTIAL FACTORS

For some time, you have had before you a memo on the crucial next step in our dialogue with the GDR.² EUR and EB recommended moving forward with the package which Ambassador Ridgway has been informally exploring with the GDR to settle US end Jewish claims and give the East Germans limited trade concessions short of full MFN. HA and S/P were opposed. Ed Derwinski raised various concerns regarding US interests he thought should be satisfied in any deal with the GDR involving even limited MFN if we decide to proceed.

As you requested, Ambassador Ridgway has met again with me, with Ed, and with others to refine our options and to see if we could come up with an amended recommendation which would (a) preserve the benefits the US has received in overall relations with the GDR because we had this package as a framework for discussions of a wider nature; and (b) reflect a greater degree of consensus at the Bureau level and on the seventh floor.

To some extent, concern remains about two aspects of the problem. All Bureaus are agreed that any deal with the GDR would have to be carefully vetted to insure that, in addition to serving significant US interests, it would be (a) respectful of the concerns on human rights and emigration symbolized by Jackson-Vanik; and (b) compatible with our policy of differentiation. In addition, as indicated below, S/P remains

¹ Source: Reagan Library, George Shultz Papers, Official Memoranda (03/08/1985) (3). Confidential; Sensitive. Shultz's initials are stamped in the upper right-hand corner of the first page of the memorandum. Quinn initialed and wrote "3/9" in the left-hand corner of the memorandum. An unknown hand wrote "see note p. 3" at the top of the memorandum.

² Not attached. See Document 276.

concerned about the relationship between our policy toward the GDR and our wider policy toward "Germany" as a whole.

However, all Bureaus agree that measuring our specific interests in these areas should be deferred until a proposal has been more fully elaborated. In essence, they believe the best course of action now is to preserve our freedom of maneuver by continuing to develop the proposal on a more official level, but avoid commitment at this point on the specific elements of a possible agreement.

All Bureaus are therefore prepared to support the course of action outlined below. Ed Derwinski concurs as well, believing that this course preserves our options for now with regard to the Jackson-Vanik/emigration component of any deal.

The course of action recommended is to:

a. Call Rabbi Miller and tell him that

—after a careful review, we are prepared to take the next steps to develop a formal proposal for the simultaneous resolution of our claims, the Jewish claims, US concerns on emigration, and our interest in mutual trade liberalization, and will be so advising the GDR.

—for statutory reasons, the trade aspects of the proposal belong with STR, and you have asked EUR and EB to work with STR on how to proceed.

b. Authorize Ambassador Ridgway to tell the GDR that:

—we have reviewed the results of her informal exploration of the possibilities for simultaneous resolution of US and Jewish claims, US concerns on emigration, and the GDR's concerns on trade;

—we are interested in the concept; and

—without commitment at this point on the specific elements of a formal proposal, we are prepared to move the discussion to the official level.

—having done so, there will necessarily be a pause as the appropriate offices of our government take up the question, as we assume will also be the case on the GDR side.

c. Call Bill Brock to tell him where we have come out on this and that EB will be in touch with his staff on how to proceed within the Trade Policy Committee framework.

d. Call Mac Baldrige to tell him how we have come out and express our desire to have State and Commerce stay in close touch.

The alternative we see is to:

—tell Rabbi Miller that, as a matter of principle, we cannot continue to pursue our claims in tandem with his, though we will continue to advise the GDR of our support for the CJMC claims. We would of course have no objection if the CJMC continues its efforts alone; if these

are successful, we would not oppose legislation initiated by the CJMC and the Hill, though we could not support it.

—tell the GDR that we do not believe the concept identified in Ambassador Ridgway's informal discussion serves our interests, and we do not wish to proceed; that nevertheless, we value the expanded dialogue with the GDR and, even as we return to the *status quo ante* on claims and trade, we hope that dialogue will continue independent of the decisions taken on this particular proposal.

The first course is supported by C, EUR, EB, and H. L does not wish to take a policy position, but sees no legal objections to working out a proposal along these lines.

S/P also can support this approach, understanding that the task ahead is to define the specific elements of a US negotiating position and that no formal linkage is implied between trade benefits obtained by the GDR and East German obligations to pay US and Jewish claims. S/P further notes that it will be necessary in the future to judge the compatibility of any US-GDR claims/trade agreement with US differentiation policy toward Eastern Europe and US interests in Germany and the German question. In that connection, S/P wishes to attach a recent INR analysis (Tab 2)³ indicating FRG concern over increased Western ties with the GDR at a time of inner-German stalemate.

HA is also willing to support this approach. HA believes it is important to use these contacts to press our human rights concerns, and believes we must handle with extreme care the issue of granting trade benefits without GDR compliance with the Jackson Amendment. HA will work closely with EUR and the Embassy as the negotiations unfold in an effort to maximize our human rights gains and minimize the potential complications regarding any apparent weakening of the Jackson Amendment.

Attached for reference is Ambassador Ridgway's memo outlining the results of her informal discussions with the GDR.

RECOMMENDATION

That you proceed with the first course of action outlined above.⁴

³ Not attached.

⁴ The "Disapprove" option was checked. An unknown hand wrote on the line, "EUR requested to draft letter as alternative and GPS will consider recommended course of action." For the letter, see Document 281.

281. Letter From Secretary of State Shultz to Rabbi Israel Miller¹

Washington, March 16, 1985

Dear Rabbi Miller:

As you know, I share your view that settlement of the claims of Jewish victims of the Nazi Holocaust is a moral responsibility of the German Democratic Republic. We have consistently advised the GDR that we support your efforts to negotiate a resolution of these claims.

I would like to continue working with you to resolve these claims in tandem with the claims of US nationals against the GDR. After a careful review, we are prepared to take the next steps to develop a formal proposal for the simultaneous resolution of both sets of claims, US concerns on emigration from the GDR, and our interest in mutual trade liberalization. Ambassador Ridgway will be so advising the East Germans.

Now that this discussion has been moved to the official level, I anticipate a certain pause as we consider further how to assure ourselves that it addresses the concerns expressed by the Jackson-Vanik Amendment on trade. As I mentioned in our meeting in September, we will want to work closely with you to insure that the proposal has the support of Congress and the public.

For statutory reasons, the trade aspects of this proposal will be dealt with by the US Special Trade Representative. I have asked the Bureaus of European Affairs and Economic and Business Affairs to work with STR and the Department of Commerce on how to proceed.

With best regards,

Sincerely,

George P. Shultz²

¹ Source: Department of State, Executive Secretariat, Sensitive and Super Sensitive Documents, 1984–1989, Lot 92 D 52, ES Sensitive March 7–15, 1985. No classification marking. An unknown hand wrote in the top right-hand corner, “3/16 Sent by S/S.” Niles sent a copy of the proposed letter to Shultz under an undated action memorandum recommending that Shultz sign the letter and approve for transmission an instruction cable to Ridgway. Shultz approved the recommendation and wrote “pls keep NSC informed.” (Ibid.) For the cable as sent, see Document 282. Rabbi Miller was President of the Conference on Jewish Material Claims Against Germany.

² Shultz signed “George” above his typed signature.

282. Telegram From the Department of State to the Embassy in the German Democratic Republic¹

Washington, March 16, 1985, 2310Z

80884. Subject: US Policy Toward the GDR.

1. The Secretary has approved the course of action recommended in decision memo of March 8 on US policy toward the GDR.² Accordingly, Ambassador is requested to inform appropriate GDR authorities that:

a. We have reviewed the results of Ambassador's informal and nonbinding exploration of the possibilities for a simultaneous resolution of official US claims and Jewish claims from World War II, US concerns on emigration, and the GDR's concerns on trade.

b. As a concept for resolving these important issues, we are interested in this approach.

c. Without commitment at this point on the specific elements of a formal proposal, we are prepared to move the discussion from the personal to the official level.

d. Having done this, there will necessarily be a pause as the appropriate offices of our government take up the question. We assume this will also be the case on the GDR side.

2. FYI: The Secretary is writing to Rabbi Israel Miller³ of the Conference on Jewish Material Claims (CJMC), the Secretary of Commerce, and the US Special Trade Representative advising them of this decision.⁴

Shultz

¹ Source: Department of State, Central Foreign Policy File, D850182–0109. Confidential; Priority; Exdis. Sent Priority for information to Bonn and West Berlin. Drafted by Keith McCormick (EUR/CE); cleared by Jeffrey Gallup (EUR/CE), Carol Thompson (S), Kornblum, Niles, Bruce Strathearn (S/S–O), Michelle Bova (S/S), Courtney, John Kimball (C), David Miller (EB/EWT), and Philip Kaplan (S/P); approved by Shultz.

² See Document 280.

³ See Document 281.

⁴ Not found.

**283. Memorandum From the Executive Secretary of the
Department of State (Platt) to the President's
Assistant for National Security Affairs (McFarlane)¹**

Washington, May 2, 1985

SUBJECT

Policy Toward the GDR

Since his meeting with Foreign Minister Fischer in September 1984,² the Secretary has been considering new tactics in relations with East Germany. The GDR wants dialogue and trade. We need a settlement of the claims of US nationals (\$79 million plus interest); humanitarian emigration cases; and the claims of Jewish victims of the Nazi era (whom the GDR, unlike the FRG, has never compensated). Both sets of issues have been with us since we recognized the GDR in 1974. Informal explorations in Berlin suggest the GDR may now be interested in an agreement to resolve them simultaneously.

Because of the 1974 Trade Act, we continue to oppose most-favored-nation trading status for the GDR. However, after a careful review, the Secretary has concluded that we should consider a more limited reduction of tariffs in return for a settlement of the three US concerns described above. The proposal we are currently exploring would involve a five-year period of lowered tariffs on a selected list of GDR exports, keyed to the level and payout period for our claims. An annual review would guarantee continued compliance by both sides with the terms of the agreement.

Ambassador Ridgway has informed the GDR that we are prepared to discuss such an agreement on an official basis. This will be without commitment at this point, particularly on the question of how high our price should be on emigration. We will be working with Commerce and STR to assess the trade component of such an agreement.

We may in the end conclude that such an agreement does not serve our interests. The Secretary would not recommend proposing enabling legislation on the Hill unless the votes to pass it had been counted and were certain. Even if we ultimately decide not to conclude such an agreement, however, discussion of it as a practical possibility has helped us open a useful dialogue with the Soviets' most important ally.

Nicholas Platt

¹Source: Reagan Library, Paula J. Dobriansky Files, Chron, May 1985 (1). Confidential. Dobriansky sent a copy to McFarlane under a May 3 cover memorandum. (Ibid.)

²See Document 274.

284. Information Memorandum From the Chairman of the Policy Planning Staff (Solomon) to Secretary of State Shultz¹

Washington, May 27, 1986

SUBJECT

The Soviets and Berlin

SUMMARY: The Soviets are behind the current crisis in Berlin, and we need to show Gorbachev that we intend to defend our rights in the city. We should: (1) stand firm in refusing to comply with East German demands in Berlin; (2) join with the British and French in raising our concerns about East German behavior at the Soviet Foreign Ministry in Moscow; (3) work for NATO unity and a strong statement on Berlin in the Halifax communique; and (4) see to it that Berlin is placed high on the agenda of U.S.-Soviet bilateral issues. *END SUMMARY.*

The Issues at Stake

It would be a mistake to downplay the latest East German efforts to cause problems for Western diplomats at the Berlin Wall. The issue is far from inconsequential. The East Germans may not push the matter to the point of crisis, and they may even show a willingness to compromise on details.² They will almost certainly seek to explain away their actions as a positive response to our request for a crackdown on potential terrorists crossing from East to West Berlin.

All this is beside the point. Behind the East German move is the unmistakable hand of the Soviets. Moscow is certainly aware of and approved in advance East German plans to institute new controls for diplomats travelling between East and West Berlin.

One can be less certain why at this juncture the Soviets would acquiesce in the creation of new difficulties with the West over Berlin. We can assume the Soviets want no major crisis. We also can assume that the Soviets and East Germans would like some kind of small revenge for our having pointed out that the La Belle disco bombers came from East Berlin without the Soviets and East Germans having done enough to stop them.³ Locally, the Soviets may be glad to see a worsening of relations between East and West Germany at a time when

¹ Source: Reagan Library, Peter Sommer Files, Berlin 1986 (1). Secret; Sensitive. Drafted by Van Oudenaren; cleared by Ledsky. Solomon wrote "Dick" next to his name in the "From" line on the first page of the memorandum.

² An unknown hand underlined "show a willingness to compromise on details" and wrote in the adjacent margin "already have."

³ La Belle disco in West Berlin was bombed on April 5 by Libyan terrorists.

they are trying to “punish” the Kohl government for signing an SDI agreement⁴ and for its overall support of U.S. policy.

In addition, Gorbachev may see trouble in Berlin as a way of proving his mettle and underlining Soviet power at a time when Soviet prestige has suffered setbacks. By having the East Germans underline our vulnerability in Berlin, Gorbachev could be trying to get even for the slights he felt he suffered at our hands over Libya and more recently the Chernobyl incident. It is worth noting that Gorbachev came of age politically under Khrushchev, an impetuous leader who repeatedly used tensions over Berlin to make the West take Soviet power seriously and to underline Soviet demands for “equal” treatment by the United States.⁵ Consciously or unconsciously, Gorbachev may be mimicking Khrushchev in allowing tensions to escalate in Berlin.⁶

Our Response

In responding to the latest developments, we need to be firm in upholding our rights in Berlin. Soviet vital interests are not engaged in this issue, and the Soviets have not yet fully committed their prestige to backing the East Germans. There is some chance, then, that we can get the Soviets to reverse themselves and to pressure the East Germans to cancel the new regulations.

To encourage Gorbachev to rethink his position on Berlin, we should adopt the following general policies:

(1) We should stand firm in resisting East German pressures in Berlin for as long as possible, even if it means considerable inconvenience for our personnel in both parts of the city.⁷

(2) We should join with the French and British in raising with the Soviet Foreign Ministry in Moscow our concerns about the East German actions.⁸ We have already protested to the Soviet embassy in Berlin, but we need a demarche in Moscow⁹ to impress our concerns upon Gorbachev.

⁴ Telegram 10108 from Bonn, April 26, described German reactions to the signing of an agreement on research for the Strategic Defense Initiative. (Department of State, Central Foreign Policy File, D860248–0216) Telegram 12367 from Bonn, April 18, reported on the controversial Bundestag debate in which German participation in SDI research was discussed. (Department of State, Central Foreign Policy File, D860297–0265)

⁵ An unknown hand drew a line in the margin adjacent to this sentence and wrote “??”

⁶ An unknown hand drew a line in the margin adjacent to this sentence and wrote “?”

⁷ An unknown hand drew a checkmark in the right-hand margin adjacent to this sentence.

⁸ An unknown hand drew a checkmark in the right-hand margin adjacent to this sentence.

⁹ See Document 285.

(3) We should strive for NATO unity and if possible a reaffirmation of our policy on free movement in Berlin in the Halifax communique.¹⁰ Achieving unity will not be easy. Different NATO countries will be affected differently by the new regulations. Some may not attach much priority to Berlin. But we should strive for a joint statement as a way of signalling the Soviets and committing our Allies to a consistent policy in the coming weeks.

It is particularly important for us to obtain West German support. Kohl and Genscher will be tempted to downplay the Berlin events to protect themselves from opposition charges that they have mishandled relations with the Soviets and East Germans. If necessary, we should demand West German support by reminding them of the symbolic importance we attach to Berlin, and stressing that American public opinion and the Congress would not understand if West Germany failed to support us in defending our rights in Berlin—rights which are being called into question by a chain of events that began with a Libyan attack against U.S. soldiers on German soil.

(4) We should keep the issue of Berlin at the forefront of¹¹ U.S.-Soviet relations. Gorbachev is a new leader who does not have Brezhnev's political and psychological investment in the 1971 Quadripartite Agreement, and who may believe that he can whittle away our position in Berlin without paying costs in U.S.-Soviet relations. By placing Berlin on the agenda of our next high-level meeting with the Soviets, we will disabuse him of this notion and lay the basis for better relations in the future.

¹⁰ A unknown hand wrote "Did" in the right-hand margin adjacent to this sentence. The text of the Halifax communiqué is in the Department of State *Bulletin*, August 1986, pp. 53–54.

¹¹ An unknown hand underlined "issue of Berlin at the forefront of" and wrote "?" in the adjacent margin.

285. Telegram From Secretary of State Shultz to Multiple Posts¹

Nova Scotia, May 29, 1986, 0430Z

Secto 10009. Subject: GDR Controls at Berlin Sector-Sector Crossing Points.

1. On May 28 Foreign Ministers of the US, UK and France with FRG concurrence agreed that the U.S. Ambassador to Bonn should make an allied demarche to the Soviet Ambassador on May 29 at their scheduled lunch in West Berlin. The allies agreed that U.S. Ambassador, as chairman for the allies, make the following points to the Soviet Ambassador and leave them with him in the form of a non-paper.

2. Begin points:

—On behalf of the three allied Foreign Ministers, I am instructed to convey the following:

—On the basis of Quadripartite rights as reflected in wartime and postwar agreements and decisions, and reaffirmed in the Quadripartite Agreement, the four powers are responsible for the status of Berlin.

—The East Germans have recently made attempts to alter the situation regarding free circulation of persons in Berlin. The East Germans have no competence in this area. Attempts by East German officials to control the movement of persons between the Soviet and Western sectors of Berlin are a grave violation of Berlin's status.

—New restrictions would constitute a unilateral change in the situation which has developed, in direct contravention of the Quadripartite Agreement, with very serious implications.

—The allies have never accepted any limitations on the freedom of movement within Berlin. We wish to emphasize that this is more than a question of free movement of the allies in Berlin. It concerns the principle of freedom of circulation—which is fundamental to Berlin's status.

—We call upon the Soviet authorities to ensure that the procedures concerning free circulation of persons in Berlin in effect prior to May 26, 1986, continue in force and not be changed unilaterally.

End points.

3. Ministers of the UK, US, and France with the FRG concurring agreed to the following press statement on the issue of free circulation

¹ Source: Reagan Library, Paula J. Dobriansky Files, Germany, Democratic Republic of (6). Confidential. Sent Niact Immediate to the Department of State, West Berlin, and Bonn. Sent Immediate to London and East Berlin. Sent Priority to Moscow, Paris, and the mission to NATO. Shultz was in Halifax May 29–30 for the NATO Ministerial Meeting.

in Berlin, which was issued in Halifax following the Ministers' meeting on May 28. Begin statement:

The Foreign Ministers of France, the Federal Republic of Germany, the United Kingdom, and the United States considered the current situation in Berlin, including the recently announced measures purporting to affect freedom of movement in the city. The Ministers of the three governments with special responsibility for Berlin will make strong representations to the Soviet Union in the context of Quadripartite responsibility for the status of Berlin. They will keep the situation in the city closely under review.

End statement.

4. Action requested of London, USBer, Berlin and Bonn: David Dain, Head of Central European Department of British FCO requests that posts pass copies of this message respectively to FCO London, BMG Berlin, UK Embassy to the GDR, and UK Embassy in Bonn.

Shultz

286. Memorandum From Stephen Sestanovich of the National Security Council Staff to the President's Assistant for National Security Affairs (Poindexter)¹

Washington, July 24, 1986

SUBJECT

"Berlin without Barriers"—US Initiative

The attached paper proposes a Western initiative on Berlin. Timed (if possible) to the forthcoming 25th anniversary of the Wall, it sets out a 4-part plan for removal of barriers in the city by 1991. I believe this would serve some important US objectives. It adds an attractive non-arms control component to our pre-summit diplomacy, and also demonstrates that the US is interested and relevant to problems of inter-German relations (an issue that will help Kohl in seeking re-election).

¹ Source: Reagan Library, Stephen Sestanovich Files, [Germany]: Berlin: 08/01/86–08/12/86. Secret. Sent for action.

The Allies obviously have to be on board to make this worth proposing, but the first obstacle it faces may be the State Department. I am told EUR has done a proposal of its own,² a much narrower idea limited to improving the air-corridor regime (and likely to have much less impact). Their response to an NSC initiative might thus be a strong "not-invented-here."

For this reason, the best approach to State may be by passing the concept paper to the Secretary. In addition, I think it's likely that Rick Burt will raise the EUR initiative with the Vice President during his day in Bonn, so I'd like to familiarize Don Gregg with our ideas before he leaves. Ideally, the VP might get Burt interested in this broader approach; at a minimum, he would be prepared to react skeptically to EUR's too-narrow concept.

August 13 has some advantages as the unveiling date. If we can get internal USG agreement on the approach, there is still (barely) time for Allied consultations. Failing this, the Quad anniversary (Sept. 3) may be more realistic. In either case, we need to move ahead and get State's views.

Rodman, Matlock, Cobb, Sommer and Dobriansky concur.³

Recommendations

That you pass Shultz the attached paper as soon as possible.⁴

That you approve passing/briefing it to the VP's staff.⁵

Attachment

Paper Prepared in the National Security Council⁶

Washington, July 24, 1986

"Berlin Without Barriers:" Concept Paper

I. Basic objectives.

To strengthen public awareness that Europe's division is a vital unresolved security issue, to bolster the legitimacy of the West's presence in Berlin, and to gain more influence over inter-German relations.

² The paper, entitled "Berlin Initiative: Concept Paper," is *ibid*.

³ Sestanovich initialed concurrence for all of these NSC staffers.

⁴ Poindexter initialed the "Approve" option.

⁵ Poindexter initialed the "Approve" option.

⁶ Secret.

II. Background.

The 25th anniversary of the Berlin Wall (August 13) and the 15th anniversary of the Quadripartite Agreement (September 3) call for official observance. Although there is interagency agreement on the need for a Presidential statement on the Wall, this would lack the impact of *an initiative proposing a real change in Berlin's situation*. The time is also ripe for a broad initiative to counter the spreading German view that the Allied role in Berlin is outdated. Such sentiments will probably gain strength as next year's 750th anniversary of the city draws nearer. Kohl hopes to use the celebrations to political advantage and is interested in a Four-Power Berlin meeting to mark the occasion.

To serve US interests in this setting, any initiative should:

- *Protect Four-Power rights*, while also recognizing that a greater German role in settling Berlin issues is required than in the past, both to get Bonn's backing and to interest the GDR;
- *Show that the Four-Power framework is relevant* to today's German concerns, especially by exploiting West German (including SPD) interest in closer inter-German contacts, and in measures that ease conditions of life in the East;
- *Reject post-war divisions (Berlin, Germany, Europe)* and make clear that these are unfinished business to which the West must keep returning.

Gorbachev's calls for "new thinking" on security issues can be our starting point. We have long feared that the Soviets can use Berlin to pressure us. A good initiative can pressure *them*.

III. Outline of Initiative.

The President could propose adoption of a four-part plan to radically improve Berlin's situation by 1991:

- *First*, agreement on immediate *resumption of Four-Power talks on Berlin*, to carry forward the objectives of the QA.⁷ To ease German feelings that this excludes them, the FRG and GDR might be asked to host the meetings. We should also consider a more formal role for them, perhaps as co-chairmen of a consultative mechanism that would monitor—but *not negotiate*—the course of the Four-Power talks and share in implementing agreements.
- *Second*, the talks would address proposals to *reduce* (not, at the outset, eliminate) *specific restrictions on contacts between the two halves of the city*. This part of the agenda might include: more transit points, inter-sector labor hiring, open waterways, cooperative social services, cross-sector (including religious

⁷ An unknown hand inserted "on" between "agreement" and "immediate."

and vocational) schooling etc. The Powers would aim to reach agreement on at least some of the issues within the first year—i.e., before next summer's anniversary events. They would also set further (more ambitious) milestones at annual intervals.

- *Third*, the talks would also seek *agreement on measures that affect the city's relation to the outside*, including to the rest of Germany. These could include, e.g., the air-corridor regime, presence of FRG ministries in West Berlin, removal of Berlin industrial-production constraints, even the current rapid influx of immigrants, etc. As with inter-sector issues, we would aim at some tangible results by next summer. In preparing the agenda, the two toughest issues will be whether to accept as an inducement to the East any discussion of 1) the GDR's claim that East Berlin is its capital, and 2) the Four-Power military presence in Berlin.
- *Fourth*, the Powers would commit themselves to reach within 5 years the goal of a "*Berlin without barriers*" between sectors (more neutral phrasing than "tear down the wall").

IV. Pro's.

The advantages of such a programmatic proposal are:

- It would make Western statements on the division of Europe *concrete* (instead of—as usual—*airy, vague and indefinite*.) Attention to progress in one city, rather than the whole continent, would demonstrate practicality.
- It would *contribute to a key US objective in the summit*⁸ *run-up*—keeping the focus not only on military issues but on Soviet conduct that creates problems for us and our allies. Gorbachev's recent reiteration of the Brezhnev Doctrine can be an opportunity for us. (We would invoke Weizsaecker: "Experience teaches that it is not disarmament that points the way to peace, but rather that peaceful relations open the door to disarmament.")
- The initiative can achieve *an anti-Soviet purpose without much anti-Soviet rhetoric* (which might seem inconsistent with summit preparations). It can put the Soviets on the spot by joining an ultimate goal that they will want to reject with intermediate measures that seem unarguably reasonable and attractive.
- It *reasserts* our position that the city remains under continuing *Four-Power responsibility*, but answers the SPD theme that we should ignore the wall in hopes of making it "porous." It identifies the real issues on which progress is needed, rather

⁸ Reference is to the Reykjavik Summit, October 11–12.

than the peripheral ones on which the Soviets and GDR have been willing to allow movement since 1971.

V. *Con's.*

The initiative's drawbacks include the following:

- Some would call it *insincere*, designed to be rejected.
- The West Germans might fear it would *harm relations with both the Soviets and the GDR*. Genscher might also hate to spring this proposal after his Moscow trip, amid signs that Gorbachev's policy toward Bonn is warming up.
- We risk a Soviet response that *picks and chooses* among our specific proposals while ignoring the ultimate purpose. SPD circles might see such a response as positive. They might also regard a negative response as proof that the *Four-Power framework can do nothing but perpetuate East-West confrontation*. In this way, German leftists would seek an argument for ending the Western military presence altogether.

Compared to the burden the proposal places on the Soviets, these disadvantages seem manageable. Significant Allied opposition would, of course, make it counterproductive to go forward. Even if the plan were acceptable to Allied governments, Kohl would weigh domestic consequences, and might want to *gain SPD support in advance*.

VI. *Timetable.*

Given the complex history of these issues, very little time remains to prepare an initiative by August 13. We could allow one week at most to gain intra-USG agreement on the concept; one week to sound out the British, French, and Germans; one week to finish the proposal and statement.

This may not be an absolutely impossible schedule, but it is exceptionally tight. If it cannot be met, we should consider whether the President's August 13 statement,⁹ could *foreshadow an initiative to come*. He would gain greater attention for the occasion by saying that the Allies had agreed to formulate an initiative for a city without barriers.

Subsequent dates for presenting the initiative itself include the *Quad anniversary* (which would have the advantage of underscoring the Four-Power framework we wish to preserve) and the President's *UNGA speech* (certainly an appropriate forum and, because closer to the summit, more useful for affecting pre-summit atmosphere and jockeying).

⁹Reference is to Reagan's statement on the 25th anniversary of the Berlin Wall. See *Public Papers: Reagan, 1986*, Book II, pp. 1090–1091.

287. Action Memorandum From the Assistant Secretary of State for European and Canadian Affairs (Ridgway) to Secretary of State Shultz¹

Washington, August 1, 1986

SUBJECT

NSC Concept Paper: "Berlin Without Barriers"

ISSUE FOR DECISION

Whether to authorize the Platt-Poindexter response at Tab A² commenting on the NSC paper proposing a new Berlin initiative.

ESSENTIAL FACTORS

—On July 30 John Poindexter gave you an NSC concept paper (Tab B) on "Berlin Without Borders."³ Poindexter requested the Department's comments.

—The paper proposes the opening of major negotiations on all aspects of Berlin, including wartime and postwar agreements as well as the Quadripartite Agreement.

—The paper is fundamentally flawed since it considers abandonment of long-standing U.S. and Allied policies as a lure to the Soviets and East Germans:

It considers recognition of East Berlin as the capital of the GDR, a position that would undermine the entire Allied presence in Berlin as a whole;

It considers discussing with the Soviets (and presumably the GDR) the Four-Power military presence in the city. The Soviets have no significant military presence in the city but 400,000 troops around it. A proposal based on this concept might be welcomed by the Soviets, but should be rejected by us as addressing none of the U.S. (or Allied) interests.

—The proposal foresees reopening discussion of the QA to improve it. We consider this dangerous in view of the fact that the QA has worked to our complete satisfaction to date.

¹ Source: Reagan Library, George Shultz Papers, Executive Secretariat Sensitive (08/01/1986–08/04/1986). Secret. Drafted on July 31 by George Glass (EUR/CE); cleared by Michael Habib (EUR/CE), Harry Gilmore (EUR/CE), and Ledsky. Glass initialed for Ledsky. Shultz's initials are stamped in the upper right-hand corner of the first page of the memorandum. Pascoe initialed and wrote "8/1" in the left-hand corner of the memorandum and initialed and wrote "8/4" in the right-hand corner of the memorandum.

² Attached but not printed.

³ Attached but not printed. See Document 286.

—The proposal foresees inclusion of East and West Germany in talks on Berlin—a direct violation of the QA itself and, more important, undermining our long-held rejection of any GDR claims to a role.

—Embassy Bonn and US Mission Berlin some weeks ago initiated a review of where we might go with the Berlin air regime. S/P has contributed a proposal and all three are working together with EUR to refine a more narrow and, we believe, a more appropriate initiative within the context of the Quadripartite Agreement.

—We continue to believe the Berlin Wall anniversary should be noted by the President in the statement we have provided earlier (TAB C).⁴

RECOMMENDATION

That you approve the Platt-Poindexter at Tab A.⁵

⁴Not found attached.

⁵Shultz initialed the “Approve” option.

288. Telegram From the Mission in West Berlin to the Department of State and the Embassy in the Federal Republic of Germany¹

West Berlin, August 12, 1986, 1654Z

2555. Subject: The Berlin Wall Turns Twenty-Five (I): The Concrete Has Many Faces.

1. Summary: No event has so deeply marked German and European history during the past twenty-five years as construction of the Berlin Wall on August 13, 1961. The division of Berlin ended one phase of the postwar era and ushered in another. A quarter century later there are signs that the changes wrought by the Wall have finally been digested. Even as the commemorations begin, new hopes and new approaches are beginning to appear which could have an equally important effect on events during the next twenty five years.

¹Source: Reagan Library, Stephen Sestanovich Files, [Germany]: Berlin: 08/01/86–08/12/86. Confidential; Priority. Sent for information to East Berlin, NATO Collective, Eastern European posts, Bern, Helsinki, Stockholm, Vienna, Geneva, Frankfurt, Hamburg, Munich, Stuttgart, Dusseldorf, Pretoria, USCINCEUR Vaihingen, CINCUSAREUR Heidelberg, CINCUSAFE Ramstein, USNMR SHAPE, JCS, and DOD.

2. This message is the first of three USBer has prepared in an effort to describe the implications of the Berlin Wall. It will deal with the overall political and above all psychological implications for the West. Following telegrams will consider the situation inside West Berlin and will look at Soviet and East German views twenty-five years later. End summary

3. Reaching the quarter century mark, the Berlin Wall has become one of the most enduring aspects of recent German history. It has already outlived Bismarck (19 years as Chancellor), the Weimar Republic (14 years) and the Third Reich. Its construction was one of those shattering events of history which take years to understand. By its very perversity, it demonstrated starkly that the conflicts which had brought about two horrible wars had not disappeared. Europe's twentieth century nightmare was to continue indefinitely.

"Before I built a wall I'd ask to know what I was walling in or walling out, and to whom I was like to give offense."

Robert Frost²

4. Another war seemed a real possibility in those first weeks following August 13. But as the bricks and mortar settled into place, an equally chilling fact became evident. The second phase of Europe's twentieth century civil war would not be another military holocaust. The Berlin Wall neither threatened war, nor was it designed to prevent it. Its real task was to prevent Europe from healing its wounds. After shedding its blood for twenty years, Europe faced indefinite division and dependence. The price this time would be Europe's soul and its spirit.

5. The Berlin Wall did not in itself seal this division, but it was the most brutal demonstration of its existence. After August 13, 1961, Europeans slowly and painfully began to understand that 1945 had not been the end of the old or the beginning of the new. Rather it was a catastrophic mid-point in a battle which had decades to run. The Berlin Wall marked the fields upon which this battle would take place. It also revealed the weapons to be used.

6. Anyone who before August 13 had harbored hopes for a quick return to "normality" in Europe, was on that date confronted with catastrophic reality. The Wall was a depiction of "normality." Europe's post-war fate was to be divided from within and dominated from without. Above all else, August 13, 1961, demonstrated that the world no longer centered on Europe. To those who hadn't figured it out already, the real consequence of World War II was finally evident—the old continent was now the object rather than the subject of world affairs.

² Excerpt is from Frost's "Mending Wall."

7. As the dozens of TV teams in Berlin this week have demonstrated, Berlin's internal border projects a strange fascination to the world's public. Visitors continue to be shocked by the scar of concrete and wire ripping through intersections, dividing gardens and closing one side of a street from another. Its very existence brings home brutally the horrible costs of war and dictatorship. To Americans especially, it shows why we are in Europe and what we are defending.

8. But in addition to its purely physical effect, the Berlin Wall has become one of the world's most potent symbols. Resources of powerful nations, including the United States, have been dedicated to dealing with its implications. Sealing off Berlin set off many shock waves, the meaning of which took years to understand. West Germans especially were affected by the closure of the last open door to their Eastern heritage in ways which even today are difficult to describe. In a very real way, the confrontation, suffering, fear and dreams of the postwar world have been compacted into this more than 100 miles of stone, wire and concrete.

"It seems that in Germany, time doesn't heal wounds, it kills the ability to feel pain."

Peter Schneider

9. Willy Brandt has written that as he stood at the Brandenburg Gate watching the stones being put into place, he saw clearly for the first time that the West would never force the reunification of Germany against Soviet opposition—Ostpolitik was born. Ten years later the Quadripartite Agreement on Berlin concluded the first phase of confrontation over the Wall. From that date onward, Germans of all political persuasions—East and West—stopped planning their lives around the hopes for return to a single nation state. Whatever the distant future might bring, their task was now to make do with the two states which succeeded the Reich.

10. Intervening years have been good to Berlin. Both East and West Berlin have learned to live with division. Both have prospered economically, tensions have been avoided and world crises have shifted to other parts of the world. But underneath the "normality" of material progress and reduced tensions, a gap has begun to form. It is as if an entire society had lost recollections of its origins—of what it is like not to be divided.

11. Existence of the Berlin Wall was the final step in stopping Germany's effort to forge a national state from a multitude of regional cultures. With the sealing off of Berlin, Germans in both East and West settled back into the cultural and political regionalism which burdened German national development for two hundred years before 1871. West Germans especially were no longer faced with a regular stream of visitors from the East. They saw themselves as the

“winners” of the postwar period and felt justified in a certain attitude of superiority towards their Eastern cousins. The Wall justified amputation. Not only physical amputation, but nearly total erasure of memories of the days when the body was whole.

12. Amputation of national tasks meant also gradual eradication of the goals and ideals usually associated with a healthy national culture. Concern for the spiritual health of the German nation was now tainted both by the Nazi past and by the fear of further retaliation from the East. German young people began to grow up in a world where rocking the boat was forbidden. Dreamers or idealists were rejected as dangerous non-conformists. Reformers, such as the first Brandt-Scheel government of 1969, sought to humanize the status quo. And each time the Berlin Wall loomed as proof of the wisdom of this drive for mediocrity. The task was to get along—at home, at work and in the world.

13. In the process, an undefinable but important sense of self began to drip away. In the immediate postwar years, Germans in both East and West had many tasks to keep them occupied. Despite their national division, the open city of Berlin remained a point of contact and an inspiration for the future. The Wall killed this inspiration. Germany became, in the words of SPD party manager Peter Glotz, “an efficient mechanism for the production of goods and services.”

14. As a result many Germans, especially young people, cannot remember how they got themselves in this strange situation. The feeling of living in an organic nation or a society which would make sacrifices for an ideal or a philosophical belief has become increasingly strange to them. Young people who have been taught to avoid ideals cannot identify with persons or nations who are willing to shed blood for a belief. They begin to mistrust their ability to resist anything. Defense becomes aggression, beliefs become crusades. Rather than understanding the abnormality of their own situation, young Germans have come to see the outside world as the exception. Other nations which do not share Germany’s national numbness come to seem increasingly dangerous.

15. As they began losing a sense of self, Germans of all ages found it difficult to recognize the origins of the society they had built for themselves. They found they had few criteria for judging the tasks of their society. Neither history nor philosophy provided guideposts for navigating difficult terrain. A sole standard for measurement was satisfaction of the need for personal well-being. Both inwardly and outwardly this need was expressed through a desire to avoid challenge and threat.

“Good fences make good neighbors”

Robert Frost

16. It is easy to pin most of this on the young. Indeed, recent years have seen several cases of disorientation and fear among young people. Most dramatic was the deep war scare which nearly

paralyzed a good portion of the younger generation during the INF debate, but there are numerous other examples. What is often most disturbing is the missing sense of personal responsibility one finds among German young people today. Results of a recent essay contest sponsored by the International Committee on Human Rights are an interesting example. Of the entrants, 29 percent chose to write about human rights abuses in South Africa. Only four percent chose to write about the situation in the GDR.

17. But not only the young are afflicted. Recall recent events in and around Berlin. When GDR border crossing regulations were changed for diplomats, many German leaders, from all parties, wished to forget the issue. As the flow of asylum seekers increased, the first reaction in Bonn was to call on the allies to do something. In a recent talk with Ambassador Burt, Chancellery State Secretary Schaeuble claimed that the FRG's hands were tied, because the GDR always had more leverage in inner-German relations than did the West.

18. Above all one senses a severe lack of goals and ambition in post-Wall West German society. It is hard to imagine today's leaders spitting back at the Western allies as did Konrad Adenauer or Kurt Schumacher. Helmut Schmidt's new confident style of leadership appears today almost as an anachronism rather than a picture of things to come. Just how lifeless things have become is demonstrated by the periodic outbursts of Franz Josef Strauss. He knows no one takes him seriously, but he doesn't seem to care. Someone has to scream for help before the entire Federal Republic suffocates in the feather bed of conformity.

"Something there is that doesn't like a wall"

Robert Frost

19. But twenty five years is not the end of history. Reaction against this painful state of aimlessness is already evident in many parts of German society. And as in the past, Berlin appears to be a harbinger of the atmosphere to come. Politics in this city is boring and often corrupt. Other areas of life are creative and bubbling. Especially impressive are the new young group of businessmen who are straining to move forward. They often express frustration at the provincialism they sense in the Rathaus. Some say they are going to go public with their criticism.

20. Today's West Berlin reflects a certain whiff of the 1920's. Arts and literature are flourishing, new political journals are springing up, young people are flocking in from "Wessiland," as Berliners mockingly describe the territories to the west. Things are changing and with the change will come new ideas and new approaches. The question is what kind and in what direction?

21. An early reaction has been to blame those responsible for the mess. Of course few blame the Nazis or German leaders before 1933 for bringing on the calamity which led to the Wall. Memory has been lost. The world begins with the new system, the new alliances and the Wall.

22. Thus it is the United States or the allies or the super powers who are to blame. A theme running through speeches by Berlin CDU leaders this past week has been that the United States shirked its responsibility to Berlin by allowing the Wall to be built. There is no separate German responsibility for anything. America bears the burden for everything which has happened in and to Germany. Anti-Americanism is the natural result.

23. A further result is to seek accommodation with the painful situation. Today it is the SPD and the Greens who are leading the way. Their efforts are disjointed and often illogical, but they have something in common with a spirit one senses throughout the FRG today. They are aimed at doing something, anything to get things moving in Europe. The need to overcome the frustration which arises from overwhelming dependence and self-rejection overrides even the important philosophical differences with the East.

24. Twenty five years later, one cannot escape the strong impression that time has not healed the wounds in Germany or Europe. For more than two decades, Germans have been trying hard to forget why the Wall was built and to stop from feeling pain. Material well-being and American protection have in fact dulled many of the nerves. But pain-killers are not enough if they are not backed by a clear sense of personal goals and identity. German society in both East and West lacks this foundation. It is based upon partial solutions to fundamental divisions. The Berlin Wall continues to confront Germany with these conflicts.

25. Twice in this century the United States has fought bloody wars in Europe to deal with the fundamental conflicts on the continent. Each time, the conflict focussed on Germany. Whatever may have changed in the past twenty five years, the basic questions of war and peace continue to focus on this country and its difficult history. The Wall is German, but it is also European. The divisions it signifies affect all mankind. As long as it exists, these divisions will remain unresolved. To quote German President Von Weizsaecker: "As long as the Brandenburg Gate is closed, the German question will remain open."

Kornblum

289. Telegram From the Mission in West Berlin to the Department of State and the Embassy in the Federal Republic of Germany¹

West Berlin, August 12, 1986, 1712Z

2556. Subject: The Berlin Wall Turns Twenty-Five (II): The Concrete Has Many Faces.

1. Summary and Introduction: Prepared as the second of three messages on the twenty-fifth anniversary of the Wall on August 13, this cable explores what this concrete feature of the landscape means for the way life is conducted here. Ugly gash on a city and country's face, notorious physical barrier, resented monument to hopelessness, cultural backdrop, tourist attraction, routine nuisance, irrelevant symbol—the Wall is somehow all of these. It skews life in West Berlin, so that everything is just a bit different, and in some ways harder, here than in the FRG. Despite knowledge among Berlin's and Bonn's politicians that the Western guarantee is solid, the fact that the allies were not able to prevent the Wall's construction, or knock it down afterwards, was a signal event in their political experience.

2. What the Wall is not, however, is the clear manifestation of despair which West Berliners saw in 1961, when they had to face the fact, without warning, that they were being sealed off. While it still divides families and friends, West Berliners have learned in curious ways to cope with or ignore the Wall. There is a current of new romanticism about the East, according to which East Berlin and the GDR, "shielded" by the Wall, have been able to stay more "German."

3. The contradiction of a physically isolated city, which nevertheless is a thriving place with a contemporary role to play in Germany and Europe and where people can lead normal lives, is one of the basic paradoxes of this town. But ask a Berliner if he'd rather be elsewhere, and most will say that they could never live anywhere but here. End summary and introduction.

The Wall as Moat

4. Without warning, the GDR began to emplace rolls of barbed wire along the East/West sector boundary during the early morning of August 13, 1961. More formidable than the sudden physical barrier was the cordon of troops which forbade anyone to cross the line, as had been common up to that moment. The formal dividing line between

¹Source: Reagan Library, Stephen Sestanovich Files, [Germany]: Berlin: 08/01/86–08/12/86. Confidential; Priority. Sent for information to East Berlin, NATO Collective, Eastern European posts, Bern, Helsinki, Stockholm, Vienna, Geneva, Frankfurt, Hamburg, Munich, Stuttgart, Dusseldorf, Pretoria, USCINCEUR Vaihingen, CINCUSAREUR Heidelberg, CINCUSAFE Ramstein, USNMR SHAPE, JCS, and DOD.

two worlds in the middle of Europe, across which thousands of refugees had come daily to the West, became overnight an impassable barrier. Photographs and stories of ensuing dangerous escapes, and unsuccessful attempts, became famous. No one doubted that a struggling GDR Government had glaringly revealed its desperation and illegitimacy. The “Haus am Checkpoint Charlie” museum, which has documented and emphasized these themes, remains one of West Berlin’s very popular tourist stops.

5. With Soviet approval, the GDR had torn itself and East Berlin away from the rest of the country. Since the 1948–49 airlift, the West Berliners had survived many precarious years and knew they could rely on the Western allies’ commitment to defend the city. Their confidence was nonetheless shaken when the realization sank in that no one could prevent what the East was doing. (Septel discusses in greater detail what the Wall has meant for the German psyche in the search for a new national identity.)² While those who govern in West Berlin—and Bonn—today know from personal experience how real the Western commitment is, the demonstration in 1961 of the limits of the power of Western protection must also be counted as one of the significant and chilling events of their formative years.

6. Official visitors to the city are often conducted to the Wall, usually at the old Reichstag building which abuts directly on the boundary, to absorb first-hand something of modern German history and the country’s division. While the city’s tourist brochures do not push a visit to the Wall, the authorities have maintained viewing stands at many points. One of the most popular, but not the most poignant, is Potsdamer Platz, an area in the middle of the city which was one of Europe’s busiest intersections before World War Two. It is now a broad wasteland between the East German inner and outer walls, populated only by border guards and watchdogs.

7. What strikes these visitors time after time is that the phrase “Berlin Wall” actually means a set of formidable, manned fortifications that grabs most of them in the pit of the stomach. It is generally important to the West Berlin Government that visitors leave with some understanding of the reality of the gash across the city, although Berliners increasingly want to downplay the perception of Berlin as “embattled” or “surrounded.” (see paras 13–14 below).

Still Disrupting Lives

8. For those with families or relatives in East Berlin and the GDR, and even for West Berliners who are curious and want to take a look around, the Kafkaesque partial porosity of the Wall serves to underline

² See Document 288.

the monumental character of the barrier. Up until the Quadripartite Agreement (QA) of 1971, only those few West Berliners who worked in the Soviet sector of the city and possessed special identity cards could travel into East Berlin.

9. The QA reaffirmed the status of greater Berlin and put an end to the era of successive crises over the city. Since the agreement, Germans can transit the Wall through specified crossing points. West Berliners, however, unlike West Germans, cannot obtain permission for over-night stays in East Berlin, unless they file formally for GDR entry visas, entailing invitations, specific itineraries, pre-arranged lodgings, and the other usual steps required by the East Germans of other countries' tourists. They must be back in the West by two a.m., causing them to start looking at their watches at the end of an evening with friends or relatives and already start withdrawing from the temporary psychological adjustment to being in the East. For those who would like their relatives to visit West Berlin for family occasions, the specific GDR list of who is eligible for such travel permission means that there are always conspicuous absences from such reunions.

10. The division also puts the visitors from the West in the uncomfortable position of the children of privilege, who have more, can move about freely, and want to help their GDR relatives with scarce goods without chipping away at their relatives' self-respect or ties of affection. At the same time, the GDR's various calculated methods of extracting hard currency from the Western visitors adds to the pressure of the state's hand.

Others Don't Want To Go

11. This pressure has caused many West Berliners, at the same time, not to bother at all. For the less reflective, it is often merely anxiety at the unknown, or unwillingness to accept the standard of goods and services in East Berlin. But others consciously decide that they do not want to put themselves in the hands of GDR authorities, a process that begins with the cumbersome, two-step process of obtaining permission to visit. There are others who just cannot be troubled to go through the bureaucratic complexity of applying at a GDR "visits office" in West Berlin (there are six) for a "visits certificate," with which one is entitled to apply for a visa at the sector boundary. For such people, the process of dealing with GDR border formalities at the Autobahn crossings to transit to the FRG (Dreilinden, Staaken, Heiligensee) is quite sufficient to dampen all curiosity.

The Senat and East Berlin

12. The West Berlin Government, as do we, takes it as an article of faith that East and West Berlin are one city. It encourages visitors to West Berlin to visit the East as well, and the lack of interest in East

Berlin among many who live here is a keen disappointment. But at the same time, as we have previously reported, there is not much it can do to influence the East Germans to allow bonds across the Wall, as the Senat's efforts to work out cooperative arrangements on the city's 750th anniversary in 1987 made clear. The Senat's best hope is to press the FRG to keep always the city's interests in mind when dealing with the GDR, a project whose success has been uneven.

The Economic Picture

13. We have reported continuously on the favorable business climate in the city and the vigorous efforts the Senat and the business community make to promote it. Such people generally prefer to downplay the Wall's consequences and are very sensitive to any indication that arises that the city might be in any way a difficult place to do business.

14. Accordingly, a lot of effort goes into convincing businessmen that they can conduct their affairs normally here or establish businesses that take advantage of Berlin's unique situation. What Berlin's relative isolation often means to new investors is that they are separated from their markets, although those already established here experience no difficulties with transportation of finished goods and supplies and are surprised when newcomers or potential investors ask about this. Not atypically, a laser medical supply firm came to Berlin recently precisely because follow-up on patients was easier in Berlin's sequestered and stable population. For the same reason, Berlin has become the favorite pool for market surveys for new products destined for the FRG.

15. At the same time, it is accepted that goods cost more here than in West Germany. The city's finite area, with no chance to expand, has other effects as well. It is cited over and over again as a basic factor in the repeated real estate and construction scandals, and it means that the city must load up on duplicate services, such as too many hospital beds, to make sure it does not run short.

16. One direct consequence of the sealing of the sector boundary was that West Berlin businesses had instant job openings, since their workers who lived in East Berlin were stranded. To deal with the problem, foreign workers, mainly Turks, were encouraged to come to Berlin, forming the nucleus of a community which has made Berlin today the third-largest Turkish city in the world. (See septel on Berlin's Turkish community.)³

The Wall as Urban Sculpture

17. Many West Berliners have come to think of the Wall as a bizarre tourist attraction and unique cultural backdrop. The old slogans on the Wall—"KZ" (concentration camp) and "This wall of shame must go," for instance—have been replaced by colorful improvised murals

³ Not found.

and the kinds of graffiti people write on walls everywhere. Magazine articles about Berlin often include photos—shot with fisheye or wide-angle lenses—of a gaily painted piece of concrete stretching across the landscape. If you define the Wall as a piece of urban sculpture which no other city can boast, it is easy to ignore what it represents. As a new trendy magazine called “Wiener,” which bills itself as “an expression of Zeitgeist,” put it, the children and young people who see things this way “are just not into pain.”

Thesis: The East as Reality; The West as Mere Glitter

18. This view contributes to what is almost a new romanticism about East Berlin and the GDR. Shown in downtown movie houses during the last year and a half have been several movies which depict the GDR, for all its problems, as basically a happy place. Those in the East might be mildly oppressed and poorer than their countrymen in the West, but they are also portrayed as less pressured (i.e., not exposed to the competitiveness of the West), less driven by ambition and greed, less modernized, and, by inference perhaps, less vulnerable to American cultural influences. In short, they have somehow preserved more of what is quintessentially “German.” These films have enjoyed great popularity in West Berlin.

19. These films feature young Germans who move back and forth between the two alternative Germanies and choose between them, and in the end, the East Germans choose to go home. Although many of the viewers would not be willing to sacrifice their freedoms and comforts for antiquated factories and jokes about the secret police (which in these films are subjects for great mirth openly shared), they can afford the luxury of fantasizing about East German life because they have no sense of having lost something when the Wall went up.

20. Some West Berliners talk wistfully about how the old historical middle of Berlin was allotted to the Soviet sector of the city. This didn’t matter much while East Berlin was still a pile of ruins. But since the East Germans have poured money into fixing up the center, such people ask “What have we got as a counterweight in the West?” Their regretful answer often runs “a palace, night life, and shopping.” Urban planning here quickly becomes thorny because of this problem. Should the basic calculation be how the two halves of the city would fit together one day, or should West Berlin plan pragmatically for its needs—e.g., erect a new building complex for the seat of government—as if the division were permanent?

And the Wall as Prop for Stunts

21. Within a week and a half, there have been two spectacular publicity stunts at the Wall. The explanation is the same as Sir Edmund Hillary’s about Mount Everest: “Because it’s there.” Septels report a

supposed escape from East Berlin in Soviet uniforms⁴ (later revealed to be a hoax) and a retired American carpenter's sitting astride the Wall and whacking at it with a sledgehammer.⁵ This kind of thing will go on, since the Wall will continue to fascinate and challenge dreamers, idealists, schemers, and con men as long as it exists.

Normality

22. Despite the city's situation, the key to West Berlin's viability—and a point of particular emphasis for this Mission—is the fact that people can lead normal, free, and rewarding lives and happily bring up their children here. Most West Berliners are not oppressed by the Wall, nor do they think about it much, as they go about their business. And despite the complicated psychological meaning for West Berliners of their situation and what the East Germans call the “anti-fascist protective barrier,” West Berlin is not fertile ground for the pessimistic appraisal of the state of the world so fashionable in parts of the West German population. Many, if not most, people here believe that they could not happily live in any less vibrant and fascinating a city.

Kornblum

⁴ Telegram 2405 from West Berlin, August 1, described the alleged escape in which an East German was said to have crossed into West Berlin wearing a Soviet uniform. (Department of State, Central Foreign Policy File, D860590-0155)

⁵ Not found.

290. Telegram From the Mission in West Berlin to the Department of State and the Embassy in the Federal Republic of Germany¹

West Berlin, August 12, 1986, 1727Z

2557. Subject: The Berlin Wall Turns Twenty-Five (III): The Concrete Has Many Faces.

1. Summary: This is the third in a series of cables Mission has prepared looking at various aspects of Berlin and East-West issues in light of the 25th anniversary of the building of the Berlin Wall. It examines

¹ Source: Department of State, Central Foreign Policy File, D860616-0598. Confidential; Priority. Sent for information to East Berlin, NATO Collective, Eastern European posts, Bern, Helsinki, Stockholm, Vienna, Geneva, Frankfurt, Hamburg, Munich, Stuttgart, Dusseldorf, Pretoria, USCINCEUR Vaihingen, CINCUSAREUR Heidelberg, CINCUSAFE Ramstein, USNMR SHAPE, JCS, and DOD.

evolutions of Soviet and GDR interests in Berlin during the past twenty-five years as observed from the Berlin perspective. Our basic conclusion is that construction of the Wall served immediate Soviet and GDR interests by consolidating the East German state and giving the Soviets some breathing room in Central Europe. The 1971 Quadripartite Agreement on Berlin was a further step in Soviet efforts to manage the situation in Germany, but it also marked the beginnings of a divergence in Soviet and GDR approaches to the Berlin issue.

2. From Mission's perspective, GDR policy still seems largely dominated by a drive to develop further its own identity. Despite the GDR's considerable success in consolidating its rule since the building of the Wall, the allied presence in West Berlin and the limitations on GDR sovereignty in East Berlin continue to pose a significant irritation. The Soviets seem more interested in avoiding problems and in using the Berlin situation as a flexible tool in their overall policy with West Germany. Neither the Soviets nor the GDR are likely to be interested in a full-blown Berlin crisis in coming years. The challenge to West Berlin and to the allies will be to maintain the credibility of our occupation regime in the face of relentless Eastern efforts to undermine it. These efforts will in the main be more subtle and indirect. They will focus as much on the psychology of West Berliners and West Germans as on specific threats. End summary.

Tracing the Evolution Since 1961

3. Construction of the Berlin Wall was an admission of defeat. During the 1950's, the Soviets sought to consolidate the GDR as a state equal in status to the FRG. In its early days, the GDR was more in favor of all-German activities than was the FRG. It called continuously for joint all-German commissions on various issues and stressed in its propaganda the strong GDR desire for German reunification.

4. Soviet strategy in these years was guided primarily by its desire to avoid the integration of the Federal Republic into the West. The famous Stalin note of 1952 was designed to block FRG entry into the planned European Defense Community. Foreign Minister conferences in 1954 and 1959 had the same goal.

5. At the same time, the Soviets were faced with the continued inability of the GDR to gain the loyalty of its own citizens. Economic progress stagnated. Especially after the worker's uprising of 1953, the GDR found it impossible to compete on anywhere near an equal footing with the FRG. Khrushchev's Berlin ultimatum of 1958 was the first shot in a new Soviet strategy on Berlin. Rather than establish the GDR as an equal partner, the Soviets decided that removal of the threat represented by West Berlin was the only solution. Construction of the Wall three years later was a double admission of defeat—the Soviets could not consolidate the GDR and they could not drive the West out of Berlin. Sealing off the Western sectors was the only alternative.

6. In the quarter century since construction of the Berlin Wall, the Soviets have succeeded in consolidating the GDR. They have also reached a *modus vivendi* with the West on management of Berlin-related issues. This *modus vivendi* is set forth in the Quadripartite Agreement on Berlin, which celebrates its fifteenth anniversary in 1986. From a Soviet point of view, this agreement represented a major concession by providing Soviet reconfirmation of Four Power rights and responsibilities for all areas of Berlin relations, including the important ground access to and from West Germany. In return the Soviets won two important points: A) they gained acceptance by the West of the GDR as a partner in management of Berlin issues, and B) they obtained Western acceptance of a limitation of the ties between West Berlin and the FRG.

7. These two points have formed the foundation of Soviet and GDR Berlin strategy since 1971. They have also been the focus of most of the differences between East and West on Berlin issues since entry into force of the QA in June, 1973. In essence, the East has followed careful implementation of the practical side of the Berlin relationship. Access, exchange of territory, and visits provisions have been followed scrupulously. In return, the Soviets and East Germans have fought tenaciously to push their very limited interpretation of portions dealing with FRG-Berlin ties and foreign representation of Berlin abroad. The overall goal seems to be to isolate West Berlin as much as possible from its cultural and political base in the West.

The GDR as a Player

8. We should of course recall that the 1970's *modus vivendi* on Berlin was negotiated over the GDR's dead body. Talks did not move forward until Ulbricht was removed in the spring of 1971. GDR officials fought bitterly to limit Soviet concessions. In one especially important instance, Soviet Ambassador Abrasimov was forced to take back agreed language on access arrangements. During the discussions, the Soviets were often uncomfortable when dealing with points which touched directly on GDR interests. The final bargain included another point of potential Soviet-GDR conflict. Although both were undoubtedly pleased that the GDR was included as a full partner with the FRG in management of access arrangements, the agreement also provided the GDR with increased independence and leverage over the USSR. By committing itself to maintain full implementation of the agreement, the Soviets also made themselves somewhat more dependent on GDR desires in Berlin. Events during the past ten years have shown that the GDR has slowly but surely expanded this leverage.

9. In particular, Soviet transfer of operational responsibilities to the GDR has made the GDR an important player on Berlin issues. While allied insistence on dealing with the Soviets as the proper channel for

East-West discussions on Berlin has no doubt frustrated this development to a certain extent, Mission's dealings with the Soviets suggest that the Soviets are often faced with difficult consultations with GDR counterparts who seem to be the prime movers on certain issues. This seems to be the case with Soviet/GDR harassment of allied flag tours and periodic Soviet suggestions that these be cut back or eliminated. It seemed most obvious in the recent sector/sector border controversy that the GDR had initiated action and the Soviets were very late in focussing on its full consequences. Quite naturally, the end result of this trend has been to make the management of East-West differences over Berlin and Germany much more complicated (as has Western consideration of FRG interests).

The Changing Soviet/GDR Relationship

10. Although the GDR regime has achieved a certain degree of consolidation, it still has fallen short of its objective. As Embassy Berlin has pointed out, the East Germans are troubled by their own generation gap and an incomplete sense of identity and legitimacy. In this regard, limitations on GDR sovereignty in its supposed capital are a constant reminder of the distance the GDR has yet to travel and serve as an enticing target. Other facets of Four-Power management of Berlin, such as transit from the FRG, are more livable for the GDR, but their takeover by the GDR also represents long-term goals. In short, although the GDR has been precluded by Western strength (and an apparent lack of Soviet desire) from trying to push the allies out of West Berlin, the GDR's long term goals and interests mean ultimately it wishes to alter the situation in Berlin. At a very minimum this means the GDR will continue to try to use Berlin as a pressure point to win concessions—especially from the FRG—on other inner-German and East-West issues. Or—as on the asylum issue—the GDR will try to “punish” the West by manipulations concerning the special status of the city.

11. The changing nature of the Soviet/GDR relationship is manifested in the evolution in what might be termed the Soviet management style. The Soviet Ambassador to the GDR for most of the last 25 years, Abrasimov, played a direct role in the QA negotiations and looked upon himself as a keeper of the faith who enjoyed lecturing his Western counterparts. His successor, Kochemassov, has neither the background nor, apparently, the clout or personality to play pro-consul. In addition, at times the Soviets seem unable—either because of their theology that the GDR is competent or because in actual fact they have allowed a transfer of some of their powers to the GDR—to accept responsibility for action even when it is clearly in their interest to do so. The Libyan terrorist threat in Berlin served as an example of this trend. Although the Soviets gave clear indications that (despite their suspicions concerning U.S. motives) they recognized that Libyan-sponsored actions

could upset the Berlin situation and complicate Soviet-allied relations in ways harmful to Soviet interests, the Soviets were unable to respond to allied statements of concern in any manner other than to assert GDR responsibility for security in the Soviet sector. Our Soviet interlocutors gave the impression—accurately or simply to try to win diplomatic points—that they regretted that they were extremely limited in their ability to affect the course of events.

12. Perhaps more significant for the future of Berlin, there seems to be a certain ability on the part of the GDR to manipulate their Soviet protectors. The recent sector/sector border episode reflects this new trend. The Soviets apparently were not consulted beforehand by the GDR at a high level, but were assured at the working level that the changes in procedures would not cause much of a stir. As a result, the Soviets clearly did not expect the strong Western reaction. While the Soviets were quick to adjust—and ultimately forced the GDR to back down—Mission received indications from our Soviet interlocutors that there had been some stormy sessions both within the Soviet camp and between the Soviets and the East Germans on the issue.

Mixed Soviet Motivations

13. The key feature and mainstay of the framework of arrangements of managing East-West differences over Berlin and Germany has been the continuing responsibility vested in the Four Powers (U.S., Great Britain, France, and the USSR) which was reaffirmed in the Quadripartite Agreement. Despite continuing disagreement over the area of applicability of the Quadripartite Agreement, the Soviets accepted the continuation of various Four-Power mechanisms (e.g. the Berlin Air Safety Control Center; the administration of Spandau prison) and more or less officially gave up (through regulation of the transit route issue among other problems) any direct effort to push the allies out of the Western sectors of Berlin. Soviet determination to hold onto what the USSR had gained (i.e. East Germany) meant the Wall would remain until the reason for its erection had disappeared. Soviet acceptance of the allies' presence in West Berlin meant the Soviets saw the situation as potentially stable and long-lasting.

14. Over time, the Soviets increasingly have reaffirmed the impression that, like other Berlin players, they have adjusted to the *modus vivendi* on Berlin and German questions, and have settled in for the long haul. The Berlin portfolio has been turned over to a successor generation which has to speak up when it wants to get Moscow's attention. The Soviet Embassy in East Berlin has one or two highly experienced Berlin watchers, who keep book on activities in the Western sectors and who prepare protests over "violations". At the same time, the general trend has been to handle problems at a lower, working level and to try to isolate Berlin questions from general US-Soviet and East-West

issues. While the Soviets have not taken any special measures to avoid incidents, and the hand of Moscow has clearly been evident when higher interests have been at stake, the Soviet Embassy seems to have a mandate to reduce conflict, uphold stability, and establish a business-as-usual relationship with the allies despite distinctly different juridical positions on Berlin's status. This the Soviets have tried to do even after the most egregious disruptions of Berlin's tranquility (eg. the Nicholson shooting;² the LaBelle disco bombing).³

Undermining the Western Position

15. Soviet accommodation to the reality of a continuing allied presence in the Western sectors of the city has brought an added element to Soviet efforts here. In addition to traditional policy goals worked with and through the GDR, the Soviets have stepped up their activities within the Western sectors. These activities are generally coordinated with broader Soviet East-West policy goals. Their intent appears to be similar to that of their wider efforts, i.e. to drive a wedge between the Berliners and the Western allies, especially the United States.

16. The Soviets have sought to take advantage of whatever limited access opportunities (primarily to the Germans, but also to the allies) are afforded by the Soviet position as one of the Four Powers. The Soviets have been industrious in their cultivation of peace groups and other organizations possibly favorably disposed towards Soviet policy and have made or tolerated various other East Bloc efforts to use Berlin for technology transfer and trade. The Soviets have achieved sufficient success in this effort that a small but increasing number of Berliners assert that if the allies were to leave, the Wall and West Berlin's status in general would remain unchanged because of Soviet "self-interest" in maintaining the existing situation. While this is clearly a specious argument, it suggests the extent to which the Soviets have succeeded in undermining popular conceptions of the necessity to maintain the allies' presence.

17. Despite clear indications that the Soviets wish to avoid a full-scale Berlin crisis, they also continue to countenance GDR efforts to increase its sovereignty at the expense of the allies. The Soviets have hardened their own interpretation of the Quadripartite Agreement, almost guaranteeing that disputes and incidents will occur. The Nicholson murder seems to have been a particularly tragic example of the degree to which US-Soviet relations remain hostage to differing and in this case diametrically opposed approaches to human life. Another example of what appears to have started out as an unplanned dispute

² Arthur Nicholson was a U.S. Army officer who was shot by the Soviet military on March 24, 1985, in East Germany.

³ See footnote 4, Document 284.

was the Berlin air corridor reservation issue.⁴ In this case, the precipitating event seems to have been a near miss between an allied passenger and Soviet military aircraft in early 1984, which led to a stiff allied protest. The Soviet military response to this air safety problem violated the *modus vivendi* regarding air matters. The USSR military authorities simply began reserving extra airspace, on the (unacceptable) basis that Soviet military flying in the corridors takes priority over allied flights. Only through high-level demarches was the Soviet political side eventually convinced that the Soviet-dictated solution would not be accepted. Eventually the Soviets returned to the principle of Four-Power management of the sometimes-crowded Berlin air corridors.

Wariness of the Germans

18. The Soviets seem to regard the GDR's increased latitude as a decidedly mixed blessing. Over time, the Soviets have come to live with considerable porosity in the Wall. Relations have developed between the two German states, affecting Berlin, with a dynamism which the Soviets could not have foreseen and would probably not have permitted 25 years ago. This has led the Soviets to see the Wall and preservation of allied sovereignty in West Berlin as securing their veto over German matters (and perpetuating their share of the division of Europe). While the Soviets have offered propagandistic encouragement to peace groups, they have been careful to avoid too close an association with younger and leftist-oriented Germans who advocate a third, Germany-only path for the FRG and, in the end, the GDR. More often, Mission hears assertions from our Soviet interlocutors that we must better control "our" Germans and they need to get a grip on "their" Germans—accompanied by dark hints about resurgent German nationalism. Thus, maintenance of the present status of Berlin has become part and parcel of the Soviet stake in the preservation of a stable and crisis-free Central Europe.

19. Precisely for this reason, recent years have seen a clear increase in Soviet concern over the development of ties between the Western sectors of Berlin and the FRG. Most of the Soviet protests Mission has received have been over speaking engagements, attendance at conferences and other public appearances by FRG officials in West Berlin. While it is clear that allied and Soviet interpretations differ over what is permissible and appropriate under the QA, the allies tend to regard Soviet complaints as relatively minor whereas the Soviets seem transfixed by the issue. Since the Soviets have allowed the GDR to integrate the Soviet sector into the GDR to such a great extent, the Soviets assume that the Western allies are doing likewise. Western responses which

⁴ Documents relating to the Berlin air corridor are scheduled for publication in *Foreign Relations, 1981–1988*, vol. VII, Western Europe, 1981–1984.

treat the issue as relatively minor tend to increase Soviet obsession with the problem.

Keeping Soviet Control

20. As a result of these dual sentiments, we see a Soviet Union which wants its feet to remain firmly planted on both sides of the Wall and which does not want to let go of the levers over Berlin and Germany. Because of this, Soviet activities in and about Berlin have become a bellwether of Soviet policy towards Germany. The pressure on the GDR to retreat from the new sector/sector crossing procedures and Soviet pressure delaying the Honecker visit to the FRG, both demonstrate Soviet determination to keep the GDR less than an equal. Likewise, the Soviet slap-down of the West Germans during the INF debate (when the FRG dared to suggest that it had equal security interests in Europe with the Soviets) was a clear reaffirmation of a similar Soviet attitude toward the Western Germans.

21. While the Soviets have therefore increased the latitude allowed to the GDR, they have still maintained control in certain key areas. Despite their disclaimers, the Soviets in practice do entertain our complaints over the occasional GDR harassment of allied flag tours in East Berlin. Furthermore, in recent times the Soviets have never seriously disputed as such the allied right of circulation throughout all of Berlin. Another example of continuing tacit Soviet respect for the concept of greater Berlin has been the Soviet response to our queries concerning reports that the outer borders of East Berlin were about to be altered as housing projects expanded eastwards. The Soviets maintained that they had nothing more to do with questions concerning East Berlin, yet also assured us that we need expect (for the time being, at least) no change in boundaries.

Conclusion: The USSR as Upholder of the Status Quo

22. The Soviet stake in preserving the status quo suggests that the allied side may have gained increased room for maneuver on Berlin issues. After all, if the Soviet goal is to maintain a cooperative relationship, this should make them willing to bend a bit in favor of the allies to obtain and keep that type of relationship. As most recently demonstrated on the sector/sector border issue, such possibilities do exist. At the same time, it is necessary to recognize that many sometimes-conflicting sentiments and goals permeate Soviet behavior in Berlin. If forced to choose on an issue the Soviets see as affecting their own sphere of influence, it is almost certain that the Soviets would dig in against the allies—even if this meant boosting the GDR more than the Soviets wished to do. Soviet desire to uphold the status quo means that some leverage is therefore available to be used by the allies, but the specific issues on which it is applied must be chosen judiciously.

291. Paper Prepared in the Central Intelligence Agency

Washington, September 1986

[Source: Central Intelligence Agency, Office of Support Services (DI), Job 87T01127R: Intelligence Publications Files (1985–1987), Box 9, Folder 78: [*folder title not declassified*]. Secret; 2 pages not declassified]

292. Memorandum Prepared in the Central Intelligence Agency¹

EUR-M-86-20162

Washington, January 6, 1987

East Germany-USSR: Keeping Glasnost at Arm's Length

East Germany (the GDR) is wary of Gorbachev's policies encouraging candor and openness (*glasnost*) in the media and in the arts and resents pressure from the Soviet leader to follow suit. The archconservative East German regime still feels insecure due to its inability to foster genuine popular support for the GDR's existence as a national state separate from West Germany and with its own culture. To at least some in the GDR leadership, Gorbachev's efforts are destructively revisionist, akin to Krushchchev's de-Stalinization campaign. This may have already led to increasing tensions in the party apparatus over the appropriate cultural-political policy for the GDR, reportedly leading to the suicide of a senior official.² The regime's alienation from the new Gorbachev style of *glasnost* adds to the range of current economic and political differences between the GDR and the USSR; in this case, the East German leaders evidently hope that conservative forces in the Soviet Union will force Gorbachev to reverse course. [*portion marking not declassified*]

Frictions and differences between East Germany (the GDR) and the Soviet Union have become increasingly noticeable in recent years, despite East Berlin's well-deserved reputation for being one of Moscow's most loyal allies. There has been friction over trade and

¹ Source: Central Intelligence Agency, Office of Russian and European Analysis, Job 02-06156R: Intelligence Publication Files—Record Copy of Finished Intelligence Pubs (1982–1996), Box 2, Folder 320: 6 January 1987, East-Germany-USSR: Keeping Glasnost at Arm's Length [EUR-M-86-20162]. Secret; [*handling restriction not declassified*]. Prepared in the East European Division, Office of European Analysis, in response to a request from Harry Gilmore, Director of the Office of Central European Affairs, Department of State.

² Reference is to Hans Koch, Director of the Institute for Marxist-Leninist Cultural and Artistic Sciences in the Communist Party's Academy for Social Sciences.

financial relations; over Soviet pressure to bind East German technical know how to Gorbachev's economic modernization plans; over the course and pace of intra-German relations; and even over a normally sacrosanct Soviet military decision, the deployment of shortrange missiles in the GDR. [*portion marking not declassified*]

More generally, the GDR leadership appears to be out of step with Gorbachev's encouragement of greater openness (*glasnost*) in the media, cultural policy, or in addressing shortcomings in the society and economy. The contrast between the styles and substance of GDR leader Honecker and Gorbachev was clearly evident at the East German Communist party (SED) congress in April 1986. During his initial long speech, Honecker came across as smug and arrogant as he catalogued the GDR's successes and painted a picture of a system on the right track. Gorbachev, in contrast, appeared relatively bold and dynamic as he called for dealing more frankly with problems facing socialist societies. The Soviet leader reportedly rankled the East Germans by inserting into his speech references to the necessity for intra-party criticism after listening to Honecker's opening address. SED officials were particularly upset because Gorbachev gave them no advance notification of the changes. [*portion marking not declassified*]

The East Germans have not, to our knowledge, reported even factually much less favorably on the details of Gorbachev's personnel shake-ups or reforms in such institutions as the cinematographers' and writers' unions. Editorials and leadership speeches refer only in general terms to the changes underway there and strongly infer that such changes are not applicable to the GDR. This point was made most bluntly in a speech by Kurt Hager, the SED Politburo's ideology and culture czar, on the eve of the anniversary of the Great October Revolution. Indeed, the GDR sometimes appears patronizing in reference to Soviet efforts to improve the economy, perhaps intending to suggest that Moscow is only trying to achieve a degree of efficiency that East Germany has enjoyed for years. Some SED leadership officials reportedly consider Gorbachev top revisionist and compare his openness campaign with Khrushchev's de-Stalinization program, which they believe destroyed the image of the Soviet model in the world Communist movement. These senior officials may also be concerned that intra-party criticism could lead to elite instability and endanger their own positions. [*portion marking not declassified*]

Although in a recent conversation with a senior U.S. official in Washington the East German ambassador said he welcomed Soviet dissident Andrei Sakharov's release³ as a necessary step by Gorbachev for

³ Gorbachev ordered the release of Sakharov from internal exile in Gorky in December 1986.

creating appropriate conditions for his domestic reform effort, it is virtually inconceivable that the SED Politburo subscribes to such a view. Like the Soviets, the East Germans would not tolerate the powerful—and telling—criticism from a person like Sakharov; unlike the Soviets, the GDR leaders would not risk validating this criticism by releasing him. The GDR dissident closest to Sakharov in intellectual stature and political courage was Robert Havermann who was kept under house arrest until his death in East Berlin several years ago. [*portion marking not declassified*]

Media Policy

[*less than 1 line not declassified*] the East German regime has been extremely unhappy with Gorbachev's new media policy that advocates greater openness and self-criticism. They especially resent being prodded to follow suit. Although a few ministers have appeared on radio call-in shows answering listeners' questions—sometimes pointed—about economic conditions, the East German press remains as hide-bound as ever. Primarily concerned with administering heavy doses of the party line to the faithful, newspaper articles recount one success after another—albeit with exhortations to achieve new heights—not expose serious shortcomings. Unlike the Soviet television news program *Vremya* with its occasional investigative journalism, the GDR's counterpart *Aktuelle Kamera* is such a boring recital of the next day's party newspaper lead stories that even East German officials are privately embarrassed. [*less than 3 lines not declassified*]

The satirical weekly *Eulenspiegel* makes a somewhat colorful counterpart to the dull boosterism of most GDR media. "*Eule's*" 450,000 copies are eagerly snapped up by readers—who frequently must buy them under the counter—in part to read the 15 or so letters printed each week that complain about the thousand little frustrations of being a citizen of the GDR. The paper is reportedly bombarded with 300–350 such letters each month criticizing shortages, the poor quality of goods and services, and especially the post and railroad. As anomalous as this readers' forum is in the GDR scene, *Eulenspiegel* does not qualify as evidence for East German *glasnost*. Rather, it appears to be more in the tradition of the USSR's satirical *Krokodil*, in which, for example, bureaucratic foibles might be lampooned but no systemic criticism allowed. *Eulenspiegel*, therefore, serves a ventilation function for the public's irritations at everyday life, but never hints at such a serious source of discontent as restrictions on freedom to travel. [*portion marking not declassified*]

Cultural Policy

The dead hand of Kurt Hager and his cultural watchdogs has ensured that the East German cultural landscape remains bleak and unaffected by any winds of change blowing from Gorbachev's Soviet

Union. While Hager's pragmatism makes him a less baleful overseer than, for example, the crude and aggressive former East Berlin SED boss Konrad Naumann who constantly intruded on the cultural scene, he has made clear in conversation with the U.S. ambassador his disdain for intellectuals. For him they are "an odd bunch" that ought to be controlled. The Writers' Union, with a few exceptions, consists of hacks and timeservers. Many of the best writers have emigrated to West Germany or, if still in the GDR, either refuse to join the organization or are black-balled. In any case, non-membership is tantamount to non-publication. [portion marking not declassified]

A small peak in the otherwise featureless plain of East German cultural blandness is *Ein Tag laenger als ein Leben*, a play by Ulrich Plenzdorf first staged in October 1986 at the Maxim Gorki Theater in East Berlin. Based on a novel by the Soviet writer Chingis Aitmatov, the play's depiction of the remoteness of the Soviet state from its citizens, interspersed with flashback references to Stalinism and de-Stalinization, might be fairly mild stuff in today's USSR, but it is quite daring for the GDR. Not surprisingly, the author had to bowdlerize his script, and he feared the play would be withdrawn right up to the opening night. [portion marking not declassified]

If *Ein Tag . . .* is a slight touch of *glasnost*, then the treatment being meted out to the talented young writer Gabriele Eckart is more typical of the regime's inhospitableness to unwelcome truths. Using tape recorded interviews with inhabitants of East Germany's Havel fruit-growing district near Potsdam, Eckart wrote an expose of everyday living and working conditions. It touched on, for example, the pain of separation in a family when a borderguard son has fled to the West or the bitterness of a middleaged party member when he is not trusted enough to be given a visa to travel abroad. Since the time Eckart's *So sehe ick die Sache* was published in West Germany, predictably she has been harassed and even beaten up by the secret police. [portion marking not declassified]

The East German film production company DEFA has a modest tradition of treating candidly some touchy subjects. *Der Aufenthalt* (The Stopover), for example, deals with a miscarriage of justice committed by the Polish authorities against a German P.O.W. shortly after World War II, and *Solo Sunny* is a realistic portrayal of a young woman's life in contemporary GDR society. These are exceptions, however, and in this most modern and potentially influential of arts there are no signs of a similar ferment that led to the ouster of the leadership in the Soviet film association. The more typically East German response to artistic frustration like that appears to have been emigration. Our Embassy in East Berlin reports that the GDR is currently losing a lot of film people to the West. [portion marking not declassified]

Why So Obstinate?

The regime's fundamental insecurity and conservatism in cultural policy stem from the fact that, unlike other East European states, the GDR has no genuine, separate national culture. Attempts to fabricate a "proletarian culture" combining ideology, Soviet models, and GDR-specific cultural themes have failed miserably in the face of West Germany's overwhelming influence and the German cultural heritage shared by both states. Disappointed in its attempts to elicit an active commitment from the populace, the regime has settled for passive acceptance while still showing little tolerance for dissent. Thus, the authorities no longer jam West German television signals—in part because they recognize the value of the escapism afforded the public from such favorite programs as *Dallas* and *Denver Clan*—but Western television remains a private affair not a stimulus for open discussion. [*portion marking not declassified*]

The increasing confidence the GDR displays in international affairs—Honecker's *Westpolitik*—is not replicated on the domestic cultural front by any self-assurance in letting critical voices be heard. Officials such as Ursula Ragwitz, head of the Central Committee's Cultural Department, seem incapable of seeing culture except in "socialist realism" terms: culture is meant to transform society, promote identification with the state, and secure the party's grasp on power. [*portion marking not declassified*]

This does not exclude the possibility of debate within the party leadership. Indeed, there is evidence that some younger, lower-level SED bureaucrats would welcome some of Gorbachev's dynamism in the party. In mid-November, the East German media announced the suicide of Hans Koch, Director of the influential Institute for Marxist-Leninist Cultural and Artistic Sciences in the party's Academy for Social Sciences and a key player in cultural policy. It is almost unheard of that the suicide of a leading figure in the party is announced, and, [*4 lines not declassified*].

Outlook

We have little reason to believe that the GDR will begin to imitate Soviet-style *glasnost* any time soon. (Even the unusual frankness in announcing Koch's suicide appears primarily defensive rather than a bow to the new style. The leadership probably wanted to avoid a repetition of the situation after an ambiguous death announcement following the suicide in June 1986 of Dean Reed, an American expatriate political balladeer and long-time resident of the GDR, led to rumors that the secret police had done him in). Being out of step with Gorbachev over time carries its risks, but Honecker evidently believes that *glasnost*, if applied to the GDR as an invitation to criticize, would be an immediate threat to internal order. The East Germans might also be taking

a wait-and-see attitude in anticipation that Gorbachev's shakeup like that of Kruschchev will be reversed by Soviet conservatives. [*portion marking not declassified*]

293. Telegram From the Embassy in the German Democratic Republic to the Department of State and Multiple Posts¹

East Berlin, June 5, 1987, 1445Z

2117. Subject: GDR Protests President's Comments on Berlin and Germany. Ref: 85 Berlin 1202.²

1. Confidential—Entire text.

2. Summary: The GDR Foreign Ministry called in Chargé June 4 to receive a protest against recent statements by President Reagan on Germany and Berlin described by the GDR as calling for the reunification of Germany, an end to the Berlin Wall and charging the GDR with attempting to restrict movement in Berlin by diplomats. The MFA also protested against remarks made at an Aspen Institute seminar by US Minister John Kornblum "slandering" GDR Politburo member Hermann Axen for what Axen had said about the U.S. in a 1985 speech. End summary.

3. Barth, Director of the USA, Canada and Japan Department, MFA, called in Charge June 4. Poetschke and interpreter were present on GDR side; PolOff Sandford was notetaker for U.S. Barth gave MFA's views on remarks he said had been made by President Reagan in interviews on May 27³ and June 3.⁴ Barth described the GDR as astonished at the President's words on reunification of Germany, which he claimed do not reflect the realities. Reading from a prepared text, Barth stated that capitalism and socialism cannot be reunited and that the existence of two German states is an essential element of stability in Europe and in the international balance of forces. He cited the joint statement by

¹Source: Reagan Library, Rudolf Perina Files, Subject File, GDR (German Democratic Republic)—Bilateral 1987. Confidential. Sent Priority to the Department of State. Sent to Bonn, Hamburg, and West Berlin.

²Telegram 1202 from East Berlin, April 16, 1985, reported the harsh language with regard to U.S. policy used by Politburo member Axen at the 40th anniversary ceremonies celebrating the liberation of Sachsenhausen and Buchenwald concentration camps. (Department of State, Central Foreign Policy File, D850261-0245)

³The text of the May 27 interview is in *Public Papers: Reagan, 1987*, Book I, pp. 568–573.

⁴June 3 is a typographical error. Reagan provided written responses to a West German newspaper on June 2. See *Public Papers: Reagan, 1987*, Book I, pp. 605–607.

Chancellor Kohl and Chairman Honecker of March 12, 1985, as setting forth the principle that inviolability of frontiers and respect for territorial integrity and sovereignty within presently established borders are fundamental conditions for peace. The importance of this principle, Barth added, is also reflected in the Helsinki Final Act.

4. Referring to the President's statement that the Berlin Wall should come down, Barth insisted that questions regarding the "state border of the GDR" are its own affair, and that the GDR rejects any attempts to interfere in its affairs. Moreover, he said, assertions made about the GDR restricting diplomats' freedom of movement within Berlin do not accord with the facts; the U.S. Embassy must know this best of all.

5. Barth went on to protest remarks he said had been made by Minister Kornblum at a conference of the Aspen Institute in West Berlin on May 15–17, entitled "The GDR Today." These remarks, Barth said, were insulting and untrue concerning a speech made by GDR politburo member Hermann Axen at the Buchenwald concentration camp site in April 1985. The MFA was of the opinion that such statements by a senior U.S. official not only slandered a GDR politician and anti-fascist, but can disturb and poison East-West relations. Moreover, Barth added, after his speech Axen had received many letters from U.S. citizens thanking him for mentioning the contribution of American soldiers to the liberation struggle.

6. Charge responded that he had not received a text of the President's June 3 interview remarks, and was not familiar with the May 27 speech to which Barth referred. From news reports we had read of the June 3 speech, it appeared the President had spoken about reunifying the four sectors of Berlin, which had always been our policy. Even if we had received the text of the President's remarks, we would not discuss them with the GDR. Charge reminded Barth that in our view Berlin matters are appropriate solely for quadripartite discussion. They do not form a part of the bilateral dialogue. This did not mean, however, that GDR attempts to change the quadripartite status of Berlin or to diminish allied rights in Berlin have not had a damaging impact upon U.S.-GDR relations. Clearly they have.

7. As for Minister Kornblum's remarks, Charge said he did not know what Kornblum had said but reminded Barth that the USG had strongly protested to the GDR following Axen's Buchenwald speech attacking the United States. Minister Kornblum had been Director of Central European Affairs in the State Department at that time and knew very well what the U.S. had said on the subject of Axen's speech then.

8. Barth replied that he took note of Charge's comments, and wanted to reemphasize the GDR's continuing interest in developing relations with the U.S., in political dialogue, and in cooperation in areas of mutual advantage. He said: "You know our point of view on Berlin, and we know yours."

9. Comment: We take Barth's demarche as having been made strictly for the record. The GDR may have wanted to put down a marker in advance of the President's Brandenburg Gate speech June 12.⁵ Axen's speech (reftel) had said essentially that the anti-fascist spirit for which American soldiers had laid down their lives in liberating Buchenwald had been sold out to "insane plans for Star Wars" and "megalomaniac plans of an American world domination."

Thompson

⁵ For the text of the speech, see *Public Papers: Reagan*, 1987, Book 1, pp. 634–638. The speech is also scheduled for publication in *Foreign Relations*, 1981–1988, vol. I, Foundations of Foreign Policy.

294. Telegram From the Embassy in the German Democratic Republic to the Department of State¹

East Berlin, June 11, 1987, 1414Z

2179. Subject: Reactions to Street Violence in East Berlin. Ref: EmbBerlin 2140.²

1. Confidential—Entire text.

2. Summary: As further reactions emerge to reports of violence in East Berlin streets over the Pentecost weekend,³ the GDR regime continues to respond defensively. It has rejected FRG protests against

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, GDR [German Democratic Republic]—Substance 1987 (1). Confidential; Priority. Sent for information to Belgrade, Bucharest, Budapest, London, Moscow, Paris, Prague, Sofia, Vienna, Warsaw, Hamburg, Munich, USAFSB Berlin, and USIA. Sent Priority for information to Bonn and West Berlin.

² Telegram 2140 from East Berlin, June 9, reported the violent clashes between police and rock fans at the Berlin Wall. The summary of the telegram reads: "East Berlin rock fans who gathered along the Wall to hear a rock festival in West Berlin have become embroiled in conflicts with police for three nights running, June 6–8. The crowds of people, mainly in their late teens, seem to have intended only to hear the music, but became incensed when police, apparently alarmed by such large crowds near the sector boundary, began pushing them back. Press and other observers report that rocks, bottles, fire-crackers were thrown by the crowd, who also chanted anti-Wall slogans. Police reacted mainly with restraint, despite some violent arrests, and controlled the crowd effectively. Both police and rock fans seem to have wanted to avoid serious violence. The GDR press agency, evidently reflecting the regime's shock, claims Western press reports of clashes with police are a fabrication, and in effect accuses the West Berlin Senat of staging the festival as a deliberate provocation. With the festival past, no further incidents appear likely." (Department of State, Central Foreign Policy File, D870450–0844)

³ June 6–8.

reported brutality to West German journalists by GDR security forces, and published renewed—if in some respects less shrill—accusations that Western provocateurs both instigated the violence and exaggerated it in the media. It also claims there were no arrests, merely “apprehension” of a few rowdies. Such claims are patently false, and reflect the shock and defensiveness of the GDR regime. Church sources anticipate a tense atmosphere when the June 24–28 church convention draws thousands of visitors, including young people, to Berlin, and expect nervous security forces may try to prevent some young people from attending. End summary.

3. Two days after a series of street clashes in East Berlin between rock fans and police, reports of the violence and reactions to it continued to make news. In the face of official East German denials that any such clashes had taken place, Western television stations broadcast videotape showing youth and police in conflict, and West German newspapers reported some 50 young people had been arrested and many beaten by security forces. These reports also mentioned particular brutality to West German journalists on the scene, some of whom claimed they were subjected to repeated beatings and mistreatment by plainclothesmen from the State Security Service (SSD). Medical examinations later revealed injuries to the head, thigh and kidney areas.

4. The FRG Government’s sharp protest against mistreatment of journalists, delivered in East Berlin and in Bonn, was rejected by the GDR. The FRG accused the GDR of violating the Helsinki Accords and a 1972 bilateral agreement which guarantees journalists’ rights and warned that such behavior would burden the development of FRG-GDR relations. The Soviet reaction was also noteworthy. Asked about the fact that the youthful crowds outside the Soviet Embassy on Unter den Linden had chanted Gorbachev’s name and sung the “Internationale” in ironic tones (especially a verse referring to attainment of human rights), a Soviet spokesman in Moscow reportedly gave the cool reply that the USSR could only be pleased at this. He suggested it was a demonstration both of youthful high spirits and of overall East German sympathy with Soviet reforms.

5. Interestingly, government-controlled media in the GDR did not publish or refer to the vitriolic ADN press release issued June 9 (reftel). Both broadcast and print media did, however, carry a June 10 statement by Foreign Ministry spokesman Wolfgang Meyer which made many of the same unfounded assertions in somewhat less strident language. Announcing first the GDR’s rejection of the FRG protest, Meyer went on to accuse Western—especially West German—journalists of exploiting young people’s interest in rock music “for dubious political purposes” and to create a spectacle for TV cameras. A “small group”

in collaboration with Western correspondents which had chanted slogans for the cameras “had nothing to do with the young rock fans who had come to listen to the music,” Meyer insisted. The people’s police had taken all normal precautions to maintain order near the “state border” with West Berlin. There had been no violent conflicts and no arrests, he declared, although individual rowdies and disorderly persons had been “apprehended.”

6. Meyer’s statement did not contain the accusation, made in the June 9 press release, that the West Berlin Senat had planned the rock festival at the Reichstag as a provocation aimed at East Berlin. However, both GDR news broadcasts and Neues Deutschland (ND) followed Meyer’s remarks with an article from an obscure West German newspaper, “Unsere Zeit” of Dusseldorf, which far exceeded the GDR’s own statements in its viciousness. The gist of this article was that right-wingers in the West had provoked and stage-managed the events in East Berlin’s streets in order to thwart the GDR’s “peace initiative” (which allegedly had grown too influential among the West German masses), set the stage for President Reagan’s Berlin visit,⁴ and perhaps sabotage a Honecker visit to the FRG later this year. “So,” the article suggests, “you take a rock festival, place it at the state border of the GDR, turn some batteries of loudspeakers eastward, and organize a few screamers. First, of course, RIAS (the German-language American radio station in West Berlin, which carried the festival live) creates the mood . . . English rock star David Bowie is inspired to shout ‘greetings’ to ‘the friends on the other side of the wall’ over the microphone.”

7. ND’s June 11 editorial column followed the Meyer statement and the “Unsere Zeit” article with a “TASS” report entitled “Bonn lends a hand to revanchists.” This report describes the messages of greeting sent by Chancellor Kohl and Inner-German Affairs Minister Wilms to a meeting of the Silesian “Homeland” organization planned for June 20–21 in Hanover. It quotes the Greens as condemning the organization for persistently raising territorial claims against “neighboring socialist states.” A front-page article from the same ND issue, reported septel,⁵ portrayed a regime of police repression being created in West Berlin in preparation for President Reagan’s visit.

8. Comment: The GDR regime is obviously appalled at the recent events in East Berlin and is reacting with instinctive defensiveness and suspicion. There is doubtless a great deal of scapegoating going on

⁴ June 11–12.

⁵ Telegram 2193 from East Berlin, June 12, reported on the ND article. (Department of State, Central Foreign Policy File, D870462–0458)

among the GDR leadership just now, and the most convenient scapegoat for all concerned is the West. References to West German revanchism (a term the GDR normally avoids) and police repression in West Berlin have the added attraction of a tit-for-tat: there have been other indications lately that the GDR sees Western reporting of its internal troubles as a provocation requiring a punitive response.

9. To set the record straight, it is true that David Bowie and at least one other singer did greet East Berlin listeners during their performances, and that the festival was carried live over RIAS, which has a large following among rock fans on both sides of the Wall. It is also true that the presence of Western journalists with cameras tended to excite the crowds on the streets in East Berlin—this common crowd-camera dynamic was observed by EmbOffs at the scene during the disturbances. That said, the claim that Western journalists deliberately incited the crowds or even organized a “small group” of rowdies is patently ridiculous: the crowds were there well before the journalists and were obviously acting spontaneously and more or less unanimously. Moreover, if people being beaten and stuffed screaming into police cars is an “apprehension” rather than an “arrest,” we see no difference from the point of view of the victims. As noted in refetel, though, such incidents were the exception rather than the rule, and overall police behavior as we observed it seemed calm and professional.

10. More significant than the disturbances themselves may be the GDR’s longer-term reaction to them, including its domestic reaction. The Evangelical Church of Berlin and Brandenburg is holding a church convention (Kirchentag) June 24–28 which it hopes will attract several thousand young people from around the GDR, including young people. Moreover, dissidents and political activists within and without the church are planning a “counter-Kirchentag” for the same period, which may involve occupation of a church building and will certainly produce politically provocative events and speeches.

11. One young pastor has told us of being visited by state authorities who were obviously concerned about the potential for trouble. According to his impression, the regime takes literally some of the remarks made by East Berlin demonstrators alluding to the recent Kreuzberg riots, and fears that instigators from Kreuzberg will come over to East Berlin and link up with troublemakers here to create new incidents during the Kirchentag. He surmised that railway police may try to intercept suspicious-looking young people on the way to Berlin, as they have done prior to previous youth events which worried them.

12. All the church sources we have been able to talk with here seem to expect a tense atmosphere for the Kirchentag, with security forces especially on edge. It will be useful to watch for reports of young people being turned back at sector crossings from West Berlin during the

week of June 22, and for any other measures the authorities may take to try to foreclose potential trouble before it develops. End comment.

13. Moscow minimize considered.

Meehan

295. Telegram From the Embassy in the German Democratic Republic to the Department of State¹

East Berlin, June 17, 1987, 1256Z

2250. Subject: GDR Dissidents Detained During President's June 12 Visit. Ref: EmbBerlin 2179.²

1. Confidential—Entire text.

2. Summary: A GDR dissident has told EmbOff that some known dissidents were detained by security forces during President Reagan's visit to Berlin June 12. He said plans for a "church convention from below" June 24–28 are proceeding despite increased danger of conflicts with police. End summary.

3. EmbOff contacted human rights activist Ralf Hirsch June 16 for an update on activities of Hirsch and his circle, especially since the Pentecost street clashes in Berlin. Hirsch confirmed that the street incidents had been spontaneous and apolitical at first, although by the third night of the violence (June 8) political dissidents had become aware of what was happening and were on hand to observe.

4. Hirsch also confirmed that East Berlin police have been quite nervous since the violence occurred, particularly on June 12 when President Reagan visited Berlin. He showed EmbOff a scab on his forehead which he said he had acquired while scuffling with plainclothes security officers ("Stasi") who tried to detain him when he left his home June 12. Hirsch said he was on his way to an important meeting with some Western journalists at the time and did not want to be detained or followed, so he wrestled free of the Stasi goons and gave them the slip. In the course of the fracas, though, he was thrown against a fence and hurt his head.

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, GDR (German Democratic Republic)—Substance 1987 (1). Confidential; Priority. Sent for information to Belgrade, Bonn, Bucharest, Budapest, Moscow, Prague, Sofia, Warsaw, Vienna, West Berlin, Hamburg, USAFSB Berlin, and USIA.

² See Document 294.

5. Other known dissidents with whom Hirsch had spoken—Wolfgang Templin, Baerbel Bohley and Werner Fischer—were also subjected to heavy surveillance June 12 and were detained by the Stasi as soon as they tried to leave home. The Stasi picked them up about 2:00–3:00 p.m. and held them without explanation at a facility on Alexanderplatz (probably the Berlin police headquarters) until about 9:00 p.m., when they were released without comment, according to Hirsch.

6. Hirsch admitted in response to EmbOff's questions that organizers of the "Kirchentag von Unten" ("church convention from below") June 24–28 are aware of the heightened potential for confrontation with police in the current tense atmosphere in Berlin. However, Hirsch said, "none of the arrangements will be changed." Hirsch believed that negotiations were still going on to determine whether church authorities will offer "Kirchentag von Unten" organizers a satisfactory meeting place, in order to forestall threatened occupation of one of the churches planned as a center for the regular Kirchentag.

7. Moscow minimize considered.

Meehan

**296. Telegram From the Department of State to the
Embassy in the German Democratic Republic¹**

Washington, June 21, 1987, 0719Z

191088. Subject: GDR Embassy Official on East-West and US-GDR Relations.

1. GDR Embassy Political Counselor Birgel invited GDR Desk Officer Lane to lunch June 18 to discuss bilateral and East-West issues.

2. Birgel posed a series of questions about the President's June 12 Berlin speech. He wondered if the speech's harsh treatment of the GDR and the Wall, coupled with our recent terrorism demarche,² signalled

¹Source: Reagan Library, Rudolf Perina Files, Subject File, GDR (German Democratic Republic)—Substance 1987 (2). Confidential. Sent for information to Bonn, West Berlin, Moscow, Budapest, Bucharest, Prague, Sofia, Seoul, and Belgrade.

²Telegram 157349 to East Berlin, May 22, instructed the Ambassador to deliver a demarche to the highest Foreign Ministry official regarding East German support of terrorist group Abu Nidal. (Department of State, Central Foreign Policy File, D870644–0807)

a new hardening in bilateral relations, one directed by a White House responding to right wing criticism of President Reagan's rush to an arms control agreement. He asked plaintively whether Reagan's call to Gorbachev³ (rather than Honecker) to tear down the Wall was prompted by US policy toward Berlin or simply done to snub the GDR Government. He inquired further if the President's reference to German reunification had been toned down, as alleged in some press accounts, and whether "the softer approach" represented a change in US policy. Finally, he asked if the reference to North Korean participation in the 1988 Olympics as an example for greater Berlin hosting future Olympic games represented a subtle change in US policy toward North Korea (sic).

3. On broader East-West issues and GDR relations with the Soviet Union, Birgel foresaw for the mid-term greater cooperation between the GDR and Western European countries in the event of an INF agreement and conventional arms reductions. He likewise envisaged social changes in the GDR, although he supplied no specific examples. Hungarian economic reforms were not a good prototype, given that country's current problems, he opined. Nor did he expect GDR guest workers in Western Europe.

4. Birgel claimed the Western media exaggerated GDR concerns about Gorbachev's reforms. He admitted many GDR citizens were intrigued by glasnost, and alluded to rock concert listeners who had chanted the Soviet leader's name in the streets of Berlin. In a vague, rambling and, at times cryptic elaboration, Birgel said some GDR bureaucrats have sought to identify themselves with Gorbachev and his program in order to advance their own position. He himself again expressed interest in seeing GDR society open, but at a slow and calculated pace. Birgel suggested GDR bureaucrats wrapping themselves in Gorbachevian cloth have thought little about the consequences of such reforms in the GDR.

5. In response to a question about the recent Warsaw Pact summit in Berlin, Birgel hinted he had heard Gorbachev alone had decided against a unilateral troop withdrawal. The proposal could always be revisited, Birgel noted.

6. Moscow minimize considered.

Armacost

³ See footnote 3, Document 293.

297. Telegram From Secretary of State Shultz to the Department of State and the Embassy in the German Democratic Republic¹

New York, September 30, 1987, 0813Z

Secto 15051. Subject: UNGA: Secretary's Bilateral With GDR Foreign Minister Fischer.

1. Secret—Entire text.

2. Summary. During September 23 meeting with the Secretary, GDR Foreign Minister expressed hope that improved US-Soviet relationship stemming from the Shultz-Shevardnadze meetings² would lead to further progress in relations between the US and East Germany. The Secretary responded that we share this hope, but that progress will be determined basically by movement toward solution of specific problems. The Secretary specifically cited movement on claims issues, as well as human rights cases, real dialogue on terrorism and modification of East German behavior in Third World hot spots as examples of the types of issues on which we want to see movement. Fischer said he hoped that US would provide its comments on latest GDR trade list in time for visit to East Berlin by Deputy Secretary Whitehead in early November. End summary.

3. The Secretary opened the conversation by noting that it took place in the aftermath of the Honecker visit to the FRG, an event which had attracted a lot of media attention. Fischer replied that this attention was deserved. He congratulated the Secretary on the results of the meetings with Shevardnadze, and expressed hope these results would be implemented. If this occurred, the US-Soviet talks the previous week will be seen as a historical turning point. In a lengthy recital, Fischer stressed how the Honecker visit would contribute to the same process of strengthening peace and promoting disarmament. He wished the Secretary all the best in his upcoming trip to Moscow.³

4. The Secretary thanked Fischer for his wishes and said he wanted to speak about US-GDR bilateral relations. When he and Fischer had last met three years ago,⁴ we had seen opportunities for making progress through solving specific problems. Since then we have made some progress on these bilateral problems, but much remains to be done. He said we are ready to continue to work with the GDR and noted

¹ Source: Department of State, Central Foreign Policy File, D870804-0820. Secret; Immediate. Sent Immediate for information to Bonn and West Berlin.

² The meeting took place on September 24. See *Foreign Relations*, 1981-1988, vol. VI, Soviet Union, October 1986-January 1989, Document 78.

³ October 22-23.

⁴ See Document 274.

that we were having a series of high level contacts in which these matters were being discussed. GDR Deputy Foreign Minister Nier had visited Washington in the spring for consultations;⁵ Assistant Secretary Ridgway had been in East Berlin in July;⁶ finally, Deputy Secretary Whitehead would travel to the GDR in early November.⁷

5. The Secretary noted that there were a number of positive developments in the GDR which we welcome:

—Over one million GDR citizens under pension age were being allowed to visit the West this year;

—The GDR had permitted the reestablishment of a rabbinate in East Berlin, which we see as welcome evidence of religious tolerance;

—Movement had occurred in the inner-German relationship, a development which we support;

—The handing over of an informal paper on US-GDR relations to Assistant Secretary Ridgway during her July visit;⁸ we will shortly be providing our reactions to this paper.

6. The Secretary added that we must also speak about the problems that burden the relationship:

—Human rights. We have raised this problem before, and the GDR has taken action on some issues, but as a general matter the problem remains. We have given the GDR lists of family reunification and binational marriage cases which we request be resolved and will hand over a new list.

—Jessa family. This was a specific family reunification case. The family had applied to emigrate in December 1986 and has a brother living in Chicago. In August of this year the family was refused permission to emigrate and no reason for the refusal was given. (On this case Fischer asked for specifics in writing and promised to look into what could be done, noting that he had been able to resolve a similar case following his last meeting with the Secretary. This information is being provided to his staff; a comprehensive list of current permanent family reunification and binational marriage cases will be provided to the GDR at an early date.)

—Claims and trade. We want to move in parallel on these issues. We are disappointed by the absence of progress on official claims. On

⁵ April 17.

⁶ July 23–25. Telegram 2781 from East Berlin, July 28, conveyed to the Department the draft reporting cables from Ridgway's visit. (Department of State, Central Foreign Policy File, D870598–0750)

⁷ November 10–11.

⁸ The non-paper addressing the broadening of bilateral relations was transmitted to the Department of State on August 5 from East Berlin in telegram 3035. (Department of State, Central Foreign Policy File, D870630–0266)

Jewish claims, we were encouraged by Rabbi Miller's report of his recent conversation with Fischer.⁹ It appears that a solution to this problem may be in sight. We would be very pleased by such a development. For our part, we are reviewing the GDR's latest trade list on an expeditious basis and will inform the East Germans when the review is finished. Fischer stressed the importance of receiving the U.S. comments on the trade list prior to Deputy Secretary Whitehead's arrival in early November.

—Terrorism. This is one of a broad range of issues on which we wish to engage the GDR. Presently there is not much dialogue and the GDR needs to decide whether it wants to work with us on this major international problem. Fischer replied that this is one of the eight points covered in the paper the GDR gave the US in July. The GDR is as ready to discuss terrorism with us as it is on such topics as drug abuse and AIDS.

7. Returning to the theme of East-West relations, the Secretary said he sees an interplay between the development of ties between the US and the Soviet Union and the evolution of relations between the US and East Germany. This interplay can work in both directions. If we solve problems with the Soviets, this will help create more favorable conditions for moving the US-GDR relationship along; conversely, progress in solving US-East German relations has favorable side effects in our work with the Soviets. Fischer responded stiffly that the US must recognize that progress in bilateral US-GDR relations will necessarily take place against the background of each country's membership in its respective alliance. If this is understood, realistic progress is possible.

8. The Secretary asked Fischer for his assessment of Gorbachev's reform program in the Soviet Union. Fischer said his government finds developments in the USSR to be positive, and he recalled that Honecker had wished Gorbachev well with his program. The GDR has no worries concerning developments in the USSR. He added that each country must conduct its affairs on the basis of its own realities. In the Soviet parliament, for example, there are only two groups—party members and non-members. On the other hand, in the GDR there are 5 parties and 10 factions in the Volkskammer. Implying that the GDR has been practicing glasnost for a long time, Fischer said the proceedings and reports of the Central Committee have been published since the early 1970's.

9. In a final exchange, the Secretary said we would provide the GDR with our comments on their trade list prior to Deputy Secretary Whitehead's November visit. Fischer welcomed this comment and said we need to move from discussion of issues to concrete accomplishments. He said he wished to add a point to the eight points that

⁹Not found.

had been covered in the informal paper given to Assistant Secretary Ridgway in July. This was that parliamentary exchanges should be held on a regular basis. He hoped, for example, that the foreign affairs committees of the respective parliaments could visit each other.

10. Comment: Fischer clearly seemed to be hoping that the Secretary would respond to his rosy description of prospects for bilateral relations in a similar vein. He appeared somewhat taken aback by the Secretary's sober and businesslike emphasis on tangible progress on a broad range of issues. In a comment to the EUR/CE Country Director following meeting with the Secretary, Fischer stressed the importance of getting US comments on the trade list as the key to settlement of Jewish claims. He heatedly exclaimed: "We won't give anything in exchange for no action on your side." End comment.

11. Fischer was accompanied at meeting by Washington Ambassador Herder, PermRep Ott, Chief of Cabinet Niklas, and an interpreter. On US side were Assistant Secretary Ridgway, Assistant Secretary Redman, and EUR/CE Director Shostal, and an interpreter.

Shultz

298. Information Memorandum From the Assistant Secretary of State for Intelligence and Research (Abramowitz) to the Deputy Secretary of State (Whitehead)¹

Washington, November 3, 1987

SUBJECT

How Honecker Copes with Soviet Reforms and Westpolitik

The attached study concludes that the example of perestroika and its own more active diplomacy in the West have prompted the East Berlin regime to liberalize some aspects of its social policy. Honecker still clings to the GDR's centralized economic model, although pressures for CEMA integration and a growing need for Western economic contacts are prodding him towards decentralization. Meanwhile, the aging leadership must contend with a more assertive youth and ambitious

¹ Source: Department of State, Official Correspondence of Deputy Secretary of State John C. Whitehead, July 1982–January 1989, Lot 89 D 139, EE Trip: Belgrade, Yugoslavia—November 13–14. Secret; Noform; Nocontract; Orcon. Drafted on October 30 by Algis Avizienis (INR).

younger officials pressing for a further easing of regime controls, pressures which likely will grow as GDR ties with the FRG expand.

* * *

The steady Honecker course. Honecker has steadfastly resisted emulating Soviet reforms, preferring to rely on the homegrown approaches to political and economic control, which have served his regime well so far. Instead of "restructuring," the GDR is pursuing what it terms "intensification", i.e. emphasizing technological innovation as the driving force of economic progress. The leadership is averse to drastic market-oriented change and believes the experience of reform-minded countries like Hungary and Yugoslavia proves the necessity of caution.

Pressures for change loom on the horizon. Nevertheless, the GDR's commitment to central planning and its reluctance to ease the grip of the centralized combines over individual enterprises run counter to decentralization trends elsewhere in the bloc. Since this ultimately could complicate Moscow's efforts to forge closer ties within CEMA, Soviet pressure for more GDR conformity in these areas is inevitable.

First signs of reluctant change. Recently announced plans to marginally enhance the independence of combines vis-a-vis higher authorities suggest that the GDR is anxious not to appear too far out of step with Eastern reform currents. The proposed changes, however, are limited to the combines and probably will not affect individual enterprises' freedom of action. In other words, the regime is prepared to consider marginal modifications, but will not restructure the combine system itself.

At the same time, however, the regime is now confronted with an economic slowdown on top of a long-standing need for substantial capital investments to modernize the country's aging industrial base. The GDR evidently calculates that too much anti-reformism could discourage the kind of Western economic cooperation it needs and so has begun to hint at possible liberalization of current foreign trade and joint venture restrictions.

No glasnost as yet. Public impatience with the rigid elements of Honecker's rule is meanwhile growing, reflected in sporadic youth demonstrations and surprisingly open grumbling by lower level officials, frustrated by immobility at the top. Even media staffers voice dissatisfaction with the GDR's opposition to openness—bombastic reports of regime achievements and near-personality cult treatment of Honecker still dominate the media.

Relaxing social repression. In order to contain popular frustrations and simultaneously respond to FRG pressure, Honecker has drastically liberalized regime travel restrictions, allowing a projected 1 million non-pensioners to visit the FRG this year. Restrictions on the social role

of the churches have also been eased gradually over the past several years. Honecker now is signalling that further gestures toward liberalization are possible in exchange for more West German financial assistance and recognition of GDR sovereignty demands.

Attachment

Intelligence Research Report²

No. 131

Washington, October 28, 1987

(U) GDR: How Honecker Copes
With Soviet Reforms and “Westpolitik”

(C) Key Judgments

Perestroika and the imperatives of a more active diplomacy in the West are forcing the German Democratic Republic to liberalize domestic policy on a selective, ad hoc basis. Travel by GDR citizens to the Federal Republic of Germany has surged, and regime treatment of the churches has perceptibly improved. Yet, despite more crossborder movement and pervasive FRG television, *glasnost* has yet to penetrate the East German media.

Economic policy also appears frozen in the cast of the late-1970s reforms. The GDR's commitment to central planning and its aversion to easing the grip of the centralized combines over individual enterprises run counter to decentralization and enterprise autonomy trends elsewhere in the Eastern bloc. In light of Moscow's efforts to forge closer Council for Mutual Economic Assistance (CEMA) ties, greater Soviet pressure for conformity in these areas is inevitable. Recently announced plans to enhance the independence of combines vis-a-vis higher authorities are thus far token gestures to Moscow, but they indicate that the GDR is anxious not to appear totally out of step with Eastern reform currents.

Public impatience with the rigid elements of Honecker's rule is growing, reflected in sporadic youth demonstrations and surprisingly open grumbling by lower level officials frustrated by immobility at the top. If contacts with the FRG continue to expand steadily, as seems likely, domestic pressures for social liberalization are bound to increase.

At the same time, economic slowdown is reinforcing the GDR's need for expanded economic links to the West. The regime realizes that too much anti-reformism could be a liability in attracting Western trade

² Secret; Noform; Nocontract; Orcon. Drafted by Avizienis; approved by Richard Clarke.

partners and has already begun to hint at possible liberalization of its current foreign trade and joint-venture restrictions.

* * *

(C) *High Technology Instead of Perestroika*

With the exception of Romania's Ceausescu, Honecker is the least enthusiastic of all bloc leaders on the subject of *perestroika*. Proud of a long German tradition of socialism and economic achievements, the GDR leadership apparently is convinced it has already found the correct formula for prosperous as well as stable national development.

Senior officials regularly cite their own economic reforms of the late 1970s and the more liberal aspects of the East German system as arguments against the kind of restructuring envisaged by Gorbachev. Instead of *perestroika*, the GDR regime prefers the safer path of "intensification," by which is chiefly meant reliance on high technology as the main engine of economic progress.

(C) *But Adaptation Is Necessary*

Honecker has been obliged, reluctantly, to take account of the powerful impact of the Soviet reform model as well as to modify some policies in furtherance of his own "Westpolitik." He has taken a few steps in the direction of economic decentralization and a greater market role in the economy, but those changes are basically cosmetic. Liberalization on the social front is more perceptible, particularly with respect to freedom of movement, and seems closely linked with GDR efforts to improve relations with the FRG and other Western countries.

But the regime insists on describing these recent policy modifications in terms of continuity with long-established GDR practices and not as a radical break with the past. The conservative Socialist Unity Party (SED) leadership, ever conscious of the GDR's unique exposure to Western influences and of the Western orientation of the citizenry, clearly fears that abrupt changes could undermine the fragile framework of political stability it has labored so long to establish.

The GDR's occasional claim to being more liberal and open than other bloc countries is credible. The GDR has, for example, been promoting private artisans and trade for more than a decade, long before the Soviets began experimenting with expanding their private service sector. It treats religion more liberally than does the USSR; its cultural policies have long been more tolerant than Moscow's; and it has permitted greater East-West movement of people than has the Soviet Union.

A Clash of Leadership Styles

(S/NF/NC/OC) Yet the regime's constant references to its economic successes (arguably the most impressive in the bloc) and rejection of *perestroika* (both economic and social) have created the appearance

of stasis at a time of ferment in the East, and they invite Soviet resentment. Honecker's relationship with Gorbachev reportedly is poor; [*less than 1 line not declassified*] Soviet Central Committee staffer spoke in blunt terms of a "mutual antagonism."

(C) In certain respects, the GDR regime indulges in the kind of Brezhnev-era tendencies Gorbachev has targeted. Honecker is still accorded personality cult treatment: His 75th birthday last August was the occasion for an extravagant media celebration lasting several days. The party daily, *Neues Deutschland*, devoted the bulk of several issues to Honecker greetings and photos.

(C/NF) Honecker also favors the lavish shows that even Bulgaria's Zhivkov now denounces as "pompous displays." GDR events connected with the year-long celebration of Berlin's 750th anniversary were on such a massive and expensive scale that some citizens openly expressed disapproval. Inhabitants of Dresden and other cities flaunted bumper stickers commemorating the anniversaries of their hometowns, and workers angry about shipments of scarce food commodities to Berlin staged at least one work stoppage.

(C) *No Media Glasnost For Now*

Until recently, GDR media were almost totally unaffected by *glasnost*. They still incline heavily toward self-congratulation, preferring bombastic reports of economic achievements to critical evaluation of problems. Given the fact that virtually the entire population has access to West German television, this persistent resistance to *glasnost* is difficult to justify. The East Berlin media, for example, ignored last June's youth disturbances, despite graphic FRG television coverage of the events. Media staffers as well as intellectuals and younger people are surprisingly candid in acknowledging disappointment with GDR news coverage, but well-placed officials do not expect change, given Honecker's personal opposition to openness.

(C) *Straws in the Wind?*

Notable exceptions have, however, appeared in connection with the GDR's current diplomatic offensive in Western Europe. Earlier this year, *Neues Deutschland* uncharacteristically reprinted in full the responses of several West European leaders to letters written by Honecker promoting Eastern disarmament proposals. These responses included explanations of Western disarmament views and criticism of some Eastern positions.

Honecker's FRG trip in early September provided more vivid glimpses of a possibly creeping *glasnost*. The heavy East German coverage featured some sharp critiques of the regime by FRG officials, and the joint communique, published in the East German press, included FRG views on human rights and German unity.

These flashes of openness could very well have been tactically motivated, but they correspond to Honecker's broader approach in linking domestic liberalization (so far largely limited to religious and travel policy) with improvements in the GDR's relations with the West, chiefly the FRG. He seems to be signaling that the GDR is willing to accommodate some Western concerns about domestic repression in exchange for recognition of its legitimacy and expanded economic ties. But whether this *quid pro quo* approach constitutes a durable commitment to more openness is questionable.

(S/NF/NC/OC) *Generation Gap*

The June disturbances, and other scattered protests last summer, suggest increasing public impatience with Honecker's rigidity, especially among youth. Senior officials (many of whom experienced considerable privations in the earlier years) openly complain that today's youth are not prepared to pay the price they did for today's comforts and security. Last March, Honecker went so far as to confide [*less than 1 line not declassified*] that he was concerned about young East Germans' drift toward pacifism and opposition to the Soviet troop presence.

Younger officials reportedly disagree with their seniors about the desirability of *glasnost* and "democratization," and periodically give vent to their frustrations in conversations with Western acquaintances. Early this year, some party organizations of the intelligentsia and younger cadres reportedly were engaging in lively discussions of Soviet domestic reforms, despite injunctions of higher authorities not to do so.

(C) *Relieving Popular Pressures*

It is difficult to gauge the extent of popular impatience with the leadership's seeming inflexibility at a time of change in much of the Eastern bloc. Nevertheless, Honecker has taken a series of ad hoc, preemptive measures to defuse rising frustrations. Recognizing the enormous attraction that travel to the West has for GDR citizens (and bowing to FRG pressures), he has drastically liberalized the regime's travel policy over the past two years. By the end of 1987, about 1 million non-pensioners (in addition to 1.5 million retirees) will have received permission to visit the FRG, whereas only 30,000 younger GDR citizens could travel there annually in the early 1980s.

Moreover, Honecker implied to his FRG hosts in September that further relaxations were likely. Indications this year have been that the categories of those eligible to travel have been continually broadened and now include more youth groups and government officials with access to "state secrets."

New avenues of bilateral contact are also opening for a broad spectrum of the GDR populace. Recent agreements with the FRG on

culture, environmental protection, and scientific-technical cooperation are welcomed by the GDR's cultural and technical elites, which reportedly have long chafed under their isolation from Western counterparts.

(C) *Special Relationship With the Churches*

But in dealing with outspoken critics, Honecker again has shied away from Gorbachev's high-profile approach, preferring instead to build on established GDR practices. In the late 1970s, he adopted a more liberal stance toward religion and allowed the churches to serve as a forum for dissidents and banned artists. This year, that trend accelerated perceptibly:

—A leading GDR Protestant bishop remarked in a *Der Spiegel* interview last May that the Protestant clergy had been successful in intervening on behalf of conscientious objectors and individuals denied travel rights.

—The GDR permitted a Protestant convention to be held in East Berlin last June and tolerated an outpouring of criticism from the participants. An estimated 10,000 fulltime participants and hundreds of Western guests attended the relatively free-wheeling discussion groups and entertainment events, and in an unprecedented move GDR television gave live coverage to the closing ceremonies.

—The much smaller Catholic community held its first national convention in Dresden in July, drawing an impressive 80,000 attendees and setting the stage for bolder-than-usual discussions about the church's social role.

—And on the eve of Honecker's FRG visit in September, authorities did not interfere with an unsanctioned peace march organized by the East Berlin Evangelical Church, apparently the first such unofficial event in the GDR.

Radical Protestant activists view these official gestures, in conjunction with the amnesty announced July 17, as presenting an opportunity to press for more liberalization. The Evangelical leadership, however, meeting in a national synod in late September, opted for a more conciliatory approach, arguing that a confrontational stance would only encourage conservative officials to block further progress.

The Economy

(C) *A Strong Commitment to Centralization.* As recently as September 29, Honecker in an interview with Finnish reporters reaffirmed his confidence in the present GDR economic management system based on combines (large, vertically integrated monopolies which control most phases of production for a given kind of output). He paid tribute to GDR economic reforms of the late 1970s which established the combine system; he opined they would ensure sustained economic achievements through the year 2000.

(C) Honecker cited a host of economic and social achievements (including 4.3 percent growth in national income last year, introduction of advanced computer production, and stable consumer prices) as proof of the soundness of his policies. He pointedly noted that the GDR had accomplished all this “without structural crises or social disruptions,” an apparent reference to fears in Eastern Europe that Gorbachev’s ambitious “restructuring” campaign risks social instability. Other ranking GDR officials have privately echoed this aversion to radical change, occasionally pointing to the problems encountered by such reform-minded countries as Hungary and Yugoslavia.

(C) *Nervousness About Appearance of Inflexibility.* Honecker did, however, reveal some sensitivity to the increasingly obvious divergence between his centralized combine management system and the growing trend toward enterprise autonomy in much of the rest of the bloc. He pictured the highly centralized combines as genuinely autonomous economic units able to carry out most of their research, financing, and production tasks with their own resources. He sought to dispel the image of rigidity by claiming that the GDR had always been open to improvements in “management, planning and economic cost accounting.”

(C) In a subsequent article on the Soviet Revolution in the SED’s ideological journal, Honecker was more specific about what new steps the regime has taken, citing the recently increased role of prices and credit in the GDR economy. He went a small step further in an interview with Belgian journalists and denied that Soviet experience was inapplicable to the GDR, asserting that “friends” can always learn from one another.

(C) *GDR Economic Structure—a Brake on CEMA Integration?* Honecker’s reluctance to restructure the GDR’s homegrown central planning system ultimately will be difficult to sustain as Gorbachev and other reform-minded bloc leaders slowly move to decentralize their national economies and introduce more market-based ties among the CEMA states. The GDR Ambassador to the US touched on this problem in a June 30 meeting with Assistant Secretary of State for European Affairs Ridgway³ by noting that further integration of CEMA economies was complicated by the members’ increasingly disparate economic policies.

(C) The CEMA economic secretaries conference in Sofia in September highlighted some of the frictions the GDR had been facing by noting the necessity of “harmonizing” the mechanisms of national economies to facilitate more efficient CEMA-wide operations. The gathering examined the course of restructuring in the member countries’

³ No memorandum of conversation of this meeting was found.

national economies, an exercise which must have been disagreeable to the anti-*perestroika* parties.

(C) One reason Honecker is skeptical about Moscow's campaign for closer CEMA cooperation and direct enterprise links is his concern that these new ties could bring even greater outside intrusion into the tightly controlled GDR economy. For example, direct cooperation between East German enterprises and their counterparts in other CEMA countries, should the latter become more autonomous, will run up against the GDR firms' obligation to defer many decisions to combine management and still higher state authorities. The GDR could then be vulnerable to pressures from CEMA partners to reduce the power of the central ministries over the affected combines or of the combines over their subordinate enterprises.

(C) Premier Willi Stoph highlighted GDR fears on this score when he invoked the principles of "self-determination" and "complete equality" in his address to the 43rd CEMA Conference on October 13. In paying tribute to enhanced CEMA cooperation, he carefully reasserted the role of ministries, combines, and central planning organs.

(S/NF/NC/OC) *The Solution: Strengthen Combine Autonomy*. There are signs the Honecker regime has begun, reluctantly, to consider some modest modifications. Economics Secretary Mittag reportedly told [*less than 1 line not declassified*] in August 1986 that the GDR would allow more decentralized investment decisions in response to Moscow's reforms.

(S/NF/NC/OC) Another senior economic official, in a meeting [*less than 1 line not declassified*] last April, provided more details, indicating that, as of January 1, 1988, some combines are to receive expanded autonomy in investment decisions. Investments of less than 5 million Deutsche marks would be the responsibility of combine management; larger investments would need the approval of higher authorities. The official said the regime was planning more ambitious steps, so that ultimately nearly all investment choices would rest with the combines.

(S/NF/NC/OC) Speaking at the party's June plenum, Politburo member Horst Dohls unveiled these plans and specified that initially only 17 combines would receive broader self-financing rights. An article in the party ideological monthly *Einheit* subsequently stressed that these changes represented merely a continuation of adaptations the party had made over the years.

(C) The measures under consideration apparently are limited to the combines only and probably will not affect individual enterprises' freedom of action. Other announced changes include plans to provide more incentives to private entrepreneurs and expand the use of performance criteria in determining wages to another 400 enterprises. These moves suggest that Honecker is ready to consider marginal modifications if pressed, but that he is unwilling to alter the combine-based system itself.

(S/NF/NC/OC) *Western Trade Considerations Argue for Domestic Adjustments*. It is noteworthy that the above-mentioned GDR official seemed [less than 1 line not declassified] to convince [less than 1 line not declassified] that his country was not impervious to economic reforms. Similarly, a SED economic specialist predicted [less than 1 line not declassified] last December (prematurely, as it turned out) that a joint-venture law would be enacted in the summer. GDR economic officials [less than 1 line not declassified] in September also reportedly expressed interest in gradual reforms.

(C) The GDR leadership, currently seeking expanded economic contacts with the industrialized West—the FRG in particular—may calculate that the appearance of hostility to reform could be a liability. Honecker himself is frequently confronted with embarrassing questions from Western journalists about his resistance to *perestroyka*. During his visit to the FRG, he and his accompanying entourage heard repeated criticism from local business leaders who targeted the GDR's rigid foreign trade administration as an obstacle to increased inner-German trade.

(S/NF/NC/OC) *Joint Ventures in the Offing?* Perhaps in response, Mittag hinted at prospects for flexibility. [less than 1 line not declassified], he praised existing “well-established forms of cooperation” with West Germany and stated that the regime would look toward “new forms of cooperation.” [less than 1 line not declassified] Mittag claimed that the GDR was studying a number of joint-venture proposals.

(C) It is unlikely that the GDR is reconsidering its ideological opposition to joint ventures with Western firms, though more direct contacts between firms might be in the offing. Inner-German trade to date has been limited primarily to simple purchase and sale of commodities, to the virtual exclusion of enterprise-to-enterprise cooperation.

(C) There are, however, two exceptions: Volkswagen, which has a license to begin producing motors for GDR domestic autos in 1988, and the Salamander firm, which provides technical know-how for GDR shoe production. These might serve as models or encourage the regime to experiment with more direct forms of cooperation between combines and Western firms as one way of overcoming the stagnation in inner-German trade of the past three years.

(S/NF/NC/OC) *A Growing Need for FRG Economic Links*. Honecker clearly wants to stimulate GDR-FRG trade, in part because the GDR badly needs investment to modernize an aging industrial base and because East Germany's economic performance has sagged lately (growth slowed in the first half of 1987 to 3 percent, the lowest semi-annual rate since 1982). Accordingly, he took with him to the FRG a sizable economic delegation, which included the directors of 23 combines. [less than 1 line not declassified] the visitors submitted a hefty package of requests for economic assistance, including at least 800 million Deutsche marks in new trade credits.

299. Telegram From the Embassy in the German Democratic Republic to the Department of State¹

East Berlin, November 11, 1987, 1630Z

4760/Depto 6016. Subject: Deputy Secretary's Meeting With GDR Foreign Minister Fischer.

1. (Confidential—Entire text.)

2. Summary: Deputy Secretary Whitehead began his Berlin visit by meeting for two hours November 10 with GDR Foreign Minister Oskar Fischer. They agreed that relations should be improved and identified an 11 point agenda that needed to be addressed, but Fischer showed little imagination or new flexibility on the main U.S. concerns including, claims and trade, family reunification, and the Wall and related human rights matters. He did provide an assurance that the Jessa case² has been resolved and said that he believed expert discussions on countering terrorism would be useful. He raised several points of his own, including a desire for a bilateral cultural agreement and concern about the fishing arrangement and the limitations imposed by the U.S. on the travel of GDR diplomats. End summary.

3. The Deputy Secretary and Foreign Minister agreed to concentrate on bilateral issues and address international questions at dinner. The Deputy Secretary addressed eight issues of concern to the U.S: claims; family reunification; international terrorism; GDR activities in the Third World; trade; the Wall; emigration; and USIA's desire to hold an exhibition on filmmaking in Berlin in 1988. Foreign Minister Fischer added three points: cultural ties; treaty relations, especially fishing; and restrictions on the travel of GDR diplomats in the U.S. At the end of the two-hour session, they agreed that they had identified an agenda on which further work was required to give bilateral relations an important positive impetus. It would not be possible to agree on all items, they noted, but the goal should be for each side to become more predictable for the other, for relations to become more stable, and for progress to be made on a step by step basis.

4. Also participating were, on the U.S. side, the Ambassador, Deputy Assistant Secretary Bodde, the DCM, staff assistant Kelly, and the Political Counselor (notetaker); on the GDR side, Deputy Foreign Minister Nier, Ambassador Krabatsch, head of the Department for Basic Questions and Planning, Ambassador Birch, Deputy Director of

¹ Source: Department of State, Central Foreign Policy File, D870930–0393. Confidential. Sent for information to Eastern European posts collective, Bonn, Moscow, Vienna, USAFSB Berlin, and USDel NST Geneva.

² See Document 297.

the U.S.A., Canada, Japan Office, Dr. Reemer, U.S. Desk Officer, and Manfred Niklas, head of the Foreign Minister's personal staff.

5. General Assessment—

Fischer said that Mr. Whitehead's visit signified that the two sides had already achieved much in a relationship often characterized by ups and downs. He believed that the relationship would in future follow a road that, while not always smooth, would go forward. The Deputy Secretary said that he had come to say that the U.S. desired better relations and believed that there could be rapid improvement if the GDR was ready to respond to our concerns. He said that he would describe those concerns frankly, not in a critical spirit, but so that the GDR would understand our positions and what was required for the relationship to move ahead.

6. At the end of the discussion, the Deputy Secretary and the Foreign Minister agreed that they had laid out a clear agenda, but that to resolve problems which had accumulated over years would require many follow-on sessions between embassies and ministries. Each side had acquired a better assessment of what the other side thought and required, however, and this boded well for a maturing relationship. The Deputy Secretary noted that some of the problems represented deep differences but others could be solved with mutual good will. Fischer characterized the session as frank and constructive and said the two sides should proceed realistically.

7. The eight items which the Deputy Secretary elaborated included: Claims—

These, the Deputy Secretary noted, included both the Jewish claims Rabbi Miller was negotiating and official U.S. claims. He noted that a settlement was also connected with the question of expanded trade. Claims had been on the agenda a long time, and a quick settlement would be important.

8. Fischer explained that the GDR did not consider claims to include wartime reparations. The GDR's reparations obligations, as laid down in the Potsdam Agreement, had been met by the payment of reparations to the Soviets. What was involved now, he said, were official U.S. claims and Jewish claims. With respect to the former, the GDR could—he emphasized "could"—produce its own claims against the U.S. Nevertheless, he said, the established negotiating channel should be actively pursued.

9. The GDR had taken the initiative on Jewish claims, the Minister said. Honecker initially made a symbolic offer, which the Conference on Jewish Material Claims rejected. Subsequently, the Minister took up contact with Rabbi Miller, whom he has met regularly for several years. The GDR was true to its anti-fascist legacy, he said, and was prepared

to give help where it was needed. A point had been reached where it appeared that it would be possible to make available to the Conference on Jewish Material Claims a part of the funds that might become available if trade arrangements could be improved.

10. The Minister said that the GDR had looked carefully at what it wanted to export to the U.S. and had responded quickly to the U.S. request for a list of possible trade items. A long time elapsed before the U.S. was able to respond.

11. Now that the U.S. had answered, the Minister said, he looked at the overall trade/claims situation with confidence. He believed that the political problems had been resolved and that what remained were technical, commercial points that should be resolved by experts. He would continue to keep the matter under his control, however, because he wanted to be able to provide a political impetus as needed and because he did not want to put aside his relationship with Rabbi Miller, which had grown beyond the narrowly professional.

12. Family Reunification—

The Deputy Secretary expressed pleasure at progress achieved but said there were still important cases that had not been resolved, and he asked specifically about the Jessa family, whose situation had been raised by the Secretary in September.

13. The Minister said that the GDR had always acted on the principle that families should be reunited. It fulfilled its Helsinki Final Act commitments, but its policy predated that document. There was, of course, a need to ensure that all technical requirements for family reunification were met. Those technicalities were the responsibility of the Consular Department, and he would normally have to ask that department about specific cases. He was pleased, however, to be able to tell Secretary Shultz that the Jessa case has been settled.

14. The GDR tried to be responsive, Fischer said. He recalled that at an earlier meeting with the Secretary, he had been asked about a symphony orchestra conductor, whose case was resolved before the Minister left New York. The Jessa case was more complicated and had thus taken longer, but it was now resolved. Comment: The Deputy Secretary did not raise the Semler case because the Embassy had been informed authoritatively earlier in the week that the family withdrew its application in July (septel).³ End comment.

15. Terrorism—

The Deputy Secretary called this a world scourge. The U.S. wanted to have closer relations on how best to combat this scourge, including regular discussions among experts.

³Not found.

16. Fischer said that he agreed terrorism was a scourge for the entire world. He described at length how the GDR allegedly sought to assist the U.S. after the 1986 La Belle disco bombing in West Berlin. The GDR had sought to impose tighter controls over its state border to West Berlin, he said, by substituting passports for the identity cards issued by the Foreign Ministry. It wished to do this because it knew that the identity cards were more easily misused or counterfeited and thus were not a certain way to ensure that no unauthorized person misused the opportunity to cross between the GDR's part of Berlin and West Berlin essentially free of controls. The new passport regime would not have applied to the Four Powers, he said, but nevertheless the U.S., UK, and France had objected that the GDR was trying to change Berlin status. This had not been the GDR's intention, he said, so it went back to the identity card system, but this was a case where the U.S. had not wanted the GDR to take effective measures to guard against terrorism. A chance had been lost to set up reliable guards on both sides of the state border and to prevent the GDR's part of Berlin from being a possible refuge for terrorists.

17. Comment: This description of the 1986 dispute over the use of identity cards or passports at Checkpoint Charlie was disingenuous. The original GDR effort, for example, was indeed to require also U.S., British and French diplomats to use passports. End comment.

18. Fischer said that he was favorable to the idea of expert discussions on counter-terrorism. The Interior Ministry, not the MFA, was the competent ministry, but he would undertake to speak quickly to his counterpart and believed he could get a positive answer as quickly as November 11.

19. GDR Third World Activities—

The Deputy Secretary expressed concern about GDR activities and association with undesirable actions of the Soviets in areas such as Angola and Nicaragua, which the U.S. believed were not in the interest either of peace or of the GDR's reputation in the West.

20. The Minister said that he would repeat what he had told the Secretary in September.⁴ The GDR was active in the Third World, but primarily in the economic area, in providing vocational training and health care, and telephone communications. It was committed to such activity by its feeling of solidarity for the people. Several years ago, for example, it donated a hospital to Nicaragua, built by the contributions of citizens, which has by now treated 300,000 sick people. The Minister met yearly with members of youth brigades who went out into the Third World. In the West such work would be called developmental

⁴ See Document 297.

assistance. The FRG, quite correctly, he said, took pride in the similar work it did in the Third World, and so did the GDR.

21. Fischer said he could have told the Deputy Secretary not to interfere in the GDR's business, but he had given an explanation instead because he considered it important for each side to say what was bothering it and to learn how the other views the matter. He would add one footnote, however: The U.S. should not concern itself with the GDR's international reputation; the GDR would use its own judgment.

22. Trade—

Bilateral trade, the Deputy Secretary said, was so small it could hardly be seen. The U.S. wished to find ways to expand such trade so that both states would benefit.

23. Fischer agreed with the Deputy Secretary's characterization and his wish. Sadly, he said, there were many obstacles, of which the COCOM list was one. Trade between the U.S. and the GDR simply was not yet the normal matter that it should become. There were many barriers to remove, including the absence of MFN. The GDR wanted no presents and knew that business only went well if there was mutual advantage. The two states should say to each other "Let's trade." The GDR was ready.

24. The Wall—

The Deputy Secretary said Americans found the Wall abhorrent, and he associated himself with what Codel Hoyer⁵ had said about it in Berlin a month earlier. The shoot-to-kill order (Schiessbefehl) was particularly reprehensible. The Deputy Secretary said he understood a change in that order might have been made. If so, it would be sincerely welcomed.

25. Fischer said that the Deputy Secretary should not think that he liked the Wall, but as he had told the Codel, it would be torn down when the conditions that had necessitated its construction were removed.

26. The Minister said that he would speak only of the economic background. Until the Wall was built, the GDR had lost, according to Western estimates, 160 billion marks. It tired of allowing foreign hands to reach into its wallet. Since the Wall was built, the GDR had become master of its own pockets. It should also be recalled, he said, that the decision to build the Wall was taken by the Warsaw Pact.

27. Turning to the shooting order, the Minister said that the GDR's borders were not the only ones along which there was shooting. He

⁵ Telegram 4418 from East Berlin, October 19, reported that Congressman Steny Hoyer's delegation met with East German Foreign Minister Fischer on October 12, during which time they discussed the Berlin Wall and the shoot-to-kill order. (Department of State, Central Foreign Policy File, D870858–0392)

had recently seen a film which showed a similar problem on the U.S.-Mexican border. The Deputy Secretary interjected that the problem on the U.S.-Mexican border involved people who wanted to cross into the country, not leave it. Fischer said that he agreed there were different causes; he had wanted only to note that border shooting did not occur exclusively in the GDR.

28. Fischer said when he discussed the shooting order with GDR Minister Wilms during Honecker's visit to West Germany, he had said that shooting could be expected when persons tried to avoid the required examination of documents in what was, after all, a military area. He also said that the GDR order to border guards was no different than the one the FRG issued March 2, 1974. Fischer said that the GDR wanted no deaths on the border. Still, he added, state borders had to be respected.

29. Emigration—

The Deputy Secretary said that it was hard to understand why GDR citizens were not free to move about and to leave their country if they wished. The U.S., as a land of immigrants and refugees, felt strongly about this issue. Our relations with another country tended to a large extent to depend on whether that country treated its citizens as the U.S. did its citizens.

30. Fischer said that the GDR followed a policy of permitting emigration in principle, though in individual cases it always had to consider an applicant's level of education. The GDR spent enormous sums of money to provide free education. The Minister knew no businessmen who would throw money out the window. Likewise, a state had to look after its resources. Nevertheless, the GDR adhered to a policy of permitting family reunification. It did not violate the Helsinki Final Act. He recalled that during Honecker's visit, West German political leaders, including Kohl and Genscher, had noted approvingly how much GDR citizens were travelling. Out of a population of 17 million, practically every second citizen was travelling—if one excepted children and the infirm, this was practically everyone who was mobile. The only limitation, he said, was that the GDR had to be sure it had adequate financial resources.

31. USIA Film Making Exhibit—

This was a small point that should be easy to resolve, the Deputy Secretary said. Nevertheless, USIA was having great difficulty in putting on the exhibition. It was not political or controversial, and he would appreciate the Minister's assistance.

32. Fischer promised that he would instruct his Ministry to inform him of any special problems. He said he had talked previously to the responsible culture official who had said that "You can do what you want with me, Oskar," but there was no place for the exhibit in Berlin in 1987 because of Berlin's celebration of its 750th anniversary.

33. The Minister added three points to the agenda, including:

Cultural Relations—

Fischer said that there was not adequate movement in this field. A few things had been done such as the “Splendor of Dresden” exhibit that had come to the U.S. some years ago⁶ with David Rockefeller’s assistance, and some orchestra visits. But there was no mechanism to provide regular stimulus to cultural relations. There should be, he said, mutual interest in developing this stimulation. The GDR was interested in negotiating an agreement that could help. It did not exclude doing more on both a cultural and a commercial basis.

34. Treaty Relations (Fishing)—

Fischer said that treaties should help both to expand and stabilize relations, but this could only happen if each side knew how the other would behave. The bilateral fishing agreement, he said, was operating unfairly because of restrictions imposed by the U.S. To continue fishing despite the changes introduced by the U.S. would not be interesting for the GDR. No one would put money into a business where it was clear that it would be lost.

Comment: Later the MFA’s U.S. Desk Officer said the reference was to a recent seventy percent rise in U.S. bondage fees for Atlantic mackerel (which had been \$59/ton). End comment.

35. Restrictions on GDR Diplomats—

Fischer said, without elaboration, that he found the restrictions imposed by the U.S. on GDR diplomats “disturbing.”

36. The Deputy Secretary did not respond substantively to Fischer’s three additional points except to say that he agreed they belonged on the agenda of issues to be addressed.

37. International Relations—

While Fischer generally respected the Deputy Secretary’s suggestion that the conversation focus on bilateral matters, he made several points about the international situation. Acknowledging that the GDR was a small land, geographically far from the U.S., he said that it should nevertheless be important for the U.S. because of its geopolitical position, above all its location at the point of division between the two military alliances.

38. Because the GDR was so located, Fischer said, it was especially sensitive to the East-West political situation and did all that it could to assist in making that situation less tense, more calculable. Thus, it made its own proposals, such as for a chemical weapons free zone and a nuclear weapons free zone in Central Europe, and it fully supported

⁶ The exhibit was displayed at the National Gallery of Art in 1978 before going to New York and San Francisco in late 1978 and early 1979.

all Warsaw Pact proposals for disarmament and detente. It welcomed the U.S.-Soviet INF agreement and expected it to be signed in December and quickly ratified and implemented.

39. Comment: Fischer, who does not make major foreign policy decisions here, broke no new ground and was his usual cautious self. He stressed that the GDR wants a better bilateral relationship, but he gave few indications of what more it might be prepared to do to move forward.

40. Moscow minimize considered.

Meehan

300. Telegram From the Embassy in the German Democratic Republic to the Department of State¹

East Berlin, November 12, 1987, 1537Z

4787/Depto 6024. Subject: Deputy Secretary Whitehead's Talk With Honecker.

1. Confidential—Entire text.

2. Summary: The Deputy Secretary was received by Honecker for a two-hour discussion November 11. Honecker confirmed the GDR's desire to improve bilateral relations and said that he had instructed the Foreign Ministry to identify a figure that the GDR would be prepared to pay on Jewish claims, provided that trade conditions were created that would give it the prospect of earning more hard currency in the U.S. market. (It was unclear, however, whether he was referring to the up-front offer already made to Rabbi Miller or a new global figure.) He covered familiar ground on international affairs, expressing full support for U.S. and Soviet arms control movement. Honecker was optimistic that Gorbachev would succeed in his domestic reforms because he relied on a strong collective and recognized the limits of the politically possible, but he implied that, since every socialist state was different, the GDR had no need for glasnost and perestroika. Honecker also strongly hinted that the shoot-to-kill order (Schiessbefehl) has been modified at the Berlin Wall and the FRG-GDR border. The Deputy

¹ Source: Department of State, Central Foreign Policy File, D870932-0509. Confidential. Sent for information to Eastern European posts collective, Bonn, Moscow, Vienna, U.S. Army Field Station Berlin, and the U.S. delegation to the NST in Geneva.

Secretary reiterated U.S. desire to improve bilateral relations and our major concerns—claims, human rights, trade. He welcomed improved inner-German relations and said the U.S. had no concern that this would affect its close ties with the FRG. End summary.

3. The conversation, which was held at the Council of State, was also attended, on the U.S. side, by the Ambassador, DAS Bodde, and the Pol Counselor (notetaker); the other GDR participants were Foreign Minister Fischer, Heinz Eichler, Secretary to the Council of State, and Ambassador Birch, Deputy Director of the MFA's U.S.A., Canada, Japan Department.

4. Bilateral Relations

The Deputy Secretary said that the Secretary had assigned him special responsibilities for Eastern Europe. The U.S. wanted better relations with all states of the region and particularly with the GDR. He said he would not repeat the full agenda that he had discussed in detail with the Foreign Minister (septel)² but highlighted three areas: claims (U.S. and Jewish) which had been an irritant for too long; human rights, which was always of special concern to Americans, and trade, which was extremely small but which should be expanded because this would be to mutual economic advantage and help build a relationship of interdependence and understanding that contributed to peace.

5. Honecker agreed that relations should move forward. He expressed admiration for the U.S. humanistic and anti-fascist tradition. He recalled that as a prisoner of the Nazis' he had received with particular emotion the news that American troops had landed in Normandy in 1944, an operation in which he knew the Deputy Secretary had participated. He also retained on the shelf of his library the book on the 200th anniversary of the Constitution the Ambassador had given him.

6. Claims

Honecker spoke more forthcomingly about Jewish claims, which he said he had discussed at length with Rabbi Miller. He said that with the expansion of bilateral trade and the removal of restrictions, the GDR was prepared to use part of its further earnings to pay Jewish claims, which he knew were mostly the claims of elderly, needy people. Honecker said he had just instructed the Foreign Minister to ensure that a certain sum was available—he did not give the sum nor promise when we would learn it—in order to demonstrate that the GDR is serious about resolving the problem. He had nothing to add to the discussion of U.S. official claims that the Deputy Secretary held the previous day with the Foreign Minister. Comment: It was not possible to tell from Honecker's remarks whether he envisaged the GDR making

²See Document 299.

another offer to settle Jewish claims or whether he was referring back to the up-front offer already made to Rabbi Miller. End comment.

7. *Human Rights*

Honecker said the GDR attached the same importance to the principle as the U.S. This statement should be believed, he said, since it came from one who had spent ten years in prison for his political beliefs. The exercise of religion, for example, was unfettered in the GDR, he said. He had met with the Lutheran and Catholic bishops and representatives of the strong GDR Quaker community and the Baptists. He described his particular interest in the Jewish community, which he knew the Deputy Secretary had informed himself about the previous day.³ He also strongly defended the GDR's political freedoms, noting that the same parties existed in the GDR as in the FRG. The only difference, he said, was that they had agreed to cooperate closely together in order to avoid the mistakes of the Weimar Republic that led to the Second World War and to build a new, socialist Germany.

8. Nevertheless, Honecker said, there were some different approaches to human rights in the two countries. The GDR, he suggested, placed greater emphasis upon certain economic and social rights: there was no unemployment, which was a dreadful problem in the West; every child had a right to full and free education regardless of social background or parents' position, and since 1949, 1.9 million had studied at institutions of higher learning. The GDR also gave very high priority to building new apartments and to removing all physical as well as spiritual traces of the war.

9. Honecker accepted the Deputy Secretary's explanation that much U.S. unemployment was the result of people moving between jobs, not true unemployment, but said that the problem was deep and structural in the FRG, as many West German politicians had confirmed to him. There it could only be resolved by an expensive program of investment to create new jobs, as he had seen when visiting his hometown in the Saarland, where 20 percent were unemployed, and whole traditional industries had disappeared.

10. *The Wall and Travel*

The Deputy Secretary said he raised the issue of the Wall not in a confrontational way but to make it clear that, right or wrong, this was almost all that many Americans knew of the GDR. Shootings at the Wall brought back for them memories of the Hitler era. Foreign Minister Fischer had said that the Wall would be torn down when the conditions

³ Telegram 4759 from East Berlin, November 11, reported that on November 10 Whitehead met with Dr. Peter Kirchner, the president of the East Berlin Jewish community. (Department of State, Official Correspondence of Deputy Secretary of State John C. Whitehead, July 1982–January 1989, Lot 89 D 139, 11/87 EEur/USSR Trip—Memcons)

that had made it necessary disappeared. The Deputy Secretary said he could understand this attitude, but that it was important for the GDR, as it moved toward improving relations with the U.S. and the West in general, to think of ways to have less need for the Wall.

11. Honecker said that West German politicians had suggested to him that the GDR adopt a free travel regime such as Hungary has begun. He said that Hungary was a close ally, the GDR's most important trading partner in the Warsaw Pact after the Soviet Union and Czechoslovakia. He himself had close personal relations with the Hungarian leadership, and 600,000 East Germans vacationed in Hungary yearly. But the GDR did not need to fear comparisons on travel policy.

12. The GDR, Honecker said, could claim to be the country in Eastern Europe with the highest percentage of travellers. Some 4.2 million GDR citizens were travelling to the FRG this year. The only problem the GDR saw with this or even more travel, he said, was finding the means to finance it.

13. With respect to the Wall, Honecker said, he would not provide more information than he knew Foreign Minister Fischer had already given. He recalled, however, that the GDR had open borders to West Berlin and the FRG prior to August 1961, and it had been bled practically dry. It was in the interest of neither German state, he said, that the GDR economy lost the equivalent of 156 billion Marks in those years. Only when the Wall was built, could the GDR move forward economically and culturally.

14. Honecker said that what is called "the Wall," is actually only a small part of the border protection system, which also included such devices as wire with electronic warning devices. This was, after all, a restricted military area, as it had to be given the fact that on either side there were strong NATO or Warsaw Pact forces.

15. Honecker said that in the past two years the GDR had taken certain other measures with respect to its borders which had not met with the appropriate response in the West. It had, for example, removed all mines and self-shooting devices at the same time as it was increasing the number of crossing points that travellers could use. Given the great movement of people across the border, this was significant.

16. Without elaboration, Honecker said that he had investigated recent protests and had discovered that several shots were fired but only because a rifle had not been properly secured. That was all that had happened, he said.

17. Comment: The West German press reported October 30 that the previous evening one individual had escaped over the Berlin Wall, that a companion had been captured, and that during the course of the escape attempt two shots were fired. The source for the claim was the successful escapee. West Berlin police were quoted as saying that a witness

confirmed the shots. Honecker presumably was referring to this incident and subsequent protest statements by Senat and allied spokesmen.

18. Honecker's elliptical comments to the Deputy Secretary probably represent an indirect confirmation that new, more restrictive orders of some sort have been given to border troops. Whatever the actual degree of carelessness of an individual guard, Honecker seemed to have been saying that the shots fired two weeks ago—the first since well before his trip to the FRG—were contrary to policy. This may be as close as the GDR will come for some time to acknowledging that it has a new policy. Our recollection is that it was similarly reluctant at the time to acknowledge directly that it had removed the automatic shooting devices that Honecker cited to the Deputy Secretary. End comment.

19. *Trade*

Honecker said he wanted more bilateral trade, which presently amounted to about \$300 million, a small amount far from the potential of either side. He said that he knew American businessmen wanted to do more, and there were many possibilities that should be explored.

20. Honecker also briefly reviewed the pattern of GDR trade, which he said was 38 percent with the Soviet Union and 70 percent with the socialist world, including China. Much of the remainder—15 billion "Valuta Marks" a year—was with the FRG, which he regarded as positive because it made the two states aware of their interest in good relations, which contributed to peace and security.

21. *International Affairs*

The Deputy Secretary noted that he would go to Moscow during his trip to work on the human rights aspects of the December summit agenda.⁴ He expressed interest in Honecker's views about developments in the Soviet Union from where the East German leader had just returned, as well as about inner-German relations.

22. Honecker came back repeatedly to the themes that the world was dangerous, that there was a need to move from zero solution to zero solution with one weapon system of mass destruction after another, and that the GDR supported Soviet arms control proposals. It also made its own contributions, he said, such as nuclear and chemical weapons-free zones in Central Europe, and welcomed bilateral U.S.-Soviet progress, especially the impending INF agreement. Honecker said that the GDR wanted to see early progress on the reduction of strategic nuclear arms by 50 percent, the strengthening of the ABM Treaty, and cuts in battlefield nuclear weapons.

23. The Deputy Secretary reviewed U.S. expectations for a December summit and for a spring summit. He said that the U.S.

⁴ Reference is to the U.S.-Soviet Washington Summit, December 8–10.

believed supporters of nuclear free zones were living in a “fool’s paradise,” because they were still exposed to nuclear weapons stationed outside the zones. It was better to pursue reductions. He said the U.S. was working hard on a treaty banning chemical weapons worldwide but that verification was very difficult. He also noted that no progress could be made with battlefield nuclear weapons until something was done about existing disparities in conventional forces. The two subjects had a necessary interconnection that would have to be addressed.

24. Inner-German Relations

Honecker said that the GDR’s interest in security proposals stemmed from both its sensitive geographical position at the dividing point between the two military alliances and its awareness of the historical burden it shared with the FRG that war must never again be allowed to begin on German soil. He had been pleased that during his visit to the FRG, all the political parties also recognized the FRG’s historical obligations in this regard. The effort to improve relations on the basis of the principles laid down in the communique issued with Chancellor Kohl, Honecker said, notably respect for sovereignty and inviolability of borders and non-interference in internal affairs, was important for European security.

25. Improved inner-German relations, Honecker said, was the GDR’s special contribution to construction of the common European house, which would have rooms for states with different social systems. This GDR policy, he said, was not meant to loosen U.S.-FRG ties, which was beyond the GDR’s power. Likewise, no one should think that improved inner-German relations would weaken the GDR’s ties to the Soviet Union. It was noticeable, however, that over time there had been a definite improvement in the European political climate, a trend which the GDR welcomed and wanted to advance.

26. Personally, Honecker said, he had many memories of his trip to the FRG. He recalled particularly laying a wreath to the victims of fascism at Dachau, including the Catholic and Jewish victims. He was optimistic that relations with the FRG would continue to improve. The devil was always in the details, but the GDR would be cautious not to stumble over those details. It was following a careful course of peaceful coexistence.

27. The Deputy Secretary welcomed Honecker’s assessment and said that he wanted to assure him that the U.S. in no way was nervous about or wished to stand in the way of better relations between the two states. The U.S. favored the development of better relations between the various parts of Europe, including the inner-German parts, as symbolized by Honecker’s visit. It would be glad to see further improvement in inner-German relations.

28. *Glasnost and Perestroyka*

Honecker spent much of the time when he was ostensibly giving impressions of his recent Moscow visit on arms control. He did say, however, that the GDR supported Soviet efforts at domestic renewal and that he believed Gorbachev could succeed because he could rely on a strong collective leadership and was a politician with a good sense of what was achievable, both abroad and at home. Gorbachev was able to distinguish between areas where one could move ahead and areas where one would get into difficulties, he said.

29. Glasnost and perestroyka, Honecker said, were necessary because of internal Soviet developments. The opposition which Gorbachev faced was not organized but resulted from the social conditions that had arisen over the years in the country.

30. At a later point in the conversation, Honecker returned to this theme, noting that the GDR had been making constant progress in developing socialism. What was apparent, Honecker said, when one looked around the world, was the great variety in the socialist countries. This had struck him particularly, he said, when he had recently been in China. Every country had to follow its own way. It was when this was not done that difficulties developed.

31. *The Economy*

The Deputy Secretary briefly described his view that the stock market drop did not reflect any basic weakness in the U.S. economy. It resulted from the fact that stock prices had gotten too high. The market had made an adjustment, but the economy had been prospering for six years, and there was no indication that this should change. To the contrary, most indicators were positive, such as new housing starts, car sales, and retail sales.

32. Honecker expressed appreciation for the assessment. He recognized that the Deputy Secretary was a stock market professional while he, Honecker, was an amateur. He said, however, that he shared the judgment that the world was not headed for another crisis like 1929. The party had received many inquiries and it had assured GDR citizens that they could relax. The situation was not the same. Honecker briefly described what he said was a strong GDR economy that would rely increasingly on high technology and improved labor productivity (seven-eight percent annually) to increase national income by four-five percent each year through 1996.

33. *Conclusion*

Honecker expressed appreciation for the visit and wished the Deputy Secretary success with the remainder of his trip. He said that he looked forward to more talks with U.S. leaders because though our systems were different, we should make all efforts to achieve a solid relationship. The Deputy Secretary agreed that it would never be possible

to resolve all bilateral problems because some had their roots in system differences. Many, however, could be resolved, and he considered that his talks with Honecker and the other GDR officials he had met were a good beginning.

34. *Comments*

Honecker went only marginally beyond his Foreign Minister in discussing a few items like Jewish claims and the Wall, but he put on a strong performance, fielding tough human rights comments with aplomb, coming back to repeat that his objective is better relations with the U.S. and the FRG, and throughout demonstrating physical endurance and mastery of his brief.

35. His comments about internal developments in the Soviet Union were revealing. While he claimed a good personal relationship with Gorbachev, he made it rather clear that he considers the GDR should continue to follow its own domestic course and that an effort to copy glasnost/perestroika here would lead to difficulties. His assessment that the General Secretary's chances for ultimate success rest on his use of the collective leadership and appreciation of political realities seemed less than a ringing endorsement either of Gorbachev personally or of the staying power of some of his more radical reform ideas.

36. Moscow minimize considered.

Meehan

301. Telegram From the Mission in West Berlin to the Department of State and the Embassy in the Federal Republic of Germany¹

West Berlin, December 11, 1987, 1534Z

4022. Subject: Has the GDR Lifted the "Schießbefehl"?

1. Summary: According to an article in the December 10 International Herald Tribune by Washington Post writer Robert J. McCartney, "West German officials and Western diplomats say" that the "shoot-to-kill" order by the Berlin Wall and the German border has been lifted. Mission notes that five shooting incidents, at least three of which were connected to confirmed escape attempts and were protested

¹ Source: Department of State, Files on the German Democratic Republic, 1987, Lot 90 D 14, SHUM-1 Human Rights—General. Limited Official Use. Sent for information to East Berlin, Hamburg, Munich, Stuttgart, Frankfurt, Paris, London, the mission to NATO, CINCUSAREUR Heidelberg, USCINCEUR Vaihingen, and CINCUSAFE Ramstein.

by allied commandants, have taken place along the Wall in Berlin since July 21. End comment.

2. McCartney quotes GDR officials interviewed last week in East Berlin as hinting indirectly that the "Schiessbefehl" has been curtailed. According to Western analysts, he writes, "The policy shift was designed in part to help pave the way for additional trips by Mr. Honecker to major Western countries."

3. In fact, there have been five confirmed shooting incidents in Berlin reported by the Mission since July 21. There were no incidents between May 15 and July 21, and three shooting incidents May 1–15 this year. Incidents since July 21 are as follows:

- July 21. At 2:15 a.m. West Berlin residents reported activation of an alarm device in a GDR guard tower followed by two shots. Police responding found evidence of an intensive search by border guards. (USBer 2542)²

- August 3. Three young men successfully escaped from the GDR to West Berlin. At least four shots were fired, apparently from an automatic weapon. There were no injuries. Allied commandants protested the use of force. (USBer 2738)³

- August 8. A U.S. Military Police patrol in the U.S. sector heard gunfire on the GDR side of the Wall. On checking, the patrol observed GDR border guards conducting a search of the area. (USBer 2826)⁴

- August 18. West Berlin police and customs officers at the Sonnenallee sector/sector crossing point heard dogs barking and three shots fired on the East Berlin side of the checkpoint area. Observation revealed a person being led away by border guards. Allied commandants protested the use of force. (USBer 2879)⁵

- October 29. Two young men scaled the wall between the GDR and the U.S. sector. One escaped and the second was caught. The escapee claimed hearing rounds chambered and at least two shots fired. Residents confirmed hearing the two shots. Allied commandants protested the use of force. (USBer 3656)⁶

4. Comments: If indeed the "Schiessbefehl" has been lifted, not all GDR border guards have obeyed their new orders in recent months.

² Telegram 2542 from West Berlin, July 21. (Department of State, Central Foreign Policy File, D870577–0458)

³ Telegram 2738 from West Berlin, August 8. (Department of State, Central Foreign Policy File, D870634–0908)

⁴ Telegram 2826 from West Berlin, August 14. (Department of State, Central Foreign Policy File, D870662–0190)

⁵ Telegram 2879 from West Berlin, August 20. (Department of State, Central Foreign Policy File, D870684–0217)

⁶ Telegram 3656 from West Berlin, November 4. (Department of State, Central Foreign Policy File, D870910–0288)

It is difficult to guess exactly what orders guards now have from recent events along the Wall in West Berlin. There have been several recent instances, involving both successful and unsuccessful escapes, where guards have foregone clear opportunities to fire upon escapees. There have also been no cases since USBer, (see 1791)⁷ of possible killing or wounding of escapees by GDR fire. Our conclusion is that an escapee since June 1987 was less likely to have been fired upon than an escapee twelve months ago. However, that remains largely an impressionistic conclusion, and based on the evidence of recent months, any escapee is still running a very real risk of being met with armed force. End comments.

Gilmore

⁷ Telegram 1791 from West Berlin, May 14, reported two unsuccessful escape attempts from the GDR. (Department of State, Central Foreign Policy File, D870380–0029)

302. Telegram From the Embassy in the German Democratic Republic to Multiple Posts¹

East Berlin, December 17, 1987, 1555Z

5268. Subject: Does the GDR Still Shoot at the Wall? Refs: A) USBerlin 04022;² B) EmbBerlin 04118;³ C) EmbBerlin 04787.⁴

1. Confidential—Entire text.

2. Summary: In Ref A, U.S. Mission Berlin asks whether the GDR's shoot-to-kill order (Schießbefehl) at the Berlin Wall has been lifted. Based on five shooting instances since July 21, it concludes that while the GDR may have become somewhat less quick to use deadly force, either the order remains in force or "not all GDR border guards have obeyed their new orders in recent months." While caution in evaluating the situation is certainly in order, and retrogression will always be possible,

¹ Source: Department of State, Central Foreign Policy File, D871034–0083. Confidential. Sent Priority to the Department of State. Sent to Hamburg, Munich, Stuttgart, Frankfurt, Bonn, Paris, London, West Berlin, the mission to NATO, CINCUSAREUR Heidelberg, USCINCEUR Vaihingen, and CINCUSAFE Ramstein.

² See Document 301.

³ Telegram 4118 from East Berlin, September 28, reported press reports documenting liberalized travel and a virtual suspension of the border shoot-to-kill policy in the wake of Honecker's travels to the FRG. (Department of State, Central Foreign Policy File, D870800–0113)

⁴ See Document 300.

we conclude that there has been a definite change in the GDR's instructions to guards along the Berlin Wall and the FRG-GDR border. The Schiessbefehl probably now applies only to escape attempts by members of the East German police or army, not civilians. End summary.

3. The five instances of confirmed shooting along the wall reported in Ref A occurred July 21, August 3, August 8, August 18 and October 29. Four were thus in a four-week period from mid-July to mid-August. Border guards who fled to the West in September described in the West German press that the shooting order remained in force during the summer (Ref B). They said that it was only suspended for certain specified periods when there was an event such as the President's visit or a major 750th anniversary program that was likely to focus world attention on Berlin, and that a further suspension had been ordered in connection with Honecker's visit to West Germany.

4. Honecker was in the FRG September 7–11. Speculation about a more lasting change in the shooting order dates from that trip, when the East German leader was put under heavy pressure from all elements of the West German political spectrum on the issue. The only shooting incident subsequent to Honecker's return from the FRG was October 29. Honecker told Deputy Secretary Whitehead last month that he had personally looked into that case. Without saying it in so many words, he strongly implied that shots had been fired either accidentally or against orders (Ref C).

5. Following that conversation, the Deputy Secretary told the press that he had gained the impression of a change in GDR policy. Washington Post reporter Robert Mc Cartney cited this remark as well as conversations he held in East Berlin at the beginning of this month in a Post/International Herald Tribune article. McCartney concluded that the GDR has tacitly modified its policy. As we reported at the time of the Whitehead-Honecker meeting, we also believe that it is likely that new, considerably more restrictive, orders have been given to GDR border guards this fall.

6. Our impression that the GDR has instituted a major change is strengthened by the fact that, as Ref A notes, "There have been several recent instances, involving both successful and unsuccessful escapes, where guards have foregone clear opportunities to fire upon escapees." Experience with the way in which the GDR implemented its decision to dismantle the automatic shooting devices along its border with the FRG in the early 1980's suggests that there will be no formal acknowledgement.

7. Our best judgment is, however, that since Honecker's visit to the Federal Republic—that is since early September—the shooting order at the Wall (and along the FRG-GDR border) with respect to civilian would-be escapees has at least been indefinitely suspended.

Meehan

303. Telegram From the Embassy in the German Democratic Republic to the Department of State¹

East Berlin, December 24, 1987, 1015Z

5371. Subject: GDR To Publish Two Long Censored Novels. Refs: A) EmbBerlin 05300;² B) EmbBerlin 05053;³ C) EmbBerlin 04262.⁴

1. Summary: Stephan Heym, probably the single most prominent GDR writer but unpublishable here for nearly a decade, said December 22 that he had been told that morning by his old publishing house that it would bring out one of his banned novels next year. Heym made this statement while participating in a late night West Berlin television talk show, which could be received in much of the GDR. He interpreted this—as do we—as a further sign of a limited “thaw” in GDR cultural policy. End summary.

2. Heym, 74, fled the Nazi's, became an American and returned to Germany in the U.S. Army in 1945. He left the U.S. for the GDR at the height of the McCarthy era and was for a time a leading official cultural personality. His expulsion from the Writers' Association in 1979 for publishing without permission in West Germany a critical novel about the state security services (“Collin”) was the catalyst for a crackdown on other unorthodox writers. Since then, Heym has continued to live in East Berlin, travelling to and publishing in the West, but his works have not been available here.

3. Heym said that while the extent to which GDR cultural policy is changing should not be overstated, there has been movement. Ten years ago, when he and other authors criticized censorship, they were persecuted. When the topic was raised at last month's Writers' Congress, the leadership at least listened. As a further sign that more critical books and sensitive topics are gradually being allowed into the East German light, Heym said that Monika Maron's 1981 novel on

¹ Source: Department of State, Files on the German Democratic Republic, 1987, Lot 90 D 14, SHUM-1 Human Rights—General. Limited Official Use. Sent for information to Eastern European posts collective, Bonn, Moscow, USAFSB Berlin, and USDel NST Geneva.

² Telegram 5300 from East Berlin, December 19, reported that the GDR Writers' Association Congress, held in November, proved to be a turning point for relations between authors and the state. (Department of State, Central Foreign Policy File, D871040–0508)

³ Telegram 5053 from East Berlin, December 2, discussed the openness and critical nature of the Writers' Association Congress. (Department of State, Central Foreign Policy File, D870987–0675)

⁴ Telegram 4262 from East Berlin, October 6, reported that the GDR continued to ban the work of some East German authors. (Department of State, Central Foreign Policy File, D870830–0312)

environmental destruction and party indifference, "Flugasche," will be published next year.

4. All of this, Heym indicated, was a GDR reaction, in its own careful way, to the inevitability of change throughout Eastern Europe, which the Gorbachev phenomenon in the Soviet Union most clearly expressed.

5. Comment: Heym's indication that two further critical books that have long been held back by the censors will at last be published in 1988 is indeed a further sign of change in the GDR. We agree with his characterization, however, that what is happening so far is only the early stage of a thaw after an ice period. He himself will still have four novels which have not been published here. The GDR leadership, which is embarrassed by the loss of many of its most prominent cultural figures, has been making gestures to suggest that a reconciliation with those celebrities is possible. It is not yet seeking, as Gorbachev has been doing, to enlist a wider circle of intellectuals as key supporters for a full-fledged social reform by offering major changes in the structure of its cultural policy.

6. Moscow minimize considered.

Meehan

304. Paper Prepared in the National Security Council Staff¹

Washington, undated

PROPOSED TRADE AGREEMENT WITH GERMAN DEMOCRATIC REPUBLIC

Issue

Whether to begin negotiations with the GDR on a trade package that would also provide for payment of wartime claims for property seizures and atrocities.

Discussion

State proposes that the USG negotiate a package with four components:

- *Payment of Jewish claims.* Valuation of war crimes is imprecise, but the Conference on Jewish Material Claims on Germany sets the claim at \$100 million.

¹ Source: Reagan Library, Colin Powell Files, Chron—Official 1988 I (January–June) (6). Confidential.

- *Payment for property taken from U.S. citizens.* Total claims in the early 1950's were set at \$78 million; interest since then has increased the claim to about \$300 million.

- *Trade access to the U.S. market.* East German goods now pay higher tariff rates assessed on goods from most Communist countries. Under the proposal, we would obtain Congressional approval to apply temporarily the lower most-favored nation (MFN) rates to a select range of non-sensitive products.

- *Business facilitation in the East German market.* The GDR would agree to provide improved access for U.S. firms to potential buyers and to market information.

The U.S. has regarded payment of claims as a precondition to improved bilateral relations. While the GDR has sufficient foreign exchange to pay, it has argued that the West German government should pay all claims. State sees this package approach as the best means of settling the long-standing issue before most claimants die. Jewish groups support.

At a February 29 meeting of the Trade Policy Review Group,² all other agencies opposed or expressed doubts. Some were concerned with the possible “arms for hostages” appearance of the package. Others were concerned that the legislation would complicate handling of the trade bill and Canada FTA legislation. Most concluded that the risks of moving now were substantially greater than the costs of waiting one more year.

Points to Make

- Could be controversial in the Congress, even though Jewish groups support.

- Would need to demonstrate we're getting something economically from the deal—hard to do.

- Caution against going ahead. Just agreeing to negotiate could be costly.

- Howard Baker also has reservations.

² The memorandum of conversation of this meeting was not found.

305. Memorandum of Conversation¹

Washington, March 18, 1988, 7:30–8:30 a.m.

SUBJECT

International Economic Policy Breakfast

PARTICIPANTS

George P. Shultz, Secretary of State
 James A. Baker, Secretary of the Treasury
 Colin L. Powell, Assistant to the President for National Security Affairs
 John Whitehead, Deputy Secretary of State
 Alan Woods, Administrator, Agency for International Development
 Ambassador Max Kampelman, Counselor, Department of State
 Alan Larson, Acting Assistant Secretary of State for Economic and Business Affairs
 David Mulford, Assistant Secretary of the Treasury for International Affairs
 Stephen I. Danzansky, NSC Staff

[Omitted here are portions unrelated to the German Democratic Republic.]

East Germany

Secretary Shultz discussed briefly the Ridgway proposal for granting MFN-type trade concessions in return for East German payment of Jewish and U.S. World War II claims.² *Secretary Baker* and *General Powell* expressed their reservations about the idea both on moral grounds—trading acknowledged East German obligations for concessional economic treatment—and on political grounds in terms of appearances during an election year. There appeared to be little sentiment to permit this idea to go much further and some resistance to allowing it to rise to the EPC level for decision. *Shultz* (somewhat less-than-forcefully) remarked that these Jewish claims victims were getting older and, if we delay much longer, the matter could end up being a bonus to their estates instead of for the victims. *Secretary Baker* offered that we ought to “kill the idea.” Al Larson indicated that the TPRG had begun some quiet work on the subject and had commissioned some analysis. Whitehead asked that this work be completed and thought it might then be kicked up to Cabinet level for decision. General Powell indicated that before doing that there were some deep political concerns

¹ Source: Reagan Library, Stephen Danzansky Files, Subject File, GDR: 09/06/87–05/03/88. Secret. The meeting took place at the Department of State. No drafting information appears on the memorandum; presumably drafted by Danzansky.

² See Document 304.

in the West Wing about proceeding further and that more consultation was needed before going public on the issue. (S)

[Omitted here are portions unrelated to the German Democratic Republic.]

306. Telegram From the Embassy in the German Democratic Republic to the Department of State¹

East Berlin, April 14, 1988, 1424Z

2188. Subject: The Eastern European Dance—Can We All Do a Csardas? Refs: A) Budapest 1124;² B) London 6227;³ C) EmbBerlin 1124;⁴ D) State 71654.⁵

1. Confidential—Entire text.

2. Summary: Budapest's 1124 provides a rationale and structure to the Eastern European policy debate. Its broad outlines and many of the details strike us as just right. What follows is a commentary, not an alternative concept, partly country specific. The GDR is too unlike Hungary, and the bilateral relationship too dissimilar, to permit wholesale adaptation, much less adoption. On a few important points, our perspective differs, but we applaud the product. It is geared to the proper time frame—at least 15–20 years. It recognizes that 1988 is a year of unusual ferment in Eastern Europe and thus of unusual opportunity for the U.S. It also holds out the prospect that difficult times in one or more countries could set back our efforts, but argues, rightly, we think, that it is nevertheless incumbent upon us to work out as extensive a program as possible of concrete measures.

3. Such measures cannot make the U.S. the deciding factor either in the evolution of Eastern Europe as a whole or in any one of its countries.

¹ Source: Department of State, Central Foreign Policy File, D880320–0562. Confidential. Sent for information to Eastern European posts collective, Bonn, London, Moscow, The Hague, Paris, Vienna, West Berlin, USAFSB Berlin, and USDel NST Geneva.

² See Document 343.

³ Telegram 6227 from London, March 18, responded to the Department's request for on-the-ground perspectives from Eastern Europe and ideas for Eastern European policy moving forward. (Department of State, Central Foreign Policy File, D880236–0326)

⁴ Telegram 1124 from East Berlin, March 2, reported on GDR economic reform and how it differed from other economic reform initiatives in Eastern Europe. (Department of State, Central Foreign Policy File, D880185–0097)

⁵ See Document 248.

Like Embassy London, we are concerned that the U.S. not overrate its influence, the resources it is prepared to make available, and its ability to stay the course in the rough patches that no doubt lie ahead. The stakes are too high, however, for the U.S. not to make a major effort to participate in shaping the turbulent forces at work in Eastern Europe today, and Budapest's pragmatic, case-oriented work plan is the best we have seen.

4. We recommend, again, talking with the Soviets about Eastern Europe, not necessarily in formal negotiations, but at least in informal exchanges. We think we understand the various difficulties inherent in the idea, but not talking about Eastern Europe still seems odd to us when we talk with them about practically everything else. Why should Eastern Europe be excluded, especially since it has the potential for bringing major superpower difficulties? We might not be able to convince the Soviets that we favor non-violent evolution in the area, yet the chances that they will not slam the window closed in an Eastern European country moving in what we would consider a positive direction might be marginally improved if they had a better sense of our approaches and objectives. End summary.

Why Does Eastern Europe Matter?

5. Budapest's message describes a half-dozen operational U.S. interests in Eastern Europe, but a few general points are worth iteration. If the Cold War and much of the post-war East-West tension has been between the U.S. and the Soviet Union, a good deal of both have been about Eastern Europe. Our perception of the Soviets as aggressive, and of an unbridgeable gap between Western democratic and Eastern totalitarian principles, stems largely from the manner in which the Soviets established control over and have maintained influence in Eastern Europe. Whatever changes occur in the Soviet Union, the superpower relationship will be severely burdened and potentially easily flammable until and unless Eastern European societies become more open, freer, less regimented to Soviet patterns and will.

6. The Soviet Union's own ability to change meaningfully, to democratize to an important degree and to become a more normal, constructive contributor to a peaceful world order is mortgaged to Eastern Europe. It is difficult to foresee Gorbachev's reforms, however extensive, surviving severe trouble anywhere in Eastern Europe (except possibly Romania, from which East seems increasingly to want to distance itself, as much as does West).

Even If It Matters, Should We Do Anything?

7. Some main points in London's urbane contribution we gladly take as our own. The West's influence in the region is limited in the best of circumstances. Skepticism and modesty are especially appropriate

given U.S. difficulty in maintaining a policy for longer than, at best, the span of an administration, and our virtual inability to put up money.

8. Against such a backdrop, it is tempting to be fatalistic, as apparently the FCO's regional specialists are. The theory that Eastern Europe advances only, or best, through grave troubles, however, frankly troubles us. Poland probably is farther along in facing up to its real problems than it was in the 1970's for having had both Solidarity and martial law, but the price being paid is high. Hungary in the long run—it was fairly long—gained from the 1956 blood bath. But worse does not always lead to better. Czechoslovakia was once the hope of Eastern European reformers. It would be hard to conclude it is better off for one spring and 20 years' repression, or that either the region or East-West relations generally were the winners from the Brezhnev Doctrine and the conservative retrenchment the 1968 invasion precipitated. In the GDR, big troubles have meant big walls, internal and external. Progress, both in the evolution of the society and in relations with the West, has been furthered by constructive Western (mainly FRG) policies and a benign East-West climate.

9. In the long run, the Evelyn Waugh-like FCO thinkers may be right—every down has an upside—and Embassy Budapest is surely right: "Reversals are likely to be temporary since the inherent appeal of the West and its combination of economic prosperity and political and cultural pluralism is a constant." The wheel will come around, again, eventually. But it may take quite a long time, during which Eastern Europeans and East-West relations both suffer. Nor is it sure that the next period of opportunity will be quite so uniformly favorable, with strong incentives for and interest in reform simultaneously in the smaller Warsaw Pact countries and in the Soviet Union itself.

10. It is not that everything will be smooth, if only the U.S. has the right policy. Whatever we do, whatever Gorbachev does, whatever anyone in Eastern Europe does, all of us are in for a prolonged period of regional Sturm und Drang. If reform goes ahead, it will be difficult for the Soviets and their allied parties to keep ahead of rising expectations. If glasnost and perestroika run aground, for whatever reasons, the frustrations and tensions can only increase. The question is whether upsets can be kept in bounds so that neither the promising wave of reform nor the prospects for an intensive U.S.-Soviet relationship are set back years.

National Peculiarities

11. Concern for the alternatives more than our traditional American can-do leads us to the conclusion that the time requires an activist U.S. policy in Eastern Europe. The service Budapest's message performs

is to take that general principle and provide a detailed program. We assume it fits Hungary. How generally applicable is it?

12. For the GDR, the suit is a size or two too large. The ideas are good, but some simply are too much for the present state of affairs. The GDR has not yet accepted joint ventures, for example; we wish that we had a management institute, but we are not likely to for a long time; the dialogue in most political areas is not yet so mature; sometimes, regrettably, it is still juvenile. We cannot engage the East Germans as intensively or as widely as we can the Hungarians, but the pattern Budapest has designed is good. We need to fit it to GDR size, and think of investing in a new outfit as the kid grows. Example: We agree there is tremendous potential for increasing U.S. influence through expanded English instruction. If Embassy Budapest can find employment for the hundreds of teachers it would load into chartered 747's, go to it. We would have trouble filling a Trabant, not for lack of popular interest but because there is not yet the entrepreneurial or state-to-state infrastructure (a bilateral culture agreement and a U.S. cultural center perhaps?).

Sticks, Carrots, Reforms, and the Germans

13. We have problems with a few of the concepts that lie behind some of the specific Budapest-proposed steps. If we read the message correctly, it reflects the thesis that economic stagnation causes leaders to take up market-oriented economic reforms, but they in turn require or engender political reform. The two prime examples for this thesis are, perhaps, the USSR and Hungary. Because these theorems fit Hungary well, there is a tendency to postulate a set of matching tests: "In cases where there is genuine movement towards reform, this should include the extension of MFN to those countries who do not already have it and multi-year MFN to countries who do;" and also "restrict economic benefits to human rights violators."

14. Some of this, particularly the last quotation, is accepted wisdom, even entrenched policy. Perhaps not coincidentally because the GDR does not fit as neatly into it, we have some doubts.

15. We described in EmbBerlin 1124 why we believe the GDR is not likely to adopt market reforms soon. Regardless, there are excellent reasons for pursuing many economic steps of the sort advocated by Embassy Budapest here, certainly to include the expansion of trade. If we really believe that trade is useful, that it benefits our economy, and the contacts and experiences that follow in its wake (even the wake of a "Big Mac"), "break down the psychological Berlin Walls more effectively" than almost anything else, then perhaps it is time to rethink an approach which traditionally has treated trade with Eastern Europe as a benefit we bestow or withhold. The GDR does not need to be a market economy to buy from us, and its businessmen and ordinary citizens will imbibe some of our values, five-year plan or not.

16. Unfortunately, the state of U.S. export promotion efforts in Eastern Europe is pretty feeble. The justified fear of selling dual use technology that can be used against us creates real difficulties, but at another level, why is there such a lack of high-level USG visitors to Eastern European trade fairs? This is a useful means of demonstrating U.S. interest that has a relatively big PR impact. A related point: Why should U.S. companies be represented mostly by Belgians, Swiss or Germans? Moving further up the line in terms of expense, but also of advancing U.S. interests, the USG might help to fund representational pavilions at Eastern European trade fairs. Are we content with an official presence at Eastern trade fairs that would fit into a corner of the Mitsubishi stand?

17. Jackson-Vanik—the political human rights test for trade “concessions”—is a sacred cow. We can discuss it all we want in this channel, but we can probably not affect it, even if we question it. All the more, however, we should be cautious about writing into policy yet a further precondition for sensible efforts to expand bilateral economic relations, namely institution of market-oriented reforms. Economic freedom in Eastern Europe clearly is of intrinsic value to U.S. policy. However, our point in EmbBerlin 1124 was that in the GDR and perhaps other CMEA member states, like Czechoslovakia, Romania and Bulgaria, the attraction of increased U.S. trade and investment is not great enough to induce local policy makers to undertake fundamental economic reform. The FRG and Japan are not going to make their trade conditional upon Eastern European economic reform. So if we adopt a further condition for MFN or trade liberalization, the primary result is likely to be decreased U.S. presence and influence.

18. The more intensive relationship envisaged in the Budapest program is also appropriate for the GDR for other country-specific reasons. To the extent that the Cold War divisions of Europe become less acute and Soviet controls over the region recede, the German question is likely to move back to the practical agenda. Our influence will always be exercised above all through our relationship with the Federal Republic and our position in Berlin, but the GDR will be a more important factor than when it could be viewed as little more than an extension of Soviet power.

19. In the GDR, unlike some Eastern European states, discontent with political and cultural prohibitions, particularly freedom of travel, is probably a more immediate motivation for eventual political reforms than the medium-term issue of economic stagnation. There is a process of social and political liberalization at work here, one which we expect to pick up pace when the inevitable change of political generations occurs in the next several years. It is driven to a large extent by the inner-German relationship. In the process of developing that relationship, on

a personal and institutional basis, most of the influences flow from the rich, free, dynamic West German society to the smaller, less satisfied East German version. East Germans will always be fixed upon the West German model, but the U.S. can play a supporting role, whether or not the GDR changes its mind about the market. We can help to accelerate the liberalization process and by so doing gain some greater influence over the inner-German relationship that is, we believe, reaching qualitatively new dimensions.

20. Much of the above implies demurrer from a stick and carrot approach to Eastern Europe, or at least to the GDR. Embassy London has pointed out that State Department types can be slow to recognize that there are times when sticks are necessary. Guilty, in this case, for the reasons stated.

21. Circumstance, or at least practical politics, not political theory, will decide many cases. In principle, however, we are attracted to the arguments Milovan Djilas made to Tom Simons:⁶ Use the promise of carrots as an incentive; give them as a reward, and try wherever possible to avoid the stick. The prospect of a good meal can encourage the kind of national behavior we seek; the infliction of pain tends to evoke counter-productive outbursts of offended national pride. Put another way, if we are unhappy with developments in a country or in our bilateral relationship, there are always new steps that we can choose not to take until a condition precedent is met. If we pull the relationship apart for any but the most egregious provocations, all too much time and effort will have to go into getting back to where we were before, in an emotionally laden atmosphere.

22. The question is not theoretical. There may be egregious provocations, of the martial law sort or worse, but if our Sturm und Drang prognosis is correct, there will be a series of less clear-cut situations. These—the temporary downturn in the human rights situation because a regime is frightened, or more than the usual economic chaos, for example, not/not a political earthquake like November 1956 or August 1968—are what we are operationally concerned about because they are situations where we may have some leeway in deciding how to react. They will evoke emotional pressures, certainly political pressures, for broad rhetoric and red-blooded responses. Our general orientation, to the extent feasible, should be toward fine-tuning the pace at which we can intensify relationships, not stumbling backwards.

The Soviet Angle

23. Embassy Budapest postulates as a U.S. interest “weakening of the Soviet strategic position in Eastern Europe.” The specific programmatic

⁶ See Document 248.

steps it recommends are confined largely to military items, primarily expansion of U.S.-Eastern European defense contacts, with which we agree, although the applicability here is always made more difficult by Berlin status considerations. What is understood by “weakening the Soviet strategic position” needs to be looked at carefully, however, because it often is taken to have a broader, political meaning.

24. If we have decided we are playing a straight zero sum game in Eastern Europe—what the Soviets lose, we gain, and what we gain the Soviets lose—there is no need to read this message further. Read on if you believe it worthwhile to take a look at that premise. We would throw out some heretical thoughts for discussion’s sake.

25. To begin with, however, Embassy Budapest is perfectly correct—and orthodox—in noting the substantial and constant attraction of our system, our values, and what we have to offer in the way of practical resources and know-how. To one degree or another the Soviet and most Eastern European ruling elites, not to mention ordinary citizens, have come to recognize this. That, and the obvious failure of the old centralized, top heavy, still Stalinist-tinged way of doing things to meet the requirements of modern society in the region, have created the present window of considerable opportunity. But if the Soviets decide that we are trying to take bits of Eastern Europe away from them, they retain the means, and almost surely the will, to slam the window down in a given country, or in the region as a whole.

26. Ideally—and we know we live in a slightly less than ideal world—we, the Soviets, and their Eastern European allies need to believe that, whatever the historic incompatibilities of the systems may be, over the longer term we all can be winners. The Soviets must conclude that there is a concurrence of enlightened superpower self-interest in furthering a moderate, liberalizing process in the region that involves, on the one hand, ebbing of Moscow’s outright control, on the other hand, a strengthening of its allies by an increase in their popular acceptance and ability to meet the needs of their populations.

27. A case can be made that the net result—more stable, “legitimate” governments in Eastern Europe still allied to Moscow—would be a net gain for the Soviet Union internationally, albeit for a Soviet Union that would itself be a different sort of world player. It is not for us to make that case. The Soviets would suspect our motives and not believe us if we did. They have to persuade themselves, but an important stage in that process of self-persuasion would be to convince themselves that we understand the stakes and the rules of the game.

28. All right, we hear you say, enough of this half-baked pie in the sky. All right, already, we agree—but there are likely to be a number of practical tests in coming years. If political catastrophe strikes somewhere in the region, all bets will be off. If the upsets are only the

premonitory sort that we have been experiencing over the past year or two, a kind of long-range osmosis may be enough to keep us steady on course and Soviet interventionist inclinations in check. If, however, our prognosis is accurate of an Eastern Europe in constant motion for the next five to ten years, just short of true crisis, then both we and the Soviets will be faced with a series of difficult policy choices. In that type of situation, one way to guard against overreactions is for East and West to have a good advance appreciation of each other's intentions.

29. Embassy Budapest has proposed as a programmatic element "establishment of a regular dialogue with and about Eastern Europe." We second the proposal but would take it several steps farther. We see a need to begin to talk through not only the second and third level political problems (arms control, narcotics and the like) with the Eastern Europeans and the shape of broader policies with our allies, but also the more fundamental issue of Eastern Europe's place in U.S.-Soviet relations and in 21st century Europe—and with the Soviets.

30. Having tried it out before, we know how controversial that last part is. Embassy London noted that the FCO "could envision no politically defensible basis for damage-limiting or other prior consultations on Eastern Europe with the Soviet Union." That view is widespread, not least in U.S. domestic political circles. It strikes us as not completely logical, however, to put every other problem on the bilateral agenda, from Central America, through the Middle East, Afghanistan and Angola, in all of which we have severe complaints about the Soviet role, and exclude a regional problem where the Soviet factor is so pervasive. We also repeat a point we have made before. If there were a truly major crisis in Eastern Europe, another 1956 or 1968, there might be urgent need felt, both East and West, to try and limit damage. We would guess that in such circumstances even those cool FCO types might think it not a bad idea to jaw-jaw with the Russkies.

31. Beyond U.S. domestic and allied sensitivities, however, we can imagine that Eastern Europe policy—in effect, the philosophy and objectives of that policy—is difficult to fold into the time-pressed, pragmatic, action-oriented agendas of formal, high-level official talks.

32. There is an alternative. Numerous forums exist for East and West to think aloud informally and without commitment, institutions such as Aspen, Ditchley, and the like. Our specific recommendation is that the USG at least encourage a deeper dialogue with the Soviets about enlightened self-interest in Eastern Europe in these forums. Such a dialogue would be just that. It would not commit either side, but it could help both us and Moscow to chart and maintain sensible courses in this region over the promising but certainly troubled near and mid-term future.

33. Moscow minimize considered.

307. Memorandum Prepared in the Central Intelligence Agency¹

EURM 88–20069

Washington, April 25, 1988

**EAST GERMANY: THINKING ABOUT
SUCCESSION** [*portion marking not declassified*]**Summary**

Signs suggesting a weakening of Honecker's authority are prompting the East German elites to consider more seriously the prospects of succession in East Berlin. Some reports indicate that Honecker is considering stepping down at the Party Congress in 1990. While no one apparently has a lock on succession, Central Committee Secretary for Agriculture Werner Felfe, First Secretary for East Berlin Guenther Schabowski, and Central Committee Secretary for Security and Youth Affairs Egon Krenz seem to be best placed to take over from Honecker. Moscow is unlikely to move against Honecker or interfere in the East German pre-succession jockeying as long as he maintains a reasonably firm grip on power, controls social unrest, and promotes Soviet security policies in Western Europe. Should opposition to Honecker become open, the Soviets probably would try to influence the outcome. [*portion marking not declassified*]

Whoever succeeds Honecker will have to grapple with complex and increasingly urgent domestic political and economic issues. The pragmatic and relatively sophisticated Felfe may be somewhat more sympathetic toward *glasnost* and *perestroika* than the orthodox Krenz. Neither, however, would risk any real pluralism or undertake fundamental economic reforms that would endanger the primacy of the Communist Party. In the area of foreign affairs there is likely to be a continuation of Honecker's policies, including obtaining new technology for economic modernization through *Westpolitik*, using East-West arms control negotiations to bolster East Germany's own status and continuing to support some Third World terrorist and radical groups. [*portion marking not declassified*]

The Current Political Scene

Emerging differences in the traditionally consensual East German leadership over treatment of dissidents, *Westpolitik*, and economic performance have revived domestic speculation about succession in East Germany. The recent erratic regime behavior toward dissidents,

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Eastern Europe—General 1988 (3). Secret; [*handling restriction not declassified*]. Prepared in the Office of European Analysis.

in our view, reflected the apparent inability of East German leader Erich Honecker to impose a consistent policy line on his Politburo colleagues. This wavering triggered a spate of reporting suggesting that Honecker's rule may come to an end sooner than the General Secretary might like. [*less than 6 lines not declassified*]

The regime's display of indecisiveness in its treatment of the dissidents last January was also accompanied by some indirect sniping at Honecker by senior Politburo colleagues. The party's chief ideologue Kurt Hager, for example, on several occasions indirectly criticized the regime's current efforts to cultivate the West by emphasizing the continuing irreconcilable conflict between socialist and capitalist systems and the need for ideological vigilance. At a Politburo session [*less than 1 line not declassified*] unspecified hardliners reportedly questioned Honecker's conduct and concessions that he made during his visit to Bonn. [*portion marking not declassified*]

Regime frustration with slowing economic growth and a weakened foreign trade position is also evident, and may fuel disagreements over economic policy. The party newspaper *Neues Deutschland* several months ago published two sharp articles criticizing housing construction and consumer services in some East German districts. Such harsh comments on economic performance conflict with the regime's usual practice of touting its economic achievements and would seem to require high-level approval, probably from elements in the top leadership, who believe that Honecker is increasingly vulnerable on this issue. In a key address at the last party plenum, even Politburo member Werner Felfe—one of the reputed major contenders for Honecker's job—failed to show strong enthusiasm for the achievements of the GDR's economy in the last year. In contrast to Honecker's public claims of success, the party's chief economic policy maker, Guenther Mittag, also has emphasized to his Politburo colleagues the need for new measures to modernize the industrial base and improve the country's foreign trade position. [*portion marking not declassified*]

Honecker's Position

The recent criticism probably is troublesome and embarrassing to Honecker, but at the present time it does not appear to be particularly threatening. Honecker has shown that he is still in control. He has attacked his hardline critics and has continued to reject Gorbachev-style political and economic reforms:

[*1 paragraph (4 lines) not declassified*]

- He also continues to hold that Gorbachev's initiatives are not applicable to East Germany and to rebuff Soviet efforts to forge new, more direct economic links with East German enterprises. [*portion marking not declassified*]

Honecker probably does not expect Moscow to move against him as long as he appears to have a reasonably firm grip on power and keeps social unrest under control. He probably believes that Soviet leader Gorbachev is facing too many problems at home to want to risk instability in East Germany, which has been Moscow's staunchest ally in Eastern Europe. Moreover, Honecker knows that he has been useful to Moscow in promoting Soviet security objectives in Western Europe and in the Third World and that a clumsy Soviet effort to remove him would damage Gorbachev's image as a sophisticated, flexible leader willing to tolerate greater diversity in allied countries. Should the challenge to Honecker become more open, he and others in the East German leadership probably would expect the Soviets to try to lend support to someone most likely to share Moscow's views on domestic reform and Bloc economic integration, such as Schabowski or Felfe. [*portion marking not declassified*]

Looking for the Crown Prince

It is still unclear who would succeed Honecker as General Secretary of the party because no one as yet has established a clear claim to the post as Honecker did, for example, prior to Walter Ulbricht's ouster. The Politburo is likely to turn to relatively younger leaders because most of them have held influential positions long enough to make an interim regime of elders unnecessary. Also the leadership wants to avoid potential destabilization caused by a caretaker government which soon would have to be replaced by a more permanent regime. The principal candidates for Honecker's position are:

- Werner Felfe (60), Central Committee Secretary of Agriculture and Politburo member, who has reportedly replaced Egon Krenz as the leading candidate. Felfe recently assumed a much higher profile in party affairs; he made the first high-level trip to West Germany after Honecker's visit there, and he delivered the Politburo report to the Central Committee plenum [*less than 1 line not declassified*]. Moreover, as Secretary of Agriculture, Felfe probably has improved his position because of the strong performance of the agricultural sector in recent years. [*less than 3 lines not declassified*]

- Guenther Schabowski (58), Central Committee Secretary and Politburo member in our view is a weaker candidate than Felfe, even though he has a relatively strong power base as head of the East Berlin party organization. His relatively low profile during East Berlin's 750th anniversary celebrations in 1987 suggests a lower ranking in the Politburo. Nevertheless, the Soviets may prefer someone like Schabowski who reportedly resembles Gorbachev in both style and thinking

- Egon Krenz (51), Central Committee Secretary responsible for Security, Youth Affairs, and Sports, and a Politburo member reportedly has lost some ground as the favorite for Honecker's position. Although Krenz lacks intellectual agility, he has expertise in key areas such as

security and youth matters and ostensibly gets along with everyone. He holds the same Central Committee Secretary job that Honecker held prior to the latter's becoming General Secretary.

- Joachim Herrmann (60), Central Committee Secretary responsible for Agitation-Propaganda and Mass Organizations and a Politburo member, is also a key player on Berlin and intra-German issues. Although his name has not been mentioned as often as those of the potential candidates listed above, in speculation about succession some West German officials rank his chances higher than those of Schabowski. Herrmann is a close confidant of Honecker with whom he has worked since 1946. [*portion marking not declassified*]

Secretary for Party Organs and Politburo member Horst Dohlus and First Secretary for the Dresden District Hans Modrow also have been mentioned in discussions about succession. Modrow's chances of taking over Honecker's position, however, are slim because he is not a Central Committee Secretariat and Politburo member. Experts on East Germany generally believe that membership in the Politburo is a prerequisite for becoming a serious contender for the position of General Secretary. [*portion marking not declassified*]

Felfe, despite his recent gains, by no means has a lock on succession. While he will attempt to improve his position further, Honecker may still believe that Krenz, whose career background is similar to his own, would better protect his historical legacy. In any case, Honecker, in the tradition of East Bloc leaders, almost certainly will not name an heir apparent, believing that conferring such power could endanger his own position. Nonetheless, jockeying within the leadership for Honecker's position has already begun, according to the reporting from the United States Embassy and the West Berlin press. This political infighting is not likely to lead to significant policy changes while Honecker remains in power. The debate over policy, however, will probably become heated. [*portion marking not declassified*]

Policy Implications of Succession: Domestic Issues

Honecker's successor will inherit a difficult and increasingly complex social, political, and economic situation in the GDR. On the social and political front, Gorbachev's espousal of *glasnost* has raised popular expectations for political change, which already have spurred anti-regime protests. It seems reasonable to assume that either Felfe or Schabowski, who appear more pragmatic and flexible, would be more sympathetic to *glasnost* than Krenz or Herrmann, calculating that measured liberalization would defuse social unrest and increase the regime's legitimacy. Felfe or Schabowski might liberalize cultural policy a bit more by permitting publication of some currently banned books and allowing somewhat greater diversity of opinion in the regime-controlled press. They also may show somewhat greater leniency toward dissident groups

connected with the Protestant Church, provided the church leadership manages to confine protest to church premises. In contrast, Krenz and Herrmann, whose careers in the security and propaganda apparatuses, respectively, have steeped them in orthodox ideological thinking, are unlikely to be receptive to *glasnost*. Both groups of potential successors would crack down hard on anyone posing a serious challenge to the regime, however. Any successor would seek to preserve the dominance of the Communist Party. Western hopes that the combination of generational change, increased cooperation between the two Germanys, and the “new thinking” in Moscow will produce greater pluralism in East Germany are unrealistic because they ignore the fact that even a younger East Berlin leadership would be fairly orthodox in its Marxism-Leninism. [portion marking not declassified]

A successor regime will also inherit mounting economic problems. In the last two years, growth has slowed and trade performances with both the West and the Soviet Union show signs of weakness. Although partly the result of harsh winters, energy shortages and past planning failures, the recent poor economic performance reflects mainly systemic shortcomings and the lack of new initiatives to counter them. Honecker’s fervent opposition to economic restructuring makes it unlikely that any significant changes will be implemented during his tenure. [portion marking not declassified]

The slowing economic growth rate will sharpen the debate over both investment priorities and the structure of the economy. With respect to the latter, a successor regime almost certainly will oppose changing fundamentally the central planning system—which determines economic inputs, outputs, and prices—but rather will probably tinker with administrative decentralization. Economic enterprises, for example, may be allowed to keep a larger share of profits and use them at their discretion for investments or bonuses. The enterprises also may be given greater freedom to offer higher wages and other benefits to increase labor mobility. [portion marking not declassified]

Changes may also be made to increase the efficiency of the *Kombinate*² by reducing their numbers and by cutting government subsidies. Resource commitments to the consumer sector may be reduced to permit larger capital investments; this measure, however, probably would be considered only as a last resort because consumer welfare buys the regime what little support it has. The small private sector—consisting of some shops and restaurants—may also be allowed to expand somewhat. [portion marking not declassified]

² East Berlin merged all state-run industrial enterprises into about 130 “combines” in the early 1980s. Each combine is a large, generally vertically integrated industrial monopoly that controls all phases of production for the same or similar goods from resource extraction to final assembly. [Footnote is in the original.]

Implications for Foreign Policy

There is likely to be much continuity in foreign policy no matter who succeeds Honecker. East Berlin probably will continue *Westpolitik* as long as East German and Soviet objectives—such as obtaining Western technology and promoting East Bloc security objectives in Western Europe—run parallel. However, if East German trade with the West conflicted with Soviet needs or if intra-German cooperation aroused suspicion in Moscow about the GDR's reliability, a new regime almost certainly would yield to Soviet wishes to go slower on this front. East Germany will remain dependent on the USSR for oil and other raw materials as well as military protection against both domestic and foreign adversaries. [portion marking not declassified]

A successor government, like the current regime, probably will try to resist greater CEMA integration for fear that Moscow will exploit closer economic cooperation to build up its own economy at the expense of East German resources and trade with the West. If Moscow seriously pressed for compliance, however, East Berlin undoubtedly would give in. The GDR cannot afford to be the "odd man out" on CEMA integration, not only because of its dependence on the Soviet Union for raw materials, but also because the creation of joint ventures by other CEMA countries would reduce East German access to export markets in the East Bloc. [portion marking not declassified]

Exploiting Arms Control

A successor undoubtedly will emulate Honecker's strategy of using East-West arms control issues to gain wider acceptance of the GDR in the West. The push for chemical and nuclear weapons-free zones in Europe and security cooperation with West European leftist parties will continue. Like Honecker, a successor probably will try to enhance the GDR's role in the arms control process by acting as a Bloc interlocutor with the West Germans—not only with the left-of-center Social Democrats but also with the center-right Kohl government, which increasingly has bowed to the electorate's desire for disarmament and growing trust in Gorbachev's "peace" policies. A new leader in East Berlin might push even more vigorously Soviet propaganda themes, such as the Common European House and a nuclear-free Europe, in the hope of maintaining good political relations with the Soviets. [portion marking not declassified]

Relations with the United States

The GDR probably will increase its efforts to improve relations with the US as long as East-West relations continue on their present course. This is likely to lead to a higher level of political and cultural exchanges and greater willingness by East Berlin to satisfactorily conclude bilateral agenda items that remain in dispute, such as

Jewish property claims and family reunification cases. East Berlin probably will also push to expand trade relations and may propose joint ventures in manufacturing areas where the East Germans are relatively strong—such as basic farm machinery, fork lifts, and optical equipment—as an inducement for the US to agree to joint ventures in medium and non-COCOM high technology. East Germany's trade with the US undoubtedly will be constrained by hard currency shortages, lack of competitiveness, fear of economic dependence on the West which might make East Berlin vulnerable to pressures for political liberalization, and Soviet demands for better goods and more economic cooperation. [*portion marking not declassified*]

The downside of this normalization process is that the GDR probably would target the US even more heavily for espionage, especially illegal technology transfers. Moreover, the GDR almost certainly would continue to challenge US rights in Berlin and resist Washington's initiatives for improving the economic situation of the divided city for fear that new arrangements might alter the status of Berlin and negatively affect the GDR's claims to East Berlin as its capital. Also, the GDR will continue to support Soviet active measures against the United States—such as blaming US bacteriological warfare experiments for “inventing” AIDS—and quietly supporting Third World terrorist and radical groups. [*portion marking not declassified*]

308. Memorandum From Stephen Danzansky of the National Security Council Staff to the President's Deputy Assistant for National Security Affairs (Negroponte)¹

Washington, May 3, 1988

Subject: PRG Meeting on East German Claims/Trade Package, Wednesday, May 4, 1988, 10:30 a.m., in the Situation Room.

The PRG you will chair on Wednesday, May 4² will discuss the advisability of continuing to develop a package for improved trade relations with the GDR that will induce them to pay claims owed to U.S. citizens for property seizure and to U.S. Jewish claimants for war

¹ Source: Reagan Library, Stephen Danzansky Files, Subject File, GDR: 09/06/87–05/03/88. Confidential. Sent for action. Drafted by Seiber. Concurred in by Ledsky. An agenda at Tab II was not attached.

² The minutes of this meeting were not found.

crimes. There has been no interagency consensus on whether to proceed, but we understand that the State Department is pursuing the issue. The PRG must decide what U.S. policy will be on this matter and whether to continue in the direction that State is heading.

Background

There are two groups of claims involved: 1) Private U.S. claims for properties seized through forced sales by the GDR, and 2) Jewish claims for wartime atrocities. The first set of claims (about 2,000) was adjudicated in U.S. courts in 1977–81 and valued at \$78 million with \$300 accumulated interest. The second set of claims is valued by the Conference on Jewish Material Claims on Germany (representing 50 Jewish organizations) at \$100 million.

The U.S. Government is obligated (under the Foreign Claims Settlement legislation)³ to do all it can to get East Germany to pay the U.S. property claims, but it has no leverage to do so. The USG does not represent the Jewish claims efforts but strongly backs the settlement of these claims. Recently Rabbi Miller, President of the Conference, met with Senator Baker to explain the situation. The State Department, on the other hand, has completed the ninth round of negotiations with the GDR on the property claims, and reports agreement on an ad referendum text that deals with the problems and status of these claims. The text leaves blank the amount of money owed and any payment schedule.

State Department Proposal

The GDR continues to ask for assurances on trade promotion measures. While State has emphasized that Most Favored Nation treatment is impossible, State believes the U.S. could give MFN tariff treatment on selected items that would not compete with U.S. suppliers in the U.S. market. This strategy would not guarantee GDR exports to the U.S., but would allow it to compete more effectively with foreign suppliers. In addition to payment of the claims, Commerce would ask the GDR to commit to business facilitation for U.S. firms, for access to potential GDR buyers and to market information. The U.S. has not agreed to trade talks with the GDR but has asked it for a list of products for which it would want MFN treatment.

Interagency Deliberations

On February 29, the Trade Policy Review Group considered the trade package idea, and, according to State, all other agencies opposed or expressed doubts. Concerns included the “arms for hostages” appearance of the deal; potential complications with the Omnibus Trade Bill

³ Telegram 278 from East Berlin, January 15, provided the draft text of the agreement. (Department of State, Central Foreign Policy File, D880039–0587)

and Canada FTA; and lack of control over “business facilitation” efforts by the GDR. Two study papers were commissioned to examine the broader political context of a trade deal and more specific trade actions that might be involved. Neither study has been completed.

On March 18 at an International Economic Policy Breakfast meeting, Secretary Shultz raise the issue, but General Powell and Secretary Baker expressed concern over both political appearances and raised the “moral” question of trading GDR obligations for concessional economic treatment.⁴ Secretary Baker suggested killing the whole idea.

Despite what appeared to be a strong majority view at the breakfast, State seems to be proceeding apace with a “deal.” This is curious given the strong feelings expressed by Powell and Baker, the apparent acquiescence of Secretary Shultz and the lack of further progress at the TPRG level. Cable traffic indicates that the discussions with the GDR have continued despite these negative signals.

Political Considerations

The State Department says the U.S. has no leverage to force the GDR to pay claims, and, given the age of the claimants, if the GDR does not pay soon, the money will go to the claimants’ estates instead of to the claimants. It is alleged the Jewish Conference has urged that the U.S. agree to a trade package, and the Conference does have the ear of some Congressional Members. West Germany, according to State, has said that any improvement in U.S.-GDR trade relations would be beneficial, and State has received inquiries from Israel. On the other hand, press reports have highlighted recent East German actions to detain emigration activists and censor church publications (copy attached).⁵ Any USG pursuit of trade liberalization via limited MFN treatment could therefore be criticized on grounds of no improvements in GDR human rights violations.

Finally, GDR Politburo Secretary, Hermann Axen, will be in Washington, D.C. this week for meetings at State, and it would useful to have an Administration consensus on how to proceed with this issue.

RECOMMENDATION

That you use the talking points at Tab I.⁶

⁴ See Document 304.

⁵ Tab III was not attached.

⁶ Tab I was not attached. The recommendation was neither approved nor disapproved.

309. Memorandum Prepared in the Central Intelligence Agency¹

EURM 88–20089

Washington, May 23, 1988

EAST GERMANY: The Political Scene and Relations
With the US [*portion marking not declassified*]

Since early 1988, the East German regime has backtracked somewhat on the more liberal domestic policies it began implementing last year. The desire for greater acceptance and economic support from the West had led East Berlin to modify some of its harshest policies, including restrictions on travel to the West and the shoot-to-kill order at the Berlin Wall. Although the strategy of *Westpolitik* won some limited diplomatic successes, it did not quell rising dissatisfaction at home. Frightened by even small challenges to its authority, the leadership has cracked down with new arrests and expulsions of dissidents even at the risk of souring prospects for better relations with the West. Meanwhile, tensions between the GDR and the USSR could also intensify as East Germany continues to reject Soviet reforms and fails to meet Soviet demands for larger quantities of more technologically advanced goods. [*portion marking not declassified*]

The GDR sees improved political and economic relations with the United States as the crowning achievement of *Westpolitik*. The aging Honecker apparently is convinced that an invitation to visit Washington is within his grasp, at relatively little cost. Although East Berlin has made some moves to signal its interest—including the visit of Politburo member Axen last month² and more flexibility in talks on Jewish and US official claims—it remains unwilling to take the practical steps needed to meet US concerns and improve relations. This holds especially true of GDR support for terrorist groups and Third World radical regimes. [*portion marking not declassified*]

The Leadership's Dilemma

Over the past ten months the East German leadership has tried to increase its acceptance by the major Western powers (*Westpolitik*) without diminishing its authoritarian and centralized rule at home.

¹ Source: Central Intelligence Agency, Office of Russian and European Analysis, Job 02–06156R: Intelligence Publication Files—Record Copy of Finished Intelligence Pubs (1982–1996), Box 2, Folder 361: 23 May 1988 East Germany: The Political Scene & Relations with the United States EURM 88–20089. Confidential; [*handling restriction not declassified*]. Prepared in the Office of European Analysis based on information available as of May 20.

² Telegram 146548 to East Berlin, May 7, summarized Axen's meeting with Shultz. (Department of State, Central Foreign Policy File, D880394–0522)

Last fall the regime carried out its largest ever amnesty of prisoners (including virtually all political detainees) and liberalized restrictions on travel to the West by East Germans below pension age. The shoot-to-kill order at the Berlin Wall, initially suspended during party chief Honecker's trip to Bonn last fall, remains in abeyance. Moreover, until last November, the leadership seemed increasingly prepared to tolerate activities of peace and human rights activists. [*portion marking not declassified*]

This strategy has won some limited diplomatic successes. Following his first ever visit to Bonn last fall, East German leader Honecker travelled to the Netherlands, Belgium, and France and is currently angling for an invitation to Madrid. Official visits to London and Washington remain the ultimate objective. [*portion marking not declassified*]

Nevertheless, the regime's seemingly conciliatory moves on the domestic front have not reversed growing popular dissatisfaction with East Berlin's policies. Applications for emigration to West Germany have increased, many from those who have visited the West under the recent and more liberal travel arrangements. Criticism by the party rank-and-file of the leadership's rejection of Soviet-style *glasnost* has grown, and solidarity demonstrations with those arrested during the regime's crackdowns on activists last fall and this spring have intensified. [*portion marking not declassified*]

The leadership is responding with new arrests and expulsions of dissidents to West Germany and has threatened a massive purge of disaffected party members. It has not abandoned its reliance on repression to preempt challenges to its authority from any quarter. Over time, however, such tactics could sour the GDR's relationship with West Germany—especially in the all-important area of economic ties—and prevent closer ties to those Western states that demand improvements in East Germany's human rights record and greater maneuvering room for non-party groups such as the church. [*portion marking not declassified*]

We believe Honecker's tacking and veering on domestic policies will become increasingly difficult to sustain over the next few years. Popular dissatisfaction almost certainly will rise as the GDR's economic slowdown makes it increasingly difficult to sustain living standards. The approach of succession will add to uncertainties over the regime's long-term policy course. The East German Politburo on the average is the oldest in Eastern Europe, and the traditionally monolithic leadership is showing greater divisions over the treatment of dissidents, the costs and benefits of *Westpolitik*, and ways to improve economic performance. Although Honecker shows no sign of relinquishing power voluntarily, he could be eased out in the next year or so if economic stagnation continues and anti-regime protests spurred by Soviet leader Gorbachev's *glasnost* intensify. [*portion marking not declassified*]

Differences with Moscow

East Berlin's public rejection of Gorbachev-style reforms—and the arrogant tone it has used—has brought the regime increasingly into conflict with the USSR. GDR officials scarcely bother to hide their conviction that reforms would raise dangerous popular expectations in the GDR and already are destabilizing Eastern Europe. The regime has censored GDR media coverage of Soviet events and debates. Moscow to date has tolerated Honecker's defiance, apparently because it anticipates East German deliveries of more technologically advanced goods and increased economic cooperation to aid Soviet modernization efforts. If East Berlin fails to live up to Moscow's expectations, however, and if Gorbachev further consolidates his power at home, frictions with the Soviets are likely to intensify. *[portion marking not declassified]*

To preserve maneuvering room with Moscow on domestic policy and deflect Soviet criticism of economic footdragging, the East German leadership bends over backwards to accommodate Moscow on most foreign policy issues. Recently, it has been careful not to get out ahead of Moscow on policy towards Bonn and actively supports radical Third World regimes and terrorist groups which further Soviet interests. East Berlin has taken pains to underscore its ability to further Soviet arms control objectives. In this vein, it is sponsoring this summer and fall a series of conferences on East-West security cooperation this summer and fall. *[portion marking not declassified]*

Courting the US

East Berlin clearly wants to improve political and economic relations with the United States. It has played up the recent Washington visit of GDR senior Politburo member and Honecker ally Hermann Axen as an important breakthrough, even though neither side abandoned long established positions. During US Deputy Secretary Whitehead's visit last fall,³ the GDR intimated a willingness to expand the scope of exchanges on terrorism. This spring, during discussions with the Council on Jewish Material Claims (a private, US-based organization negotiating on behalf of losses by US Jewish citizens in Nazi Germany), East Germany for the first time accepted unequivocally the concept of reparations. During US-GDR claims negotiations sessions this April the GDR agreed to a preliminary text for a settlement. *[portion marking not declassified]*

Nevertheless, the East Germans are still unwilling to take the kind of substantive steps needed to improve relations. Talks on terrorism this spring were as disappointing as at any previous time. The GDR evidently has curbed only its most high-profile assistance to terrorists and Third World radicals—chiefly the provision of diplomatic safehaven and tolerance of commercial front activities in East Berlin; training on East

³ See Documents 299 and 300.

German soil and other forms of substantive assistance continue. The GDR also has yet to offer more than a one-million-dollar token payment for “Jewish suffering” and still insists that US trade concessions precede any final settlement of US material claims. [*portion marking not declassified*]

An invitation to Washington remains the ultimate prize—the jewel in the crown of *Westpolitik*—for the aging Honecker. He and his associates, however, still seem to believe that it can be acquired at bargain-basement prices. [*portion marking not declassified*]

310. Telegram From the Embassy in the German Democratic Republic to the Department of State¹

East Berlin, June 13, 1988, 1310Z

3788/Depto 3019. Subject: Deputy Secretary’s Meeting With GDR Foreign Minister Fischer. Refs: EmbBerlin 3707 and Subsequent.²

1. Confidential—Entire text.

2. Summary: Deputy Secretary Whitehead and GDR Foreign Minister Oskar Fischer met twice, June 10–11, on the edge of the Potsdam Conference on new approaches to East-West security to discuss bilateral issues. Their talks, which concentrated on the claims/trade package and terrorism, lasted approximately 90 minutes.

3. Fischer said the GDR wanted to move the claims package to completion but was awaiting a response to its proposal to open trade negotiations. If they were not possible, the U.S. and GDR had wasted many years. Mr. Whitehead said the U.S. wished to bring both the claims and the trade talks, which were parallel but independent, to conclusion. There had been progress on both tracks—more on claims to date—but trade presented special sensitivities. Ambassador Meehan urged the GDR to confirm the willingness to pay \$100 million on Jewish claims that Honecker had apparently indicated to West German Jewish leader Galinski June 6. That would make a positive contribution to the climate in which the package was being worked. Fischer said he had not yet

¹ Source: Department of State, Central Foreign Policy File, D880832–0819. Confidential; Immediate. Sent for information to Eastern European posts collective, Bonn, The Hague, Moscow, Vienna, Cape Town, USAFSB Berlin, and USDel NST Geneva.

² Telegram 3707 from East Berlin, June 9, outlined Honecker’s meetings with Jewish leaders and efforts to determine a claims settlement. (Department of State, Central Foreign Policy File, D880492–0671)

been able to inform himself on the Honecker-Galinski conversation but would do so quickly and come back to us.

4. The Deputy Secretary said the U.S. wanted cooperation from the GDR on combatting terrorism. The relationship on this important issue was the worst we had in Eastern Europe. Fischer said the GDR opposed terrorism and wanted a cooperative relationship. He would look into whether there had been misunderstandings and whether more could be done. End summary.

5. The Deputy Secretary was accompanied by DAS Bodde, Ambassador Meehan, Mr. Kelly from his staff, and Political Counselor Greenwald (notetaker). The Foreign Minister was accompanied by Manfred Niklas, head of his personal office in the MFA, Ambassador Herbert Barth, Director of the Office of U.S., Canada, Japan and Australia Affairs, and an interpreter.

Attitudes Toward Reform

6. Fischer began by contrasting Mr. Whitehead's remarks to the conference—jointly sponsored by the Institute for East-West Security Studies and the GDR Foreign Ministry—with his own. The Deputy Secretary's theme seemed to be, Fischer said, Eastern European countries should change, and then everything would be okay. His own point had been that East and West should respect each other for what each was and work together as practical possibilities arose.

If his impression of the contrasting themes was correct, it would raise questions about the compatibility of the two sides' understanding of the framework for bilateral relations.

7. Mr. Whitehead said that his speech had addressed openness—glasnost—the concept that was being developed in the Soviet Union and Eastern Europe. He had expressed U.S. willingness to assist in this process. We were positive about the process that was underway, and he had meant his talk as an encouragement to the Soviets and Eastern Europeans to move forward with the changes that Gorbachev has proposed. Fischer said he realized his initial impression was exaggerated. The Deputy Secretary's explanation made it easier to discuss the bilateral relationship.

State of Relations

8. The GDR desired, Fischer said, to continue step-by-step progress. The high level political contacts, including the Deputy Secretary's two visits, the just completed annual political consultations,³ and Politburo member Axen's visit to the U.S. in May constituted

³ A summary of the political consultations is contained in telegram 3072 from East Berlin, May 13. (Reagan Library, Nelson Ledsky Files, Subject File, Germany, East: (German Democratic Republic) [1988 Cables (03/18/88-0630/88)])

appropriate forums within which the relationship was going forward. The four point non-paper⁴ which Axen had given Secretary Shultz provided a framework. The GDR wanted to build a stable and solid relationship which would carry through the change in administration without pause or retrogression. Mr. Whitehead agreed that the relationship would be built not with grand statements but with small steps that had concrete effects.

9. In November, the Deputy Secretary said, he and Fischer had identified a number of steps that should be taken.⁵ He was pleased that there had been some progress. Most cases on our divided family list had been resolved, and the others appeared to be on the way. The USIA film-making exhibit had been a great success. Fischer responded that the GDR's positive attitude toward humanitarian cases was proved by the facts. It welcomed the success of the film exhibit. There had been great public interest, and it proved to be a spectacular event. Perhaps during the next administration it would be possible to consider how the GDR could put on a similarly significant exhibition in the U.S.

Claims/Trade

10. The Deputy Secretary said that there had been good progress on both official and Jewish claims. We wanted to wrap them up so that we could move on to other matters. Fischer responded that both sides should continue to work on claims. He had kept the Jewish claims negotiation in his hands because he considered it very important. He would, of course, keep up his contacts with Rabbi Miller when he went to the UNGA this fall. He was not responsible for the official claims talks, which were led by Professor Supranowitz of the Office for the Legal Protection of State Property.

11. Nevertheless, Fischer said, he was working with his colleague, Minister of Foreign Trade Beil, for the resolution of the full complex of issues. Both sides knew how a solution would have to look. The GDR was awaiting a sign from the U.S. At this point in time, however, he was uncertain what more could be done and whether negotiations could usefully continue in the present mode.

12. Specifically, Fischer said, after the GDR had given the U.S. a product list and proposed to open trade negotiations, everything went still on the U.S. side. The GDR appreciated the humanitarian point that the Deputy Secretary had made—that claimants were growing old, and there was a time urgency about helping—but it could not reach into an empty pocket.

⁴ Telegram 148211 to East Berlin, May 10, contained the non-paper that Axen presented to Shultz. (Department of State, Central Foreign Policy File, D880400–0633)

⁵ See Document 300.

13. The GDR wished also to be clear on one point, Fischer said. The Deputy Secretary had spoken about an obligation the GDR had to repay people for what they had lost because of the Nazi's and the war. The GDR did not have a legal obligation. It had met its reparations obligations within the framework of the Potsdam Agreement. It was willing to help, on a humanitarian basis. That was why it was discussing Jewish claims. The reparations track was closed. The track of humanitarian assistance, including the time factor, was open.

14. The GDR saw a second open track, the trade track. For practical reasons, these tracks needed to intersect. Minister Beil was authorized to produce concrete results if the U.S. engaged in trade negotiations. If such negotiations were not possible, then the GDR would have to consider that many years of effort had been lost. The two sides would have to come up with new ideas. At this time, however, Fischer had no such new ideas.

15. The Deputy Secretary expressed appreciation for Fischer's candor and repeated that the U.S. wanted to improve trade, both ways, with the GDR. It also wanted to resolve the two sets of claims. There was a certain connection between all the issues, but each was also independent of the other. The question was how we could go forward.

16. At the Deputy Secretary's request, the Ambassador developed the subject further. He cited the progress that had been made on both claims and trade, but agreed with Fischer that the ball was now in the U.S. court on the trade component. On Jewish claims, however, the GDR should consider taking an important step.

17. The Ambassador recommended that the GDR consider confirming the \$100 million figure which the Western press had reported Honecker mentioned to West German Jewish leader Galinski (reftels) June 6. That would represent substantial positive movement and have a positive impact on public opinion and the Congress, as well as the executive branch. Though there were no guarantees, it could give a useful impulse to a process that would facilitate agreement on all elements of the package, including trade and official claims. Such a step should entail no unacceptable rise for the GDR because it would clearly be conditional on satisfaction of GDR trade desiderata.

18. Fischer said that he understood the point to be that, on the assumption that \$100 million had played a role in the Honecker-Galinski talk, it was possible that confirmation of that figure subject to adequate resolution of the bilateral trade complex, could help move the package forward. He said that he was still uninformed on the Honecker-Galinski discussion since he had been out of the country at the time. He would inform himself promptly and get back to us.

Terrorism

19. The Deputy Secretary expressed the strong U.S. opposition to international terrorism. He said that the U.S. had been able to develop

cooperative programs with the Soviets and other Eastern European countries. The core of this cooperation was confidential exchange of information at the expert and operational level. This was a very important factor in combatting terrorism. The visit of Ambassador Adams,⁶ who was responsible for our cooperation with Eastern Europe, had not gone well. He had found an unwillingness to discuss the subject openly. The conversations had been more legalistic than substantive. Mr. Whitehead asked the GDR again to consider engaging in such a cooperative program with the U.S. The two countries should be able to help each other to combat what they both said was an evil.

20. Fischer said that he had explained the GDR's principle of opposing all forms of terrorism last fall. He would not repeat himself, but the GDR considered terrorism a cancer. He promised that he would study and follow up the Deputy Secretary's remarks and see whether more concrete results could be produced. In particular, he would examine whether there had been something the GDR did not say openly enough or whether it had created an unintended impression. The GDR wanted to leave no one in doubt that it had no use for terrorism and opposed it firmly.

Thompson

⁶ Telegram 703 from East Berlin, February 6, reported Adams's February 1 consultations on counter-terrorism. (Department of State, Central Foreign Policy File, D880629–0035)

311. Telegram From the Embassy in the German Democratic Republic to the Department of State¹

East Berlin, June 13, 1988, 1324Z

3789/Depto 3020. Subject: Deputy Secretary's Meeting With GDR Leader Erich Honecker. Refs: EmbBerlin 3707 and Subsequent.²

1. Confidential—Entire text.

2. Summary: Honecker met with Deputy Secretary of State Whitehead for 90 minutes June 11 immediately preceding the reception

¹ Source: Department of State, Central Foreign Policy File, D880832–0864. Confidential; Immediate. Sent for information to Eastern European posts collective, Bonn, The Hague, Vienna, Cape Town, USAFSB Berlin, and USDeI NST Geneva.

² See footnote 2, Document 310.

he gave in Berlin for participants in the Potsdam Conference on new approaches to East-West security. The Deputy Secretary briefed the GDR leader on the summit³ and raised bilateral issues including the Wall, claims/trade and terrorism. Honecker commended the President for his efforts to produce the successful summit. He said the GDR assessment corresponded closely to the American. He implied more explicitly than he had when the Deputy Secretary saw him in November that the shooting policy at the Wall had been changed, and he said that the GDR would continue to resolve all U.S. humanitarian cases. Though he defended the Wall as a sovereign GDR matter and not different in principle from the U.S.-Mexican border, he indicated that freer travel would continue, at least as long as relations with the FRG developed positively. He made generally positive noises about improving bilateral relations, including on terrorism, but did not get into specifics on claims/trade. End summary.

3. Honecker was accompanied by Foreign Minister Fischer, Ambassador Barth, the Director of the MFA's Office of U.S., Canada, Japan and Australia Affairs, a notetaker from his staff, and an interpreter. The Deputy Secretary was accompanied by DAS Bodde, the Ambassador, D staff member Kelly and Political Counselor Greenwald (notetaker). Following the conversation, the Deputy Secretary went through the reception line first and left for West Berlin.

Summit Briefing—Arms Control and Gorbachev

4. Mr. Whitehead's briefing and Honecker's response occupied slightly more than half the meeting. The Deputy Secretary provided an overview of the summit, calling it a solid success, an important and positive step in the general upward trend of U.S.-Soviet relations. He explained the President's desire to build a stable framework his successor could continue and to avoid the roller-coaster ups and downs which had characterized much of the post-war period. He likewise reviewed the positive steps in each of the four agenda items—human rights, arms control, regional problems, bilateral issues. He said that Gorbachev had been impatient that the U.S. was not prepared to do more faster, but the President believed he had set a prudent course that was moving the relationship forward with all due speed. Another summit was possible in the life of the administration but not certain. It would depend on the "START" negotiations.

5. Honecker said the GDR agreed the summit had been a solid success. The most important fact had been INF ratification, the initial step toward real nuclear disarmament. He hoped there would be more arms

³ Reference is to the Moscow Summit May 29–June 1. See *Foreign Relations*, 1981–1988, vol. VI, Soviet Union, October 1986–January 1989, Documents 156–164.

control progress soon, particularly a “START” agreement. He had watched live on television when the President, whose efforts he applauded, had explained that there were already several hundred pages in the draft agreement. This was a good sign. The parties should go forward.

6. Perhaps Gorbachev had been forceful during the summit when he urged that more should be done and at a faster pace, Honecker said, but he knew Gorbachev to be a man who realized that progress must come through a step-by-step process.

7. Honecker said he valued highly the advances that appeared to have been made in other areas of arms control, including nuclear testing and a global ban on chemical weapons. Unfortunately, the Warsaw Pact summit in Warsaw next month would probably have to note that there were other areas where progress was less apparent including conventional force reductions and the related matters of dual capable weapons systems and tactical nuclear missiles. A step-by-step advance was also the only way in these areas, he said, but positive processes had been set in motion. The NATO-Warsaw Pact dialogue would have to deepen, he said, but the Warsaw Pact knew that more would have to be done to reduce asymmetries and then to cut forces until no offensive capability remained.

8. The GDR, Honecker said, was optimistic about the international scene. Five years ago it was inconceivable that so much would have been achieved. It was prepared to make whatever contributions it could to the improving U.S.-Soviet relationship.

Summit Briefing—Regional Issues

9. Mr. Whitehead said that the U.S. considered the GDR had a meaningful relationship to several of the regional issues which were being discussed with the Soviets. There was a GDR military presence consisting of advisers and equipment, especially in Angola and Nicaragua. The U.S. had not previously raised this directly with the GDR, but if the GDR wished, the U.S. would welcome including the GDR in certain aspects of the talks which were moving ahead positively with the Soviets. We would also understand if the GDR did not wish to be involved.

10. Honecker said that the Soviets had been authorized to speak for all the Warsaw Pact allies on these issues. The Deputy Secretary’s assessment of the regional discussions at the summit matched the report the GDR had received from the Soviets.

11. The GDR, Honecker said, supported the efforts to resolve regional conflicts by peaceful means. It welcomed the Soviet decision to withdraw from Afghanistan, but it was concerned the Pakistani President was making a mistake by allowing assistance to continue to

go to the counterrevolutionaries. The best course was that of national reconciliation, as urged by the Afghan government.

12. National reconciliation, he said, was also the only sensible way in Kampuchea. The GDR supported this policy and believed that only the Pol Pot people should be excluded. Just the day before, he had watched on West German television a program on the horrors that Pol Pot had perpetrated. He had spoken with the Vietnamese and was pleased that they were withdrawing 50,000 troops and placing the remainder of their forces under Kampuchean control.

13. On Angola, Honecker said he fully supported the talks involving the U.S. and all the interested parties, which could create the conditions for a just settlement. The GDR was ready to make a contribution.

14. With respect to the Middle East, Honecker said, he followed Secretary Shultz' shuttle diplomacy closely and with admiration for the Secretary's personal commitment. The GDR still believed, however, that a UN conference with the participation of all parties, including the Palestinians, and with the objective of establishing a Palestinian state, was necessary. Of course Israel would then have to be given guarantees.

15. Honecker said that he believed the U.S. presence in the Persian Gulf should be replaced by a UN presence, but basically he agreed with the U.S. that the extremely dangerous conflict had to end, and Iran was the biggest obstacle.

16. On one point, Honecker said, he disagreed with the Deputy Secretary. The GDR had no military presence at all in the Third World. It sent no military advisers, and it did not manufacture weapons. What it sent was youth brigades, who worked only in the civilian sector, providing economic and humanitarian assistance. He had seen this himself in Angola. He agreed with Mr. Whitehead that it would be good for the two sides to expand their dialogue on such subjects in order to avoid possible misunderstandings.

Bilateral Relations—Humanitarian Cases, Cultural Ties

17. The Deputy Secretary recalled that in November he and Chairman Honecker had considered a number of steps that should be taken to advance the relationship, some small, others larger, but all designed to remove irritants. He said that he had just reviewed with the Foreign Minister several important positive developments. The U.S. was pleased that almost all cases on its humanitarian list had been resolved. We also were pleased that the GDR had assisted us in finding a good site for the USIA film making exhibit, which had been a considerable success. We hoped we could do something similar again.

18. Honecker said that he had been surprised to hear the Deputy Secretary say almost all U.S. humanitarian cases had been resolved. His

impression was that they had been solved. If some were still pending, of course they would be settled also.

19. Honecker said that he favored more cultural events such as the film-making exhibit. He implied that he had personally approved the decision that the exhibition be facilitated, as he had personally approved taking the risk of trans-oceanic shipment of the Splendors of Dresden exhibition which had been so successful in the U.S. in the late 1970's. He wanted to see the U.S. and the GDR develop more exchanges, including cultural, youth and academic exchanges, along the lines of what the Deputy Secretary said the U.S. and the Soviets had agreed at the summit. Some of this was already happening, but more should be done. It could be especially useful since the nature of our bilateral relations suggested there was a deficit of knowledge about the GDR in the U.S.

Claims/Trade, Relations with the Jewish Community

20. There had been some progress on both Jewish and official claims in the past six months, the Deputy Secretary said, but it had not been definitive. He and the Ambassador had made some suggestions during their detailed discussion earlier that day with the Foreign Minister (septel)⁴ which might open the way for next steps. The U.S. wished to bring the negotiations to a successful conclusion before the end of the year. Otherwise, much of the work would have to start all over again with new people under a different administration.

21. Following Honecker's spontaneous intervention "that would be very bad," the Deputy Secretary elaborated that the U.S. wanted to find a way to resolve claims on one side and to spur bilateral trade on the other. Quite apart from the connection which was understood to the claims/trade package, the U.S. sought to increase trade with and investment in the GDR. It was not right that our involvement with the GDR was perhaps the lowest with any country in Eastern Europe, except Albania, although the GDR was a highly developed economy. We hoped that the narrow discussions related to the desire also to resolve the claims questions could grow over time into a broader discussion on improving trade substantially.

22. Honecker indicated briefly that he, too, desired to see trade and investment expand and claims questions resolved. On these and other matters, he said, he directed Foreign Minister Fischer to follow up. He digressed into more general questions respecting the GDR's relations with Jews. He said he had discussed the manner in which the 50th anniversary of the Kristallnacht pogrom should be commemorated in November with Rabbi Miller, of the Conference on Jewish Material Claims, as well as, very recently, the leaders of the GDR and West

⁴ See Document 310.

German Jewish communities, Rotstein and Galinski. The latter two had agreed that an international foundation should be established to rebuild the Jewish synagogue in Oranienburgerstrasse (Berlin's largest) and take over the Weissensee Jewish cemetery (Europe's largest). He also agreed with the proposal to convene a special session of the Volkskammer both to honor the dead and to remind the living around the world that such terrible things must never happen again (reftels).

The Wall

23. The Deputy Secretary said that because it exercised such an influence on our relationship, he would repeat his comment from last November. The Wall was a very emotional subject to Americans, who could not understand why a country would build such a structure to keep its citizens in. Americans found shootings particularly hard to understand.

24. In November, Mr. Whitehead said, he had gained the impression from their conversation that Chairman Honecker had similar concerns about shooting. He understood why the GDR could not announce a termination of its shooting order but might instead simply change its policy. He would appreciate being brought up to date on the current situation with respect to shooting at the Wall. Every country had symbols, he said, and given the history of American involvement with Berlin, including the airlift, the Wall remained a reprehensible symbol to us. It was important for the GDR to understand how our people felt as we pursued the relationship.

25. Honecker said that it was important for the U.S. to realize that the Wall was a sovereign matter for the GDR, an element of the normal effort by a state to secure its borders. The U.S. had something similar on its border with Mexico. He understood that it was said the purpose was different, it was directed at keeping improperly documented Mexicans out, but there was a certain similarity in principle, and "your wall is a meter higher."

26. Although Honecker agreed that the Wall was not a beautiful structure, it had been necessary to erect it in 1961 by which time the GDR had suffered 100 billion Marks in damages as a result of the way in which its people and wealth were drained. The speculators had to be shown that the GDR would not allow this to happen again. But it was also important to note, Honecker said, that times had changed. It was no longer 1961. The GDR had gone through a considerable development. As the GDR had prospered and the international climate had improved, so had travel through the Wall increased. Genscher had said a European house with walls had to have doors. There were 14 doors in the Wall and more than 5 million East Germans travelling. The intensity of travel between the GDR and the FRG and West Berlin was unique.

27. The Deputy Secretary had referred to shooting at the Wall, Honecker said. To be candid between us, he said, not a single shot had been fired for one year. The GDR did not want to publicize this. To the Deputy Secretary's interjection that there had been reports of shooting, Honecker replied that the press sometimes wrote such stories, but it was useful to exchange factual information. The GDR had looked into each case of reported shooting.

Terrorism

28. The Deputy Secretary said that he understood the GDR condemned terrorism. The U.S. wanted to cooperate with it, to have a program which would feature a confidential exchange of operational information among experts, such as it had with many other countries. Unfortunately, when our expert responsible for cooperation in Eastern Europe visited Berlin, he had been disappointed at what he assessed as a complete lack of interest. Mr. Whitehead raised the subject again in the hope that it would be possible to try again to develop meaningful, practical cooperation in an area where we both said we had the same objectives.

29. Honecker, who had said "it's dreadful" under his breath when Mr. Whitehead first stated that terrorism was an international evil, said that Foreign Minister Fischer had briefed him on his conversation with the Deputy Secretary that morning. Honecker said he had written an article condemning terrorism as a young man in 1932. He agreed with what the Deputy Secretary had said about terrorism and that it was important for there to be actions as well as words in the fight against it.

Comment

30. The most significant aspects of the meeting may have been that it occurred and lasted a full hour and a half. By receiving the Deputy Secretary for so long on a weekend, after a strenuous two-day Central Committee Plenum, just before he was to host a reception for 200 guests, and when a number of other prominent persons from the Potsdam Conference wanted time with him, Honecker signalled the importance he attaches to improving the bilateral relationship. Little that he said specifically, except perhaps about our humanitarian cases, however, gave much new concrete substance to the intent.

31. His remarks on terrorism and exchanges warrant careful exploration, but he was less than even general on claims and trade, saying nothing, for example, about his reported \$100 million comment on Jewish claims to Galinski earlier in the week. Some of the vagueness may have been attributable to the relatively little time that was available for bilateral issues. More likely, it indicates that the GDR is still waiting for us to make up our minds on the trade component of a package before it shows more of its hand.

32. Honecker was slightly less Delphic about shooting at the Wall than in November but still less than candid. He may have meant to imply that no authorized shots have been fired since last summer. At least he seems to have indicated that a less lethal policy is in effect. Obviously when there are shots, the U.S. must continue to condemn them, but our estimate is the message about the harm such incidents do to the GDR's image is getting through, and Honecker is trying to lessen the damage by implementing unannounced changes.

33. Honecker continues to look remarkably fit for his age. Although some of his comments rambled, he retained his habit of taking careful notes on a small pad and making the points he seemed to wish to make without once referring to a briefing paper. His movements are spry, his handshake firm, and his reactions to conversation lively.

34. He was less caustic about Gorbachev than he had been (albeit indirectly) in his November meeting with the Deputy Secretary, but he did not go out of his way to praise the Soviet leader. His comment that Gorbachev might have seemed impatient at the summit but he knows success comes from small steps sounded suspiciously like the wish being father to the thought, an example of Honecker's own conservative preferences superimposed on the Moscow political scene. Honecker did not touch directly upon either Soviet reforms or the relative lack of GDR reforms, however, two topics which are on everyone's minds and few public figures' tongues here.

Thompson

312. Memorandum Prepared in the Central Intelligence Agency¹

EUR M 89-20135

Washington, July 6, 1988

East Germany: Dissent and Change
[portion marking not declassified]

Summary

East Germany's fledgling dissident movement has become more outspoken against regime policies in the past year, with actions ranging

¹ Source: George H.W. Bush Library, Presidential Records, National Security Council, Robert L. Hutchings Files, Country Files, GDR—Intelligence Reports [OA/ID CF01413-009] withdrawal 02. Secret; [handling restriction not declassified]. Prepared in the Office of European Analysis.

from a public march to protest Berlin Wall shootings to challenges of this May's local elections. The regime had worried that dissident activities would mar the pre-cooked electoral outcome, and the unusually high rate of abstentions and negative votes apparently confirmed its fears. The small number of GDR dissident activists, their failure so far to address popular economic grievances, and poor organization currently keep the opposition from posing a serious threat to the regime. But if, as seems likely, the authorities continue to vacillate in handling dissent and it builds—due partly to the spread of reform in the Bloc and local economic stagnation—the dissident movement in East Germany could pick up significant momentum. [*portion marking not declassified*]

DISCUSSION

East Germany's small dissident movement—about 1000 activists—came under severe attack roughly eighteen months ago when the Communist leadership launched its harshest crackdown in more than a decade. East Berlin authorities raided the church premises of an environmental action group and arrested both its leaders and members in November 1987, and in early 1988 arrested other prominent dissident activists and expelled them to West Germany. Mainstay periodicals of the movement, such as the magazine *Grenzfall* (Borderline Case) issued by an environmental protection group, ceased publication. [*portion marking not declassified*]

Beginning last summer, the regime extended its crackdown to the East German Evangelical Lutheran churches, which had been providing physical shelter and a forum for dissidents since the early 1980s. The Honecker leadership froze the dialogue it had conducted with the church for almost a decade and imposed harsh new censorship restrictions on church publications. State security forces meanwhile seized the opportunity to issue a warning that even when dissident activities were confined to services and vigils within church walls, religious leaders and their congregations might still be subject to reprisals. [*portion marking not declassified*]

Renewed Dissident Activism . . .

Even in the face of this crackdown, several dissident groups have regrouped their forces and renewed their activity over the past year. Two East Berlin groups publicly condemned the new censorship restrictions on church publications, and last fall activists organized an anti-censorship demonstration that resulted in a clash with state security forces. The underground press which serves as the dissidents' public voice has been showing new signs of life. By the end of last year two new dissident journals had appeared in Leipzig, East Germany's second largest city, and in January this year the journal *Grenzfall* resumed publication. [*portion marking not declassified*]

Dissident activities this year have also displayed a somewhat greater range than in the past, owing only partly to the opportunity provided by this May's local elections. Protests against official policies have included:

- The first-ever public demonstration in the GDR against shootings at the Berlin Wall.
- Public calls for competing candidates in the normally uncontested local elections and denunciations of undemocratic electoral procedures.
- Fliers distributed on election eve in several East German cities urging voters to strike the names of official candidates from the ballots as a sign of disapproval.
- Post-election demonstrations of between 500 and 1000 persons in Leipzig to protest both regime tampering with election results and the arrest of protesters from an earlier demonstration.
- Warnings sent to 12,000 GDR households by East German environmental activists that spell out specific environmental threats from regime policies in mining and forestry. [*portion marking not declassified*]

East German dissidents have also become bolder in protesting abuses elsewhere in the communist world. This spring over 170 writers signed a GDR Pen Center resolution protesting the trial and imprisonment of the Czechoslovak dissident Havel,² eliciting an official protest from Prague to East Berlin. Dissidents also organized a "Czechoslovak Action Day" in March to show solidarity with human rights activists arrested by Prague earlier this year. By mid-June at least four public protests against the massacre of civilians by Chinese army troops in Beijing had taken place, despite arrests and heavy fines levied against the demonstrators, and a letter of protest with several hundred signatures was handed over to the GDR's Council of State. [*portion marking not declassified*]

... But Limited Influence

Despite bolder and more diverse types of political actions, dissident groups in the GDR are still far from being an effective reform movement. German traditions stressing deference to authority and respect for law and order as well as an effective internal security apparatus undoubtedly constrain GDR dissidents, as does the regime's ability to deliver the highest living standards in the Bloc. But the chief brake on these groups' activities remains the unique feature of a divided Germany: the most able among the discontented usually think first of emigrating to the Federal Republic and only then

² Reference is to Vaclav Havel.

of struggling against tremendous odds for reforms at home. And for those who would not think of leaving voluntarily, the GDR regime always retains the option of expelling them to the West. [*portion marking not declassified*]

East Germany's dissident movement is further weakened by internal fragmentation. Many of the estimated 200-odd groups have fewer than a dozen members. There is no national umbrella-type organization, except for the ties most groups have to Evangelical Lutheran churches which are themselves only loosely federated. [*portion marking not declassified*]

Equally important, dissident groups by and large target broad human rights issues, including restrictions on travel and emigration and the regime's refusal to accept civilian service in lieu of the military service obligation. They have not, however, addressed economic issues—such as a low and stagnating standard of living compared to West Germans or the poor quality, high prices and insufficient quantities of consumer goods other than basic necessities—which various reporting indicates underlie most popular dissatisfaction with East Germany's Communist regime. [*portion marking not declassified*]

A Worried Regime Wavers

Despite the dissidents' small numbers and lack of a mass following, a variety of reporting indicates that the East German leadership is increasingly worried by what it perceives as a threat to stability. Early this year the Communist party's workers' militia shifted the emphasis of its military training from alleged foreign "threats" to domestic unrest. The regime also revived the pre-War atheistic "Freethinkers' Association" to challenge the increased activism of the Lutheran Church and to combat the appeal of dissident ideas to East Germany's intelligentsia. [*portion marking not declassified*]

As the May local elections drew closer, the regime reportedly considered more drastic measures, including eliminating from the lists of eligible voters the names of all citizens who had applied to emigrate or had been identified as participants in protest activity. The object was to ensure the "normal" high show of support for the regime's handpicked candidates. [*less than 1 line not declassified*] emigration applications were processed with unusual speed during the first quarter of this year, probably with an eye to getting rid of malcontents before elections got underway. Nevertheless, the post-election reports from private monitoring groups indicated both a negative vote (12 per cent in some areas) and abstention rate (10–20 per cent) that were unusually high by GDR standards. [*portion marking not declassified*]

The regime, meanwhile, is wavering between harsh repression and conciliatory measures in its struggle to keep the lid on dissent.

For example, most of the 200-odd activists arrested after an unofficial demonstration during the January 1988 commemorative ceremonies honoring the founders of the German Communist party were released the next month with no formal charges filed. Several of the half dozen dissident leaders summarily expelled to the West in the spring of 1988 were allowed to return quietly to the GDR late last summer. Members of the Environmental Library group, whose facilities were raided in late 1987 and who were denounced as "anti-socialist," met this past March with the officials from the GDR's environmental ministry to present arguments against a proposed waste processing facility. Most recently, those individuals arrested following May's election protests were released without charges being filed. *[portion marking not declassified]*

Such vacillation suggests divisions within the normally monolithic leadership. Hardliners—including defense minister Heinz Kessler, minister of interior Erich Mielke, and party secretary for security affairs and possible heir apparent Egon Krenz—probably favor tough policies to deal with dissent. A more pragmatic group—which reportedly includes East Berlin party chief and succession contender Guenter Schabowski and party chief Erich Honecker himself—reportedly supports conciliatory measures. The latter probably fears that a crackdown would deal a severe blow to the GDR's drive for international respectability and damage economic ties to West Germany. The internal conflicts in the regime's handling of dissent became unusually sharp last fall when Krenz reportedly took the lead in making a public example of four East German teenagers who had questioned the need for military education in East German schools. At his urging the youths were summarily expelled and denounced by the GDR media. Schabowski, by contrast, reportedly helped those teenagers, who did not subsequently emigrate with their parents, find alternative academic placements. *[portion marking not declassified]*

Outlook and Implications

Division within the GDR leadership over the handling of dissent will increase as maneuvering over a possible successor to the 76-year-old Honecker intensifies in the runup to the May 1990 party congress. Growing signs of indecision at the center probably would embolden dissidents to speak out more forcefully for reform and could encourage them to organize public protests with diminished fears of reprisal. Meanwhile, Solidarity's stunning electoral victory in Poland and the emergence of officially sanctioned opposition political parties in Hungary probably will encourage the GDR's dissidents to press their demands more openly. In early June East Berlin activists were still mounting public demonstrations to protest fraud in May's local

elections, despite arrests and the imposition of heavy fines by the authorities. Likewise, detentions and fines in late June did not deter those protesting against the repression in China. [*portion marking not declassified*]

The dissidents' ability to challenge the orthodox leadership and to press effectively for liberalizing reforms ultimately will depend on their success in overcoming two important obstacles:

- The absence of a national organization to coordinate the activities of diverse groups scattered among East German cities and to operate independently of—but in cooperation with—reformist groups within the Evangelical Lutheran Church.
- Isolation from the population at large and the absence of any program for economic reform that would appeal to a populace increasingly dissatisfied with the widening gap between East and West German living standards. [*portion marking not declassified*]

A change of leadership in Czechoslovakia, the GDR's conservative ally, and concessions to reformers by the Prague authorities probably would provide a major stimulus to the GDR's dissident movement. The East Berlin leadership almost certainly would feel more isolated and vulnerable, and it probably would be more inclined to seek some sort of *modus vivendi* with domestic dissidents. Similarly, activists in the GDR would be especially encouraged by concessions from Prague to their Czechoslovak counterparts, who, in East German eyes, labor under difficulties similar to their own. [*portion marking not declassified*]

GDR activists undoubtedly would be emboldened by any further successes of their Hungarian and Polish counterparts and by a post-Honecker leadership that felt obliged to follow—albeit haltingly—in the more reformist footsteps of its Bloc neighbors. A continuing decline in East German living standards, which seems likely without reform, also would boost popular support for the dissidents and improve their chances for mounting more and large-scale protests. But the dissidents' ability to exact major liberalizing reforms ultimately will depend on stronger leadership and better organization plus a coherent program for economic change. [*portion marking not declassified*]

313. Letter From the Assistant Secretary of State for European and Canadian Affairs (Ridgway) to the President's Assistant for National Security Affairs (Powell)¹

Washington, July 22, 1988

Dear Colin:

John Whitehead has told me of his conversation with you² concerning the further development of the East German initiative. He said he told you a memorandum³ was on its way and that you were willing to reconsider your current opposition to proceeding with our negotiating scenario.

As I have been a principal player in the development of the scenario since 1983,⁴ I have decided to abuse your hospitality, so to speak, by doing the enclosed rather lengthy review of this initiative, hoping you will find a moment to go through it.

In the meantime, the situation is this:

In 1984, after months of consultation in Washington and pursuant to agreement among Secretary Shultz, Mac Baldridge, and Clayton Yeutter, I was authorized to tell the East German government that the U.S.—

—was prepared to work with it to develop, on an *ad referendum* basis, agreements

—resolving the USG's official claims against the GDR,

—providing trade facilitation,

—to be accompanied by

—legislation to overcome tariff barriers on a list of selected items,

—demonstrable progress on human rights and emigration which would meet the spirit of Jackson-Vanik, and

—in association with the private claims of the Conference on Jewish Material Claims against Germany, an agreement settling those claims also.

—I was to expressly state that the U.S. holds the view that in principle its claims should be paid as should the Jewish claims. Nonetheless we were willing to expand the negotiations in order to place on the table and develop the interests of the East Germans in trade, provided it was understood that Congressional approval would be needed in view of Jackson-Vanik.

¹ Source: Reagan Library, Stephen Danzansky Files, Subject File, GDR: 07/22/88–09/14/88. Confidential.

² No memorandum of conversation for this meeting was found.

³ Attached but not printed. See Tab A, Document 314.

⁴ See footnote 3, Document 308.

That is the authorized proposal still on the table between the United States and the GDR.

Here is where we are. There is a draft U.S. claims agreement with blanks where the numbers should be. There is a draft Jewish claims agreement with blanks where the numbers should be.⁴ The East Germans were informally provided the text of a trade facilitation agreement in 1984 and in 1987, an illustrative list of items that might be available for more favorable tariff treatment, vetted by Commerce for political sensitivity. These documents are all linked in a scenario that foresees their simultaneous conclusion.

There is no relationship between the amount of trade and the amount of claims and there is no relationship between the rate of payment of claims and the rate of expansion of GDR trade. This reflects two points. We have told the East Germans we will steadfastly reject becoming their export marketing agents in the U.S. in order to receive our claims payments. Second, I think I have more experience on claims negotiations (outside of the lawyers in our claims division) than anyone else currently in Government, including having to pick up the pieces after Congressional rejection of a 1970's agreement with Czechoslovakia, which had at its heart a formula which made the annual claims payments a percentage of the annual increase in new trade. No one wants to repeat that experience.

The authority for further developing the trade part of the scenario apparently rests with USTR and requires the support of the TPRG. The East Germans have made clear they will go no further on the initiative without a better picture of what the trade package will look like. The TPRG chaired by Mike Smith is of the view that it has no interest in the comprehensive U.S./GDR scenario and that in terms of trade policy alone it has no interest in proceeding. The NSC staff has been represented in the TPRG deliberations and has supported this outcome.

What we need to know is whether the U.S. is prepared to proceed with the development of the trade side of the *ad referendum* scenario so that at the end of the day the two governments, looking at the whole package, can decide whether they wish to proceed or abandon the effort. So far the answer from the trade side of the Administration house has been, no. There seems to be no machinery in the Executive Branch for putting the question to a broader group. We are not simply on hold. We are now saying, we don't want to go ahead with the USG's own initiative so we can see whether "on balance" there is an outcome favorable to our interests which would also enjoy support on the Hill. If that answer is final, no harm will have been done to our principled position on claims which has remained intact throughout. There will be some embarrassment that we have withdrawn from a scenario developed by interested parties in Congress and the Jewish community and agreed to by the Administration and then presented with some enthusiasm to the East Germans. I am sure we can all survive this.

Of course, the USG claims will not be paid. They have not been for 40 years. The Jewish community may decide to proceed without us and, I presume, the Administration will have to oppose their efforts.

Sincerely,

Rozanne L. Ridgway⁵

⁵ Ridgway signed "Roz" above her typed signature.

314. Minutes of a Policy Review Group Meeting¹

Washington, August 3, 1988, 4–5 p.m.

SUBJECT

East German Claims Issues (C)

PARTICIPANTS

State

Roz Ridgway

Treasury

Robert Cornell

DOD

David Wigg

Stanley J. Kwieciak

Commerce

Alan Moore

Frank Vargo

OMB

Wayne Army

CIA

George Kolt

[name not declassified]

USTR

Michael Smith

David Weiss

EPC

William Maroni

White House

Colin Powell

NSC

Stephen Danzansky

Nicholas Rostow

Nelson Ledsky

Alison Fortier

Eric Melby

Minutes

Colin Powell opened the meeting by asking Roz Ridgway to bring the PRG up to date on the U.S.-GDR claims negotiations. (C)

¹ Source: Reagan Library, Office of the Assistant to the President for National Security Affairs, 88900640. Confidential. The meeting took place in the Situation Room. No drafting information appears on the minutes.

Roz Ridgway reviewed the history of the claims negotiations. Her remarks followed the points made in the memo at Tab A. (C)

Mike Smith said that USTR was willing to be as helpful as possible given its obligation to follow a consistent trade policy. However, it was Yeutter's opinion that State's proposal to combine claims and trade negotiations would be a violation of U.S. policy. He saw five problems with State's proposal:

(a) it would in effect give limited MFN access to a limited section of the U.S. economy. This would set a precedent difficult to resist;

(b) linking payments of credits and trade concessions would be political dynamite;

(c) the GDR has plenty of money to pay the claims;

(d) only State favors the trade component of the proposed package;

(e) State and Commerce has so far failed to come up with anything substantive on the trade side (i.e. business facilitation or import commitments). (C)

Mike Smith continued that USTR would be guided by any political decision by the Economic Policy Council. While the U.S. does make tariff concessions to U.S. industry this is never in response to a request from a foreign government. (C)

Colin Powell asked Mike Smith whether the U.S. Ambassador to the GDR had not had authority to suggest a payments/trade package? (C)

Mike Smith responded that he did not know about the events of 1983/84. However, the GDR had not offered anything of substance on the trade side. USTR would have to defend the package before Congress and could not if all the GDR offered was business facilitation. (C)

Alan Moore said he did not entirely agree with Mike Smith on the trade policy argument but he did agree with the bottom line. The issue was highly political and highly volatile. He thought the Administration should first discuss the issue with the Hill before going back to the GDR. (C)

Moore said Commerce had reviewed informally product categories the GDR had submitted. There were probably some products the GDR could sell in the U.S. which, while competing with U.S. goods, would not cause an outcry from U.S. industry. However, the GDR would have to commit to increasing imports from the U.S.; a business facilitation agreement would not be sufficient compensation from allowing increased access for GDR goods into the U.S. (C)

Robert Cornell said Treasury shared the views of USTR and Commerce. He was skeptical of the package on trade policy grounds and cautioned that a politically acceptable deal might not make good trade policy sense. (C)

George Kolt said that the CIA felt the GDR's desire for a claims agreement was driven by its economic needs. The GDR was concerned with industrial obsolescence and a desire of easing COCOM restrictions. It was seeking telecommunications technology, computers and earth-moving equipment. (C)

Kolt alluded to GDR training for Third World nationals, including terrorists. He said the GDR had done little to ease U.S. concerns on human rights. Finally, he felt that money was not an issue, that the GDR had sufficient funds to pay the claims. (C)

David Wigg remarked that from DOD's perspective, differentiation would set an unfortunate precedent. (C)

Colin Powell then asked *Roz Ridgway* to respond to the views expressed around the table. She said she had talked with many people on the Hill including *Rostenkowski*, *Gilman*, *Bereuter*, *Frenzel*, *Lantos* and *Packwood*.² While aware of what the Administration is doing, Congress wants to see the whole package (U.S. claims, Jewish claims, trade package) before committing itself. Were a package to be put together, it would be called up on the Hill by Congressional interest groups which had already seen, and approved, it *ad referendum*. She added that the GDR knew that the U.S. could not guarantee the GDR dollar amounts of trade in the U.S.; the U.S. could just provide opportunities. Commenting on the CIA presentation, she said the GDR had never raised COCOM or computers with the U.S. (C)

Bill Maroni remarked that there was a near consensus in the TPRG that the issue was a non-starter. He suggested bringing it to the TPRG and then the EPC. (C)

Mike Smith said that USTR has asked State, following the TPRG discussion, to see if the trade package could be sweetened. However, he felt the whole concept needed to be vetted at appropriately high levels as the precedent would return to snap us. He reiterated that the U.S. could not give the GDR tariff concessions in return just for business facilitation.

Colin Powell asked, hypothetically, whether we would pursue trade discussions with the GDR if there were no claims at issue? (C)

Roz Ridgway responded that we probably would. We had lost trade valued at \$1 billion. In her view, the U.S. could not say to the GDR that there could be no improvement in relations unless the claims were paid first. The U.S. did not have any leverage to take that position. (C)

² Representatives Daniel D. Rostenkowski (D-Illinois), Benjamin A. Gilman (R-New York), Douglas K. Bereuter (R-Nebraska), William E. Frenzel (R-Minnesota), Thomas P. Lantos (D-California), and Robert W. Packwood (R-Oregon).

Nelson Ledsky reviewed the history of our recognition of the GDR in 1974. Amb. Hartman³ had told the GDR there could be no improvement unless the claims were paid first. The U.S. had walked away from this position when we began talking about consular relations, etc. The GDR operated on the principle it could escape paying its share of the claims. Ledsky believed the U.S. could tell the GDR it had to first pay the claims and then a new relationship could be discussed. He thought the GDR would be receptive if the U.S. told the GDR that we would be willing to move forward once it had named a figure for the U.S. and Jewish claims. (C)

Mike Smith said the problem was one of linkage, explicit or implicit, between the payment of claims and the granting of trade concessions. Were the GDR to pay the claims, USTR would have no problem beginning trade negotiations on their own merit. (C)

Colin Powell summed up the meeting by stating there was a great reluctance on grounds of principle to have any linkage between claims and trade although the U.S. negotiator seemed to have been empowered to suggest such a linkage. Were the GDR to put numbers down in the draft claims agreements, then there would be opportunities to move forward. Even if linkage were acceptable to the Administration, it would be tough to sell on the Hill as the draft package was not balanced. He said State should tell the GDR that the U.S. would not agree to linking the claims and trade issues. (C)

Roz Ridgway said she had already told the GDR that the deal was off. However, she firmly believed the U.S. could not go back to the *status quo ante*. The U.S. had issues it needed to discuss with the GDR, such as narcotics, and it could not wait until the GDR paid the claims. (C)

Colin Powell responded that we should surgically separate the claims issue from any discussion of trade. Pay the claims and then trade could be discussed. (U)

³Reference is to Arthur Hartman, Assistant Secretary of State for European Affairs from January 1974 until June 1977.

Tab A**Paper Prepared in the Department of State⁴**

Washington, undated

U.S.-GDR Claims Negotiations

U.S. Government claims on Communist countries from the immediate post-war period have been solved in all countries except East Germany and Albania. In each instance the level of the settlement reflected almost exactly the value of the properties held by the United States as leverage to obtain settlement.

Properties which might have been held until the GDR paid were restored by the United States to the Federal Republic in the period of non-recognition of the GDR. The United States refused to present its claims to East Germany before 1974 on the grounds that it did not recognize East Germany. Finally, in the negotiations concerning recognition of East Germany, the United States chose not to withhold recognition until the claims were paid, but rather accepted a commitment to negotiate the claims in the future. With that, the last of the leverage was gone.

Nonetheless, the GDR has always accepted the principle that the claims should be negotiated. After recognition, we embarked upon a claims adjudication process here in the United States, starting in 1978, and finally presented the claims in 1981. There were at the outset some fourteen countries with claims against the GDR. To our knowledge, they have settled those with Finland and Sweden. They continue to negotiate with all others.

Concurrently, the Conference on Jewish Material Claims Against Germany has been involved with negotiations with the GDR for decades. Although this is a private claim, not the responsibility of the United States, we have supported the CJMC's efforts throughout the years.

Indeed, our position with the GDR has been that claims, both those of the U.S. Government and those of the Jewish community, must be settled before there can be an improved relationship. This continues to be the position of the U.S. Government.

In 1982, the Jewish group approached the Administration with a request to support a proposal from them for a trade package for the GDR, which would be approved in the context of a claims settlement. It was pointed out that a similar approach had been employed with the

⁴ Confidential.

FRG, i.e., the Conference on Jewish Material Claims Against Germany had supported special trade opportunities for the FRG in the context of FRG agreement on payments to Israel. Already active on the Hill, the CJMC had inspired considerable interest among a range of Congressmen, both Democrat and Republican. The preliminary U.S. response was that it would take the CJMC proposal under examination.

In 1983, the United States sent a new Ambassador to East Berlin. The Ambassador's instructions were to reiterate the principled U.S. position that both the official and U.S. Jewish claims were to be paid, and if they were, the way would be open to improved relations. GDR representatives asked what would be the content of those improved relations inasmuch as U.S. law, particularly the Trade Act of 1974 (Jackson-Vanik), prohibited MFN for the GDR except in terms the GDR could not meet. In accordance with the instructions, the Ambassador informed the GDR they would have to wait to see what happened after the claims were paid.

Returning to Washington in June 1983, the Ambassador reviewed with Administration officials the range of U.S. interests in the GDR, of which there were few except claims and human rights, and met again with the Jewish group and Congressional staff. It was the Ambassador's view that there was a core weakness in the U.S. position; that the U.S. was actually saying to the GDR, you pay us and we will tell you what you have bought. This was rather like a used car dealer telling a customer, "give me five thousand dollars and then I will tell you which car you have purchased." This is a totally acceptable position. However, one simply wasn't likely to sell many cars. It was the Ambassador's view that the position also was not likely to obtain a claims settlement.

Working within an interagency committee of State, Treasury, USTR, Commerce, and the NSC, and in association with the Jewish groups and the Hill community, the following proposal was devised:

—Issues of concern to both governments would be put on the table simultaneously. For the United States, there were the two sets of claims, human rights, and the preservation of the spirit of Jackson-Vanik. For the GDR it was expected these would be a trade agreement and MFN.

—For the United States, there were certain things that could not be done. MFN would not be politically feasible as long as the Berlin Wall stood. However, with Congressional approval and a dramatically improved human rights picture, it might be possible to obtain some partial favorable treatment for GDR trade.

—Even if it were possible to develop a trade package, the claims agreements could not be linked in a way that made payments of claims dependent upon trade increases. All that could be offered was an opportunity.

—At the same time, as there is no basis of trust between the United States and the GDR, the United States should be able, within the terms of the agreements, to terminate trade opportunities if claims payments were interrupted. Conversely, the GDR should be in a position to terminate claims payments if the trade opportunity was pulled back.

—Taking into account present value, the claims settlement figure to which the USG might agree would depend upon the length of the payment period, and whether the payout was front-loaded significantly.

—Ideally, claims would be paid in one year, and the trade opportunity would be for one year, although the trade facilitation agreement could be for a longer period.

—Practically, it should be expected that the claims payments would extend over a 5–10 year period, that the trade opportunity would have to be for the same period of time, but,

—To be consistent with the spirit of Jackson-Vanik, the trade tariff list would have to be reviewed annually and recertified in light of the GDR's human rights record and claims payments record, recognizing that denial would result in stoppage of claims payments.

—It was preferable for the USG and the CJMC to work together in time and objective, so that the USG could benefit from CJMC political support, and the CJMC would not appear to be ignoring the interests of U.S. citizen claimants in favor of the claims of the world Jewish community.

The Ambassador was instructed to review this package with appropriate GDR officials and report back. This was done. The GDR was interested.

In March 1984, after consultations among State, Commerce, and USTR, and with the Hill and the CJMC, State

—advised the CJMC it was prepared to work together with it in the course of negotiations, in the development of respective claims agreements, and in the development of additional Congressional support for the approach, specifically, support for the list of tariff concessions.

—instructed the Ambassador to place the proposal officially on the table, as an *ad referendum* proposition.

The claims negotiations, steps forward in the human rights picture, and Congressional consultations have all proceeded. In the spring of 1988, the TPRG, chaired by USTR, rejected a State/Commerce request that USTR proceed with the *ad referendum* development of the trade negotiations.

Interested members of Congress and the leadership of the Jewish claims group have been advised of the TPRG decision not to proceed with trade talks.

315. Letter From Secretary of State Shultz to the Ambassador to the German Democratic Republic (Barkley)¹

Washington, December 16, 1988

Dear Mr. Ambassador:

As you take up your new responsibilities as Ambassador, I would like to review with you our objectives in the German Democratic Republic.

Change is coming rapidly to the countries of the Warsaw Pact. The nations of Eastern Europe are taking on more and more of their own identity. Among them, the GDR has been the most resistant to change because in a divided Germany its legitimacy as a separate state is the most fragile in the Soviet bloc. Nevertheless, an aging GDR leadership is finding that it must come to terms with change.

You have arrived at the end of a period where the tactics of U.S. policy toward the GDR had been to try to solve concurrently several issues on both countries agendas. In the end, the Administration decided to deal with each issue on its own merits. However, in the process, the U.S. initiative provided a vehicle to expand our bilateral dialogue with the GDR. You should work to preserve and expand the dialogue the initiative enabled us to get into.

Originally, the U.S. relationship with the GDR served primarily to support the FRG's policy of trying to improve the quality of life in the GDR. In recent years the imaginative diplomacy that created a bilateral dialogue with the GDR has given the relationship a second purpose. The goal has been the development of our own agenda in the form of practical progress on issues that are directly in the U.S. national interest.

Elsewhere in Eastern Europe, in keeping with our policy of differentiation, we have taken a similarly pragmatic approach to indigenous initiatives in order to encourage democratic government and market-oriented economies. Our efforts in Eastern Europe and the Soviet Union will have to be carefully coordinated to achieve our overall goals in the region.

Of course, the East German relationship with the Soviet Union limits our capacity to advance U.S. interests in the GDR. The GDR-Soviet relationship has been strained by the fear of spillover of the reform efforts in the USSR, but it is too important to both countries for them

¹ Source: Department of State, George Shultz Papers, Official Memoranda (12/16/1988) (3). Secret. Drafted by Charles B. Skinner (EUR/CE) on December 7. Ridgway sent the letter to Shultz under a December 15 action memorandum, requesting that Shultz sign the letter and authorize its transmission. A typed note at the top of the page indicates the original letter was sent to the Mission in West Berlin for Ambassador Barkley, who presented his credentials on December 19.

to allow it to unravel. Nonetheless, the situation offers opportunities for American foreign policy, not only in the GDR but also in the region.

Our objectives in the German Democratic Republic are (1) to encourage liberalization and improved human rights performance; (2) to pursue U.S. citizens' property claims and assist the Jewish community with its parallel, but separate effort; (3) to reinforce the westward orientation of the GDR populace and communicate U.S. views along with information on the U.S.; (4) to encourage development of independent policies within the framework of the GDR's own interests; (5) to promote more substantive GDR associations with the free nations of the West and expand U.S. access to decision makers in the GDR; and (6) to develop non-strategic trade with the GDR consistent with existing U.S. policies.

The GDR government's human rights policies, more than any other single activity, influence our bilateral relations. We must continue to voice our concerns and stress that progress in U.S.-GDR relations hinges on continued improvements in this area. Our concerns include GDR recognition of and respect for fundamental human freedoms; binational marriage and family reunification cases involving U.S. citizens; other humanitarian cases of interest to the U.S., such as political detainees and emigration cases; and restrictions on contacts between GDR citizens and our Embassy. We will be looking to you to (1) continue to press this issue vigorously, (2) work directly with other embassies and missions on such matters, and (3) keep us informed of changes in GDR policies and practices.

Like binational marriage and family reunification cases, the claims issue involves the direct interest of U.S. citizens, and the U.S. Government continues to seek a resolution of these property claims. The GDR has acknowledged its responsibility to settle these claims, and during the ninth round of claims negotiations in April the two sides reached *ad referendum* agreement on almost all issues, except the amount of the settlement. We expect you to continue the dialogue with GDR officials and assist the Department in coordinating negotiation strategy and in consulting with Congress. You should also confer closely with the representatives of the Conference on Jewish Material Claims against Germany to assure that our efforts reinforce each other to the extent possible.

The GDR public has long enjoyed greater access to Western media than the other peoples of Eastern Europe. West German broadcasts reach nearly every corner of the GDR. While the GDR's own information policy has had to take this fact into account, the government has continued to control domestic media very tightly. Editors have been disciplined. Church newspapers are censored. Western print media still cannot circulate freely (despite some loosening up), and even Soviet and East European publications have been banned.

In addition to encouraging a more open press policy and reinforcing the Western orientation of the GDR populace, a specific objective for your Embassy will continue to be communicating U.S. views on major issues and disseminating information about the United States. Further improvement in access for GDR citizens to U.S. programs is a prerequisite for achieving those goals as is access for U.S. citizens and officials to GDR officials. In your discussions with GDR leaders, you should continue to stress the importance the U.S. attaches to free and open access. Moreover, USIA's negotiation of a cultural agreement with the GDR should serve to enhance access and reinforce the populace's Western orientation.

In light of its current policies, the GDR cannot expect most-favored-nation status, but it is in our mutual interest to see non-strategic trade expand. You should promote this view and assist U.S. firms in contacting GDR buyers through your participation in annual trade fairs and dealings with GDR government officials. You should also impress on GDR officials the need to improve conditions for representatives of U.S. businesses. Finally, you can identify trade opportunities of interest in the GDR and help keep the U.S. business community aware of them.

Although political realities limit our ability to effect changes in the German Democratic Republic's political alignment or system, the recognition of the need for reform is growing both in the GDR and elsewhere in Eastern Europe. The situation is fraught with dangers but also with opportunities. You will need to monitor the relationship with the Soviet Union carefully and to report frequently and in detail so that the Department can coordinate our approach to the region. The internal situation in the GDR will also require close attention. As the end of the Honecker era approaches, we will need your assessment of the new leadership and your policy recommendations.

You will also need to report extensively on the burgeoning GDR-FRG relationship. The U.S. has always supported the FRG's efforts to improve life in the GDR. In recent years the dialogue between the GDR and the FRG has grown enormously. The FRG regards this relationship as extremely important, and in the interest of a coherent Western policy, we need to be kept abreast of the relationship's development and to assess its impact on U.S. interests in the NATO alliance as well as the East-West framework generally.

In this fluid situation, our basic approach remains to seek a stable, pragmatic, constructive bilateral relationship with the GDR. This approach offers not only the best means for addressing our interests in improved human rights performance, in resolution of U.S. and Jewish claims, and in increased trade but also the most effective base for expanding our influence on the GDR's foreign policy. In the past, we encouraged the development of GDR foreign policies at variance with those of the Soviet Union. At present the GDR has become bolder about the exercise of its limited sovereignty. We still want to see more independence for the

GDR, but in many areas Soviet policies are now more flexible than those of the GDR. Worried about Soviet and East European instability, the GDR has sometimes used its greater leeway to repress rather than to reform. It has permitted more travel and emigration as well as statewide religious assemblies, but it has also not abandoned the instruments of control. In this environment, a stable but constructive, critical but consistent U.S. approach makes our policies more comprehensible and persuasive. Our aim is to encourage reform and liberalization that reflect the GDR's own self-interest and national agenda.

Our step-by-step approach also provides a framework for engaging the GDR in a process of addressing our other international concerns such as terrorism, narcotics trafficking, and environmental protection. Our dialogue on terrorism, for example, has been difficult, but we have made the GDR aware of the seriousness with which we view its activities. Although the GDR has not always acknowledged its response to our representations, it has taken some steps. It has been more forthcoming in reacting to our approach on narcotics control, and you will want to develop this trend. You should encourage the GDR to take concrete steps in this growing dialogue as a means of changing its international behavior and bringing the GDR into the community of responsible nations. Our overall goal is to entwine the GDR in more substantive associations with the free nations of the West.

Management of resources, programs, and staff is central to your role as Chief of Mission. Good management will be key to maintaining a staff with sufficient morale, loyalty, and expertise to meet the exceptionally high standards I demand from all posts. Language competence for our personnel is a priority concern.

Ultimate responsibility for security is inherent in the job you are assuming. The security of people, facilities, and information is vital to your mission. I cannot overemphasize the importance of identifying and controlling potential security problems before they become real ones.

As the senior management official, you should ensure the integrity of post communication and communications facilities as well as the security of all national security information held by the Embassy. Protection of sensitive information is basic to our effectiveness, and failures in security can destroy years of work. You are responsible for ensuring that an emergency action plan is in place, that post security briefings are given, and that public access controls address foreseeable threats.

Your ability to manage your post depends on the adequacy of resources, including staffing. Therefore, you should take an active interest in the budget process and see that an effective system of internal controls prevents waste, fraud, or mismanagement. In this era of continuing and severe budget constraints, you must ensure available resources are carefully husbanded and intelligently applied to meet the most important requirements.

You must also evaluate the administrative impact of requests by other agencies for additional staffing or programs. You should approve additions only if you judge them to be necessary and administrative staff and resources are sufficient to handle the increased workload.

You should develop annually with your mission colleagues goals for approval by the Assistant Secretary for European and Canadian Affairs and an Embassy workplan for their implementation. The goals and workplan should be the basis of your mission's major activities and resource allocations, including the programs of other agencies. I encourage you to include significant managerial and administrative goals in your plans.

Your management team and first-line supervisors must understand and be reminded regularly that good management gets the best performance from employees by showing interest in them, their success, and their individual and collective concerns. Males and females, minorities and non-minorities, professionals and non-professionals, and American and Foreign Service National employees must see you as one who is fair, supportive and sensitive to their concerns and as a firm believer in equal employment opportunities and affirmative action. I am counting on your personal leadership for the development of an atmosphere conducive to cooperation, loyalty, professional growth, and equal opportunity.

As Ambassador, your authority flows from the President to me, and from me through the Assistant Secretary for European and Canadian Affairs to you. I look to the Assistant Secretary to issue instructions in my name and to serve as the primary communications link between us. You should channel all messages dealing with policy proposals, policy implementation, program activities, personnel and post operations to or through her, with the understanding that for extraordinary situations there is a direct channel of communication with me through the Executive Secretary that is available for your use.

In accord with the above, you should transmit all messages dealing with policy proposals, policy implementation, program activities, personnel and post operations through regular established State Department communications channels. The only two exceptions are: (1) if the President personally or the National Security Adviser on the President's behalf instructs you to use a private channel (in such cases you should advise me personally—or the Acting Secretary in my absence—of this instruction unless you are explicitly directed not to by the President); and (2) if I, or in my absence, the Acting Secretary or the Executive Secretary, instruct you to use a non-State channel.

I wish you well in your important and challenging assignment. You have my full confidence and best wishes.

Sincerely yours,

George P. Shultz

Hungary

316. Telegram From the Embassy in Romania to the Department of State¹

Bucharest, October 19, 1981, 0650Z

7442. Subject: Assistant Secretary Eagleburger's Consultations With Deputy Foreign Minister Szarka.

1. C—Entire text.

2. Assistant Secretary Eagleburger and Deputy Foreign Minister Karoly Szarka reviewed bilateral relations following Szarka's October 16 dinner in Eagleburger's honor. Szarka stressed that he wished to raise several problems, but that the discussion should be considered in the context of our overall good relations. On economic and trade problems, Eagleburger summarized his earlier conversation with MFT State Secretary Istvan Torok emphasizing that the Hungarian Government should not misinterpret commercial differences as signaling a political change in our relations.² Eagleburger expressed hope these problems could be resolved, or at least clarified.

3. Szarka then briefly reviewed the following issues:

—Property negotiations: Szarka said the Hungarian offer of earlier this year on US properties had been conceived as a political gesture to remove this old bilateral issue.³ The offer still stands, although the change in rates of exchange will probably require some adjustments. (In an aside, US Desk Officer Revesz said the GOH is prepared to be "very flexible" in its approach). Eagleburger acknowledged we have been slow in responding to the Hungarian offer, but we will do so soon.

—Dual accreditation of journalists: Szarka expressed hope that both sides can soon agree on the text of an agreement permitting the dual accreditation of journalists stationed in third countries.

—Visa refusals: In a reference to recent US visa refusals (N.B. on security grounds) and Hungarian retaliation, Szarka said he hoped we will not see any more of this type of "visa war".

¹ Source: Department of State, Central Foreign Policy File, D810492-0088. Confidential; Immediate; Exdis. Sent Immediate for information to Budapest.

² No memorandum of conversation for this meeting was found.

³ See *Foreign Relations, 1977-1980*, vol. XX, Eastern Europe, Document 139.

—UN Third countries: Szarka said that Hungary believed the recent sharp exchange of charges in the UN Third Committee, compelling Hungary to exercise its right of reply to a U.S. statement, could best have been avoided.

—Anniversary of the Hungarian revolution: Szarka said that the GOH had compiled a list of events being held in the United States to commemorate the “1956 counter-revolution”. Hungary was particularly concerned over resolutions passed by the Congress which President Reagan may sign as well as the report that Secretary Haig will receive the “Hungarian Liberty Medal” at a dinner at the Waldorf Astoria hotel. Szarka said that when celebrations of 1956 are raised to such a high political level by the administration it was not helpful in encouraging the spirit of positive relations between our two countries. Eagleburger responded that for a series of reasons it is not possible for the United States to ignore the 25th anniversary of Hungarian revolution. Hungary must understand that if the Congress passes a resolution on 1956 the President will almost certainly sign it.⁴ Just as the United States didn’t like the recent communique issued after Libyan leader Qadhafi’s visit to Budapest, the Government of Hungary won’t like many of the events related to 1956 that will take place in the United States. We must accept these differences of view and try to find those issues on which we are in agreement.

—Negotiations on renewal of cultural agreement program document: Szarka proposed that discussions on the renewal of the cultural agreement begin at the beginning of December and not the middle of November as proposed by the United States. Szarka noted with regret that the United States draft⁵ submitted to Hungary left out any mention of cooperation in mining research, which the Hungarians had hoped to have included.

—Legal assistance agreement: Szarka expressed hope we could reach agreement on a legal assistance agreement soon.

—High level visits: Szarka said the GOH values the exchanges afforded by high-level visits; Foreign Trade Minister Veress will complete this year’s program. In the coming year, Szarka noted the planned visit by Minister of Culture Pozsgay, the possibility of a return visit to the US by a Hungarian parliamentary delegation, and possibly a visit by Deputy Prime Minister Jozsef Marjai.

4. CSCE: Eagleburger asked Szarka and Director of Department V Ferenz Esztergalyos (who succeeds Janos Petran as chief Hungarian

⁴ See Proclamation 4877, October 22, in *Public Papers: Reagan, 1981*, pp. 982–983.

⁵ Not found.

delegate at the Madrid Conference)⁶ for their views on the possibilities of reaching agreement at Madrid. Szarka said Hungary hopes for a meaningful final document. If an agreement is not reached by the end of the year Hungary expects a much longer delay than the current recess. Szarka said public opinion in many countries will be critical of any new delay, undoubtedly alleging that the signatories are not living up to the Final Act.⁷ Szarka said the current situation reminds him of the period just prior to agreement on the text of the Helsinki Final Act. He expressed hope for a readiness [garble] to compromise and agreed with Esztergalyos that Hungary was on balance “modestly optimistic” about a successful conclusion. Eagleburger reviewed current US concerns and urged Esztergalyos to meet early on at Madrid with Ambassador Kampelman.

Funderburk

⁶ Documents relating to the U.S. policy toward The Madrid Conference are scheduled for publication in *Foreign Relations*, 1977–1980, vol. V, European Security, 1977–1983.

⁷ See footnote 6, Document 21.

317. Telegram From the Embassy in Yugoslavia to the Department of State¹

Belgrade, October 24, 1981, 1135Z

8560. Subject: Letter for Secretary Baldrige.

1. (C—Entire text).

2. Dear Mr. Secretary:

I am just completing a slightly more than 1 week tour of Eastern Europe, which has included stops in Budapest, Bucharest, Sofia, and Belgrade.² I am concerned by what I have found in several capitals—thus this letter to you.

¹ Source: Department of State, Lawrence S. Eagleburger Files, 1967–1984, Lot 84 D 204, Munich, Budapest, Bucharest, Sofia, Belgrade, Brussels, Bonn, London, October 13–29, 1981. Confidential; Immediate; Exdis. Sent for information to Budapest.

² Between October 13 and 29, Eagleburger visited Munich, Budapest, Bucharest, Sofia, Belgrade, Brussels, Bonn, and London.

3. In short, I found confusion in our Embassies over what our export policy toward Eastern Europe is, strong feelings that DOD and parts of Commerce are out to torpedo virtually all sales to the area, and frustration that our people abroad cannot seem to get support in Washington when they protest the policy. The situation in Bucharest is not good, despite your own visit there;³ in Sofia practically nothing is moving, but I don't care much, given Bulgaria's total devotion to its Soviet masters; in Hungary, a country truly trying to change its internal system, the situation is close to disaster. I asked Ambassador Bergold to give me his analysis, which he did. Let me quote some of the more compelling parts: (Begin quote)

1. On the export side, I cannot identify a single license approved for Hungary under the Reagan administration. On the contrary, almost forty cases on the Videoton firm have been returned without action. [*less than 2 lines not declassified*] It is true that Data Products and Control Data Corporation have exported already to Hungary all of their not very sophisticated technology and we are really talking in these cases only about the equivalent of hammers and saws. If we wish to make a point to the Hungarians on Videoton, it seems to me it should be fairly explicit and isolated to this firm. It is not in our interests, as laid out in our policy statements, to find one possible instance where the wall between civilian and military production may have been breached and use that to destroy our whole economic relationship with Hungary. But that is what is happening.

2. In other export cases, two years ago IBM convinced four Hungarian entities to let them x-ray the firms and institutes—thereby learning all details of those entities over the past year and a half in the expectation of installing a 4341 series of computerized management. These licenses were denied, but as other Eastern European countries had obtained the 4331 series, this was offered, approved by the U.S. Committee, and sent to COCOM for action. Our information is that DOD, using its veto this time ex post facto, has recalled these cases from COCOM. While I was in Budapest, the U.S. representative of Eli Lilly appeared to announce their joint venture with Babolna state farm on mixed feeding for livestock, which is being wiped out by a denial, because there is included a rudimentary fermentation process DOD regards as dangerous for bacterio-logical warfare. Eli Lilly is already in the process of lateraling off this sale to the German firm Hoechst, so the Hungarians will get the technology but not to the benefit of the U.S. balance of payments. Similarly, U.S. Steel edged in under a German firm to do the casting software for the new steel mill in Miskolc. That license

³ Baldridge visited Bucharest May 14–15. See footnote 3, Document 76.

also is being denied on Defense grounds and the business goes back to the FRG. The French will benefit to the tune of about 400,000 dollars on the turndown of the Alcoa Aluminum shelter case. The denial of Dunegan-Endevco materials testing equipment will pass business to the Italians as well as other Europeans and the Japanese. The record goes on and on, to the point where the only differentiation left, given grain and pipelaying tractors, is in favor of the Soviet Union over their one colony that seeks to be most like us.

3. The import side is even worse. You are, I know, familiar with the Raba trailer axle anti-dumping case. In this case, the preliminary judgement is set at such unrealistic levels, even by the terms of the preliminary itself, that Eaton is put in the position of questioning whether the legal fees, pursuing the case in behalf of its Hungarian partner through the available remaining steps, are worth the value of the depressed business. Rockwell and now other U.S. firms seek to maintain the high levels of the preliminary judgement in order to destroy Raba, reputedly the most efficient producer of the U.S.-design trailer axles, as a factor in the U.S. market. There is not another market for this design. Unless Commerce can effect a suspension agreement between the parties in the next few weeks, we will have delivered a crushing blow to the very firm which is at the leading edge of the free enterprise movement in Hungary. Such an action contrasts sharply not only with the differentiation but also with the President's recent pre-Cancun statements about free and fair access to the Ameican market. (End quote)

4. Frankly, Mr. Secretary, if my impressions are even close to accurate, something needs to be done, and fast, either to begin to move export licenses or to change our policy declarations and let people know we simply aren't interested in selling to communists, no matter how independent-minded they might be. I frankly prefer the former solution, and suspect you do as well.

5. I readily admit I may not know all the details of export license turndowns. There may be legitimate reasons, at least in some of the cases. But I do think the situation is worth a good hard look.

6. I would like to ask for an opportunity to meet with you shortly after I return to Washington (about November 1) to go over the above. I would plan to ask Ambassador Bergold to return from Budapest for the meeting, since he knows the horrifying details better than I.⁵

7. I would be grateful if your office could let my secretary know what time would be convenient.

Many thanks,

Lawrence S. Eagleburger

Anderson

**318. Memorandum From the Cabinet Council on
Economic Affairs to President Reagan¹**

Washington, March 30, 1982

SUBJECT

Hungarian Application for Membership in the IMF

The International Monetary Fund's Membership Committee has completed its technical consideration of Hungary's application and has forwarded a draft decision recommending acceptance of Hungarian membership and an initial quota of SDR 375 million for consideration by the Executive Board and Board of Governors. The Executive Board is scheduled to consider this proposal on April 2 and, assuming approval, to immediately forward a membership resolution for a mail vote by the Governors for action within thirty days.

The United States therefore must decide now its position on this issue. The Cabinet Council on Economic Affairs considered this issue at its March 29 meeting and recommends supporting the Hungarian application based on the following considerations.²

1. The Hungarians have fulfilled the obligations of IMF membership—the longstanding essential U.S. criterion for acceptance into membership—including providing detailed economic information to the IMF.

2. Hungarian IMF membership would provide the U.S. with a continuing flow of detailed data on the Hungarian economic and financial situation and the opportunity, through the regular IMF consultation process and in the event of an Hungarian IMF program, to influence the evolution of Hungarian economic policy.

3. Hungary has developed an economic system that is more like the West than are other Eastern European economies. Decision making is decentralized and market-oriented, and economic units respond to price incentives.

4. The Hungarian economic situation is substantially different from that in Poland. Though Hungary currently faces liquidity difficulties, the economy is basically sound, and Hungary's economic management is respected by the Western financial community.

¹Source: Reagan Library, Paula J. Dobriansky Files, Country Files, Hungary (1). No classification marking. A stamped notation at the top of the memorandum reads "The President has seen."

²The minutes of this meeting were not found.

5. The IMF members generally strongly favor Hungarian membership. Membership requires only a simple majority vote. The U.S. has about 20 percent of the voting power. If we attempted to block the membership application we would likely fail. Such an effort would inevitably damage our negotiations with the Europeans on other East-West and IMF-related issues, such as preventing PLO observer status at the Annual Meetings.

6. Hungarian membership, with a quota of SDR 375 million, would have only a miniscule impact on U.S. and other countries' voting power (the U.S. vote would decline from 19.68 to 19.56 percent of the total voting power).

IMF membership does *not* mean IMF financing. Hungary will not have any automatic rights to draw on the IMF beyond its hard currency payments to the IMF. Support for IMF membership thus does not entail support for IMF financing for Hungary.

The main concerns with IMF financing, if Hungary makes a request, involve: (1) the adequacy of their proposed adjustment program, and (2) the possibility of "leakage"—financing drained off to support the Soviets or other East European countries. There is, of course, no guarantee that we could prevent leakage. And we have expressed our concerns about this potential problem to Hungarian financial authorities. Their tight liquidity situation and their irritation over Soviet withdrawals of hard currency deposits in Hungary suggest that they will do everything possible to prevent leakage. If Hungary does request IMF financing and the leakage problem arises, we would have legitimate grounds for opposing the financing and we could likely obtain sufficient support from our allies to prevail.

Recommendation

The Cabinet Council on Economic Affairs unanimously recommends that the United States vote in favor of the Hungarian membership application at the IMF Executive Board meeting on April 2 and in the subsequent vote by the IMF Governors.

Federal Reserve Chairman Volcker, the U.S. Alternate Governor in the IMF, strongly concurs with this recommendation.³

Donald T. Regan⁴
Chairman Pro Tempore

³ Reagan checked and initialed the "Approve" line.

⁴ Regan signed "Don Regan" above his typed signature.

319. Memorandum of Conversation¹

Washington, May 10, 1982, 1:30 p.m.

SUBJECT

Secretary's Meeting with Hungarian Deputy Prime Minister Marjai

PARTICIPANTS

U.S.

The Secretary

John D. Scanlan, Deputy Assistant Secretary, EUR

John R. Davis, Director EUR/EE (notetaker)

HUNGARY

Deputy Prime Minister Jozsef Marjai

Janos Petran, Ambassador to the U.S.

Ambassador Ferenc Esztergalyos

Mr. Gyorgy Banlaki (interpreter)

The Secretary welcomed Deputy Premier Marjai, who in turn, expressed his appreciation for the invitation to the United States and the hospitality he has received during his visit. Marjai said Hungary is interested in seeing improvement in the world situation and that they say this not as a slogan but as a matter closely tied to Hungary's national interest, taking economic and political factors together. They are interested in determining the factors which have brought about current tensions and striving for their improvement. Hungary says the same thing to its allies all the time.

HUNGARIAN VIEWS ON EAST-WEST TENSIONS

Hungary wants to continue policies based on the Helsinki Final Act and Kadar underlined this factor in his recent visit to the Federal Republic of Germany.

It is important to Hungary that the deteriorating and grave world economic situation should improve. Hungary considers it a source of great anxiety in all major regions of the world. Political and economic factors do not currently offset each other; instead they are pushing each other in the wrong direction. Hungary does what it can to exert pressure in the other direction. The present state of affairs cannot be maintained for long and Hungary wants to suffer as little as possible. Understandably it doesn't wish to suffer lasting harm and demands the

¹ Source: Department of State, Secretary Haig and Shultz Memcons, 1981–1986, Lot 87 D 327, SEC Memcons—May 1981. Secret; Exdis. Cleared by Michael Klossen (S) and Katherine Shirley (S/S). Shirley initialed for Klossen. The meeting took place in the Secretary's office.

opportunity from the world to be able to conduct the policy it has chosen in the political, cultural, human relations and, of course, economic field. This is the message Hungary wishes to convey to the world. Those who understand it, support it. Although Hungary is a small country, if it gets the opportunity to continue its policy undisturbed, it could have a positive effect in the world, not only in its own region, but beyond.

DIFFERENTIATION

The Secretary said that Marjai came with a reputation for direct talk and that he would be equally frank. The President's policy is one of differentiation and we continue to conduct political and economic relations based on our assessment of each individual country. Accordingly, we supported Hungary's entry to the IMF and are pleased that its membership was formalized during the Vice Premier's visit.

Marjai interjected that Hungary was grateful for United States support in the IMF.

The Secretary said we would seek to renew most favored nation treatment for Hungary this year. Hungary could rely on the support of this administration and President Reagan.

Marjai was right in saying the political situation was dangerous for the economic situation. Especially troublesome has been the recent situation in Poland which provoked negative effects in the West and here in the United States in both trade and monetary affairs involving Eastern Europe. Even the concept of differentiation has been attacked. The Secretary said he was confident we will not permit the situation to change but would still prefer not to have the policy challenged, which brings us to the political problem of the situation in Poland. He asked for Marjai's assessment of the Polish situation and said we have been waiting for General Jaruzelski to make improvements but he has been so slow in doing so that the frustration of the Polish people has again made itself evident.

HUNGARIAN VIEWS ON POLAND

Marjai said that in Hungary generals have rarely been good politicians. The situation in Poland is not so unambiguous. Marjai said he was not as pessimistic as the Secretary because earlier he had been much more pessimistic. He believed the crisis in Poland had been around for 25 years and had led to repeated explosions, the most recent of which was now two years old. While the U.S. regarded the events of December 13² as very negative, the Hungarians view it as the start of a process which

² Martial law was declared in Poland on December 13, 1981, as a response to political opposition, particularly that of the Solidarity movement.

may, if not made much more difficult, bring positive and progressive changes by resolving basic Polish problems which had resisted all attempts at resolution for 25 years. In this he had the personal assurances of General Jaruzelski who was a close acquaintance. If he can get a team all working in the same direction, then Poland would be able again to become a significant factor in Europe and an element which is not a dividing factor between East and West.

The disturbances to which the Secretary was referring appear in one way when viewed from a great distance. On the basis of Hungary's intimate knowledge of Poland, it has another view. Although it may sound strange, it regards the recent events in Poland, after five months of martial law, as merely mild aftershocks of the earthquake of December 13. It is evident that neither the working class nor the peasantry took part. Although some countries tend to scold or curse the Polish Church, in relative terms it is displaying good and responsible behavior. He did not consider the situation frightening. It would be totally unrealistic, after only five months of martial law, after the incidents of this week, and after 25 years of crisis, to expect that political and economic consolidation should already have taken place.

What can be decided now is the direction which this consolidation takes. That is not an indifferent matter to Hungary. We don't say to the Poles, "follow the Hungarian model". Under present conditions in Poland, adopting the Hungarian method of economic management would lead to the destruction of the remaining traces of fundamental order in that country. We recommend to them if they want to study something in Hungary, they should study the Hungarian path and direction and way of thinking, not concrete and specific forms. They must create their own model.

The Secretary agreed that Poles are not Hungarians but it is a great tragedy that they have not chosen to move in the direction of the three conditions which the West has specified. If they were to do that they would find a positive response from the West in economic terms. Marjai said he would not debate the three conditions, but he must protest the required order of events. They cannot be preconditions or they will never happen. The Secretary noted that the Russians often say we should make the first move on some problem and then we will see what their response is. It becomes a question of credible signals. Marjai said the whole matter must be perceived as a parallel process. The Secretary responded that the danger and the difference is that time is running out and economic chaos in Poland is worsening. General Jaruzelski does not have the luxury of waiting for his visitor to open the door; he must open it himself.

Premier Marjai said the Polish economy faces continuing problems, having come in the last ten to fifteen years to depend on Western

technology. Hungary had always been critical of the Polish choice not for ideological, but for economic reasons. They had told Jaroszewicz ten years ago that Poland was adopting an adventurous policy but their warnings were ignored. Now Poland has lost the mother's milk of Western technology and faces a massive economic and industrial realignment. It is possible for the West to ruin the Polish economy further but who profits? The Poles have to live afterward. It is not Hungary's role to define American interests, but over the long term a forced realignment of Poland's economy would lead to the weakening or loss of U.S. influence in that country, a development which would not give Hungary any joy. What worries the Hungarians is that these questions seem to be judged here on a day-to-day basis, not on a long-term view. True, there are headaches in 1982 but Hungarians look back on a thousand years of history and have lots of experience built into their genes. They are interested now in what 1990 or the year 2000 will look like. Hungarians want to live their second 1000 years in their own way. A significant state of differentiation exists in Europe and this process is a natural process which will last longer. Perhaps the U.S. does not sense in this respect to what a great degree the tolerance of the Soviet Union has increased. Look back ten, twenty, or thirty years ago in Europe. We in Hungary are doing something completely different from what you believe is the Soviet model. We are not completely identical in foreign policy as put in the West in an oversimplified way. However, this makes it to no extent doubtful to which alliance system and economic system we belong. But our identity is much stronger, bolder, and more characteristic than in any period before and the Soviet Union accepts it, even if it doesn't understand it in all its aspects. In this respect we seem to be subject to greater threat from you than from the USSR.

However, the Secretary noted, Poland's internal difficulties are spread on all of us. Marjai said that was true but in a peculiar way for Hungary. Not having adopted Poland's adventurous economic policy, Hungary was not suffering except indirectly. In fact, the popularity and support of the Hungarian regime had increased to the extent that their policies had been proved correct. Its reforms must now be accelerated by extending socialist democracy, decentralizing and reducing the power of the government. The Secretary said Mr. Marjai was a Reaganite. Yes, Marjai responded, he had told the visiting Time-Life group some months ago that in many respects the two countries were conducting the same economic policy. Although Hungary recognized the necessity for reducing social expenditure, it found it nearly impossible to do so.

The Secretary said Hungary's economic policies made good sense but, in the near term, Poland's problems have created a lack of confidence in financial institutions which limits our ability to differentiate as

much as we would like. Soviet economic failures which are growing, not decreasing, result in pressure from the East on your liquidity indirectly, and sometimes directly. With the economic situation in Poland now the exclusive burden of the Soviet Union, the problem is further aggravated. We all must do what we can to urge the Polish Government within all the restraints you outline to attempt more positive moves. Military men prefer never to take risks but in history those who have been successful have taken risks. Jaruzelski should take risks because the danger is not that he will move too fast but too slowly. His friends in Moscow who are *the* conservatives in the world today and chief protectors of the *status quo* continuously counsel caution. Marjai said they could advise Jaruzelski to proceed as fast as possible. From one side this looks too slow, from the other too fast. Achieving the optimum is not easy.

ARMS CONTROL

Marjai asked about the future of Soviet-U.S. talks, saying it would be good if the sense of being threatened and the lack of confidence felt in Europe could be resolved. The Secretary reviewed the misjudgments of the 1970's and our failure to insist clearly on certain standards of international conduct which may have led Moscow into the mistaken belief they could engage in an expansion of Soviet influence. This has resulted in a sharp reaction here and has not really proved successful from the Soviet point of view. Having thrust forward into Afghanistan, Angola, Ethiopia, and elsewhere, the Russians had to learn that there are limits to a superpower's ability to influence events. If the Soviets come to understand and accept this, they will find welcome cooperation here. We are proceeding with arms control talks and, despite some comments from media in the U.S., he could assure Mr. Marjai that our proposals are serious and designed to be negotiable: to require equal concessions on both sides. We are equally prepared to move in areas of political concern: Afghanistan, Southern Africa, in this hemisphere. It remains to be seen whether the Soviet side is prepared for a new chapter. In the last sixteen months we have been more restrained in action than perhaps in rhetoric.

Mr. Marjai said he thought, on the basis of personal knowledge, that the Soviets had the willingness and the desire to move forward but the whole matter cannot move without talks. A stronger willingness to enhance mutual understanding is needed. Small powers are more comfortable when world powers don't seek to exploit each other's weak points. Talks on strategic arms control must go forward because, although Hungarians are certain they will survive anything, they would find life boring all by themselves.

320. Memorandum of Conversation¹

Washington, May 12, 1982, 2 p.m.

SUBJECT

The Vice President's Meeting with the Hungarian Deputy Prime Minister
Jozsef Marjai

PARTICIPANTS

The Vice President
H. Allen Holmes, Department of State
Lawrence Brady, Department of Commerce
Nancy Bearg Dyke, Office of the Vice President
Paula Dobriansky, NSC (Notetaker)

Deputy Prime Minister Jozsef Marjai
Hungarian Ambassador to the United States Janos Petran
Former Ambassador to the U.S. Ferenc Esztergalyos

Vice President Bush welcomed Hungarian Deputy Prime Minister Jozsef Marjai. In response, the *Deputy Prime Minister* stated that he was glad this meeting could be arranged. He then conveyed best wishes from the Hungarian Government and its people and mentioned that his visit was an expression of Hungary's good intentions—to broaden its relations with the United States.

Vice President Bush stated that he had heard the Deputy Prime Minister had had a very good discussion with Secretary of State Haig.

Deputy Prime Minister Marjai asserted that their conversation was quite productive.

The *Vice President* also commented that he was very pleased with the International Monetary Fund's efforts and results. He contended that Hungary's IMF membership signifies closer ties with the United States and mentioned that its admission was not solely attributable to the U.S. Government's efforts.

The *Deputy Prime Minister* stated that Hungary knows its IMF application was approved wholeheartedly by the U.S. Government.

In response, the *Vice President* maintained that the application stood on its own merits.

Deputy Prime Minister Marjai contended that this event was quite significant. He was very pleased that there were no abstentions and no votes against Hungary's IMF application. He assured the Vice

¹ Source: Reagan Library, Paula J. Dobriansky Files, Chronological File, Chron 05/01/1982-05/22/1982; NLR-145-8-27-3-0. Confidential. The meeting took place in the Vice President's office at the White House.

President that Hungary would be a fair, reliable and active member of the IMF.

At this time, the *Vice President* mentioned that Hungary's economy is doing very well in spite of the impact of high U.S. interest rates.

The *Deputy Prime Minister* replied that Hungary is actually suffering from these circumstances and hopes that this period of high interest rates changes soon.

The *Vice President* then gave an account of how on his trip to China,² he had been surprised that the Chinese were unaware that the United States Government pursues a policy aimed at reducing the high interest rates. Instead, the Chinese believe that the United States actually has a high interest rate policy. The Vice President proceeded to ask what is the Deputy Prime Minister's opinion with regard to Poland. Specifically, he inquired if the Deputy Prime Minister envisioned any positive changes taking place. He also commented that the Polish issue has high domestic visibility and that many Americans have a keen interest in Polish developments.

In response, *Deputy Prime Minister Marjai* maintained that Poland is a serious problem. Hungary has not invested money in Poland and Poland is also not one of Hungary's primary trading partners. However, like the United States, all Hungarians know that Poland is a very significant member of Europe and even beyond Europe. It is of fundamental interest to all. The Deputy Prime Minister posited that there can be compromise and harmony between the Polish people and their government. He contended that the economy can perform well. He further commented that he does not envision full agreement, but progress is in sight. The Deputy Prime Minister mentioned he is very optimistic about future Polish developments.

He stated that the problems in Poland did not start in August 1980,³ but rather in 1956. At that time, Poland had an opportunity to choose the right path. The Polish Prime Minister Gomulka came to power with broad support. He could have, given his power, maximized upon the various opportunities at the time—but he did not. The Deputy Prime Minister said that he hopes the Poles have learned from the past. He maintained that General Jaruzelski is a good patriot, a talented and a very progressive man. According to the Deputy Prime Minister, when Jaruzelski was Minister of Defense, he was a very striking figure. Presently, he needs to broaden his power base by enlisting

² Bush was in China May 5–9. Documentation related to his visit is scheduled for publication in *Foreign Relations*, 1981–1988, vol. XXVIII, China, 1981–1983.

³ See footnote 5, Document 4.

the support of competent Polish civilian leaders. Certain conditions must be afforded to him to enable him to take the necessary progressive measures.

The *Vice President* interceded by stating that Prime Minister Jaruzelski needs to make concessions. Specifically, Walesa must be released from jail. The U.S. public sentiment on this issue is unequivocal. The Polish Government's actions have set back U.S.-Polish relations.

The Hungarian *Deputy Prime Minister* agreed with the Vice President that concessions are necessary indeed. He asserted that it is not possible to govern without or against the people. However, he said, this accommodation cannot be tied to certain personalities, such as Walesa. He said that on his recent visit to West Germany he had a conversation with an influential capitalist official. He was surprised by how this official depicted Walesa—he compared Walesa to an “individual” who stood out in German history. To the Deputy Prime Minister this was a dramatic analogy.

The *Vice President* retorted that he had never heard the same comparison expressed in this country.

Deputy Prime Minister Marjai replied that the man he was speaking of cannot be charged with any biases; except that he does not endorse trade unions. He continued to say that Hungary's trade unions have contacted Walesa in the past and they do not have a very good opinion of him.

The *Vice President* emphasized that in the United States, Walesa is identified with and symbolizes such values as freedom and liberty. For these reasons he has captured the attention of the American populace. Hence, for us to improve relations with Poland, something has to change. There is a need for some significant signs of improvement. Specifically, the Vice President referred again to Walesa's release from jail. He also indicated that the President feels very strongly about Walesa's release.

The *Deputy Prime Minister* stated that independent and free trade unions are necessary. Without them, industry would not be able to function. He reasserted that the issue of Walesa's release from jail should be treated separately.

Vice President Bush then inquired what are the prospects for Walesa's release.

The *Deputy Prime Minister* answered it is not certain. He continued to say that Hungarians have affection for the Polish people as both are free spirits. In fact, he posited that there are even some similarities between both of them. Specifically, he stated, just as the Hungarians, the Poles know how to work. He cited that currently there are several thousand Poles in Hungary. They are highly valued for the exceptional

quality of their labor. The Deputy Prime Minister stated that he encourages the free movement between peoples.

At this time, the *Vice President* emphasized that visits like this are extremely useful. He mentioned that during his stint at the United Nations⁴ he heard the United States being frequently attacked as an imperialistic country. He also cited another misconception by stating that many Americans view Hungary solely as a Bloc member and have lost sight of its individuality. Very often the distinctions among all the East European countries are overlooked.

The Hungarian *Deputy Prime Minister* agreed and expressed the hope that more high level visits take place in the future. Specifically, he stated that the Hungarian Government would welcome, when appropriate, an official visit to Budapest.

The *Vice President* concluded the meeting by stating that he was very pleased to have met with Deputy Prime Minister Marjai.

⁴ Bush served as Ambassador to the United Nations March 1971–January 1973.

321. Report Prepared in the Bureau of Intelligence and Research¹

407–AR

Washington, June 11, 1982

(U) HUNGARY: EASTERN EUROPE'S RELUCTANT MODEL

(C) Summary

French President Mitterrand's visit to Budapest, scheduled for July 7–9, is likely to boost Hungary's image as a "model" East European country, as well as its evolving reputation as a credible broker between the East and West European parties and governments. The Mitterrand visit is the first to communist Hungary by a French President. As a follow-up to party leader Kadar's April trip to Bonn, it could result in a new high in Kadar's 26-year tenure, during which he has gone from pariah to statesman.

Under Kadar, Hungary has gradually structured its domestic political and economic policies to the point that they are clearly the most

¹ Source: Reagan Library, Paula J. Dobriansky Files, Hungary (2). Secret; Noform; Nocontract; Orcon. Drafted by James Bodnar (INR); approved by Mautner.

liberal of any Warsaw Pact country. This has enhanced the country's political acceptability by the West, but it has increased the regime's sensitivity to being touted openly as a model for the rest of Eastern Europe. Not even Soviet praise, including by Brezhnev himself, of some aspects of Hungary's post-1956 agricultural and economic reforms has helped make its "model" role less ambivalent.

* * *

Regime Cautiously Accepts Accolades on Model Role

(C) Hungary's media exude national pride and satisfaction over the West's perception of its continuing political and economic successes. Nevertheless, the country's leadership is not enthused about being tagged as a model, especially for Poland, despite the fact that Hungary has been out in front of most of its Warsaw Pact allies in dispensing advice to the Poles.

—(S/NF/NC/OC) In Bonn April 26–28, party chief Kadar, lauded by Schmidt as a statesman, appeared appreciative of Schmidt's support of his "experimental" reform policies but asked the FRG Chancellor not to describe Hungary as a model lest it heighten Moscow's anxieties and invite a "severe crackdown."

—(U) Deputy Premier Aczel, in a Paris interview with *L'Humanite* on April 28, welcomed the "world's better image" of Hungary but downplayed the applicability of Hungarian-style socialism to conditions elsewhere.

—(U) Deputy Premier Marjai, during his US visit (April 30–May 13),² stressed that Hungary sought to share "experiences" and "approaches" with Poland but deferred to the Poles themselves on specified "forms" for a solution of their problems.

(C) Marjai, who signed the instruments on Hungary's entry into the International Monetary Fund (IMF) while in the US, also reaffirmed that reform policies would continue, albeit at a possibly slower pace. At the same time, he sought to underscore Hungary's uniqueness in the "process of differentiation" under way in Eastern Europe.

(U) The Marjai visit provided an additional patina of success for the regime. The Deputy Premier's meetings with President Reagan in Knoxville³ (where Hungary is the only Warsaw Pact country to have an exhibit at the World's Fair), Vice President Bush, Secretary of State Haig, and other top US Government and business leaders represented

² See Documents 319 and 320.

³ The 5-minute meeting between Marjai and Reagan on May 1 was described in telegram 119384 to Budapest, May 3. (Department of State, Central Foreign Policy File, D820231–0743)

Hungary's highest level of contacts with US leaders since 1946, when the non-communist Prime Minister Ferenc Nagy visited the US. (Secretary Rogers visited Budapest in 1972 to sign a consular agreement;⁴ Secretary Vance traveled there in 1978 in connection with the return of the Crown of St. Stephen;⁵ Hungarian Deputy Premiers Valyi, Szeker, and Huszar visited the US in the 1970s, but met only with cabinet-rank officials.)

West European Ties Enhance Hungary's Image

(C) The upcoming Mitterrand visit should further bolster Hungary's image, especially that of Kadar, as an interlocutor between East and West. The Hungarian party leadership has steadily cultivated relations with the French Socialist Party (PS) in recent years. Mitterrand, who met Kadar in Budapest in 1976, has spoken approvingly of Kadar's capacity for overcoming the opprobrium associated with his role in the Soviet suppression of the 1956 revolt and achieving economic and social progress within the confines of the Soviet sphere.

(C/NF) Much of the spadework for the Mitterrand visit has been accomplished. French Minister of State for Economic Planning and Development Michel Rocard and PS First Secretary Lionel Jospin met with Kadar in Budapest March 11–12 and April 26–29, respectively. Aczel, in Paris last month ostensibly to plug the publication in French of one of his books, presumably discussed plans for the visit. These discussions—Mitterrand's first with an East European politician since his election—reportedly were highly cordial. (French Foreign Trade Minister Jobert discussed further arrangements during his June 10–11 visit on bilateral trade issues.)

(C) Kadar's meetings with Rocard and Jospin centered on economic issues. Hungarian reform economists participated, among them Rezso Nyers, founder of Hungary's "New Economic Mechanism" (NEM) which was initiated in the mid-1960s. Kadar intimated that Hungary's domestic economic interests demand an even more independent economic foreign policy (exports, half of which are sold to Western and Third World countries, generate nearly 45 percent of Hungary's gross national product). He emphasized to Rocard the importance of broadening and hastening reforms to increase efficiency and profitability as a basis for expanding trade with the West, hence Budapest's entry into the IMF. He admitted privately that the Soviets were not enthusiastic about the latter move.

⁴ See *Foreign Relations*, 1969–1976, vol. XXIX, Eastern Europe; Eastern Mediterranean, 1969–1972, Document 128.

⁵ See *Foreign Relations*, 1977–1980, vol. XX, Eastern Europe, Document 162.

(C/NF) Mitterrand, who espouses a differentiated policy toward East European countries, is nevertheless expected to reiterate his critical views of the East's stance on Poland. The French publicity buildup of Kadar's and Mitterrand's apparent determination to refurbish French-Hungarian relations suggests hope for a "special relationship," with Hungary such as existed between Gierek's Poland and Giscard's France. There are no indications that the Hungarians would feel embarrassed by such a development or that they would seek to discourage it.

(C) Kadar's visit to Bonn and his hosting of Mitterrand reflect his resumption of personal involvement in promoting relations with West European parties and governments. From the time of his 1960 UN visit until his attendance at the Helsinki conference in 1975, Kadar had been almost a recluse on the international scene. His first formal visit to the West, to Austria, occurred in 1976; it was followed by visits to Rome and the Vatican (where he conferred with Pope Paul VI) in the same year, Bonn in 1977, and Paris in 1978. The Polish crisis seems to have revived his interest in such travel: the Hungarian leadership clearly has become seriously concerned over the implications of the West's economic sanctions against Poland and the USSR. Enlisting the FRG's support for Hungary's then-pending bid to join the IMF and obtaining financial assistance were reportedly high on Kadar's Bonn agenda.

(C) Aside from these considerations, Kadar may have had such personal motives as ensuring continued international recognition of his policies and demonstrating his intent to seek their institutionalization beyond his tenure. (Kadar, second only to Bulgaria's Zhivkov in tenure as a party chief in Warsaw Pact countries, turned 70 on May 26.)

The Whys and Wherefores of Hungary's Model Role

(C) Hungary's much-heralded model image has both political and economic facets. The regime's policy of national reconciliation, closely identified with Kadar, has effectively neutralized the internal dissidence that contributed to the outbreak of the 1956 revolt. Under the slogan "who is not against us is with us," adopted in the early 1960s to encourage an alliance between communists and non-communists, Kadar has generally been successful in fostering political stability as well as a liberal economic and cultural atmosphere.

(C) The agricultural and economic reforms initiated since the mid-1960s have resulted in administrative decentralization and bureaucratic retrenchment; the interaction of market forces in setting price, production, and investment levels; and the institution of profit incentives. Recent innovations include the expansion of small-scale private enterprise and the unification of tourist and commercial exchange rates (which helps move Hungary in the direction of its goal of achieving limited convertibility of the forint in a few years). These reforms have continued against

the backdrop of the regime's austere policies of the last two years, the result of external economic conditions and payment obligations.

(C) Initial criticism of Hungary's reforms by several of its Warsaw Pact allies gave way to grudging admiration, and lately to talk of emulation. During a visit to Budapest in 1979, and at the CPSU congress in February 1981, Brezhnev himself lauded the economic reforms and urged that they be imitated by others. Soviet media have also been complimentary, noting that Hungary's agricultural reforms have been studied by visiting Soviet teams. The agricultural reforms have helped boost production and thereby fortify Hungary's image as a land of abundance at a time of shortages elsewhere in Eastern Europe. *Pravda* in February 1982 detailed Hungarian successes in monetary policy aimed at directing investments into production for export, stimulating the development and introduction of new products, and encouraging savings and investment by the population.

(S/NF/NC/OC) Hungary's reforms did not necessarily spark those recently undertaken in Czechoslovakia and Bulgaria (which has its own form of NEM), but they were taken into account. Romania reportedly resents the attention given to Hungary's reforms. A group of Chinese experts visited Hungary in 1980 to study the applicability of Hungary's agricultural reforms to the Chinese economy.

(C/NF) Besides Brezhnev, Soviet Premier Tikhonov has commented favorably on the Hungarian economic model. During a third-country representative's visit to Moscow in May, Tikhonov specifically pointed to the "Hungarian way" in a discussion of possible solutions for Poland. Tikhonov's remarks were interpreted to mean modest political and economic reforms combined, of course, with Poland's continued adherence to the Warsaw Pact, Council for Mutual Economic Assistance (CEMA), and the dominance of the Polish Communist Party. Soviet East European specialist Davydov advanced a similar scenario in a recent conversation in Moscow, although he also opined that the Hungarian model probably would not fit Poland.

(C/NF) In any event, Tikhonov's remarks left open the question of whether the adoption of repressive measures were necessary prerequisites, as had been the case for Hungary. Such measures endured in Hungary until at least the early 1960s, when the regime effected various amnesties for political prisoners and subsequently launched its national conciliation policy in tandem with a campaign to recoup its international standing.

(S/NF/NC/OC) Kadar strengthened his rapport with Tikhonov during the latter's visit to Budapest last December and reputedly considers Tikhonov more flexible and amenable to Hungarian policies than Kosygin. Their talks typified Kadar's knack for cultivating ties with

Soviet leaders, including Andropov, who was formerly ambassador to Budapest and is now a contender for Brezhnev's position.

A Model for Poland?

(C) There is no evidence, however, that the Hungarians have been pressing the Poles to implement unmodified versions of Hungary's "model." Indeed, as affirmed by Aczel:

"Socialism . . . has to be varied to be real . . . its practical form will differ from one country to the next . . . it goes without saying that socialist development of our society could not follow that of other socialist countries step by step."

Similarly, Marjai disclaimed any attempt to do more than offer the Poles possible "approaches" based on Hungary's own post-1956 period.

(C) But where the Hungarians draw the line on the applicability of the model thesis is not readily discernible. Throughout the Polish crisis, the Hungarian leadership has generally restrained its comments but has been active behind the scenes in dispatching top party and government officials (Aczel, party foreign affairs chief Berecz, and Foreign Minister Puja) to Warsaw to advise the Poles, especially in the aftermath of the martial law declaration last December.

(C) The regime's caution on wholesale application of its experiences undoubtedly stems from the realization that the situations in post-1956 Hungary and Poland do not have the same causes and protagonists. For example, Politburo member and trade union chief Gaspar, who last year made a *pro forma* bid for a dialogue with Solidarity and also met privately with Solidarity trade union officials in Brussels, claimed that the 1956 revolt could have been avoided if the trade unions had had the competence and authority they have today. Nonetheless, he acknowledged that he (and others) had explicitly warned the Poles "within the limits of decency and propriety" that their trade unions were fatally flawed. (Gaspar frequently extols Hungary's trade unions, which allow some active participation by workers in decisionmaking.)

(C) Berecz, who has been deeply involved in the formulation of policy on the Polish crisis and is one of the ambitious heirs-apparent surrounding Kadar, recently advanced what appears to be the official Hungarian view of what the Poles must do. Writing in the May issue of *Problems of Peace and Socialism*, Berecz described how Kadar faced his "dilemma" in 1956: first concentrating on "crushing the counterrevolution," then consolidating power by reestablishing faith in the party and dealing with the "demands" and "rightful dissatisfaction" of the people. Berecz warned, however, that consolidation was marked by complications and "rearguard provocations."

(C) Berecz was also ambiguous on the role of “external help,” presumably to keep options open should the Soviets decide to intervene. Nonetheless, he flatly stated: “A foreign military contingent cannot manage the resurrection of a political superstructure. The effect would be illusory.” He emphasized that despite Soviet “fraternal aid” in 1956, Hungarians had to solve their own problems. (That Berecz’s didacticism could have implications for other situations, e.g., Afghanistan, may or may not have been intended.)

(C) Discussions between Hungarian party and government officials and their Polish counterparts presumably have focused on ways to refurbish the party and coopt elements of Kadar’s consensus style of rule. The Poles thus far appear receptive to Hungarian advice—Deputy Premier Rakowski’s May 3 speech before the *Sejm* (Parliament) urging national conciliation under the slogan “he who is not against us should be for us” mimics Kadar’s sloganeering of the 1960s.

(C/NF) The details of Kadar’s talks with Premier Jaruzelski during the latter’s April 21 visit to Budapest are not known, but Jaruzelski apparently did appreciate Kadar’s recounting of his own experiences in thwarting the 1956 “counterrevolution.” Kadar, in turn, reiterated his party’s “understanding” of the need to impose martial law in Poland. (Kadar’s outward equanimity throughout the crisis reportedly belied difficulties with the Soviets in June 1981 when the Hungarian Politburo, after several sessions, reluctantly endorsed the CPSU “warning letter” to the Polish leadership.)

(S/NF/NC/OC) In any event, [*less than 1 line not declassified*], Kadar specifically advised Polish party leaders to follow the “Hungarian pattern” after 1956 to build a new party with a new program. [*less than 1 line not declassified*] however, Kadar had no objections to the basic resolutions issued by Solidarity. But while advocating a rebuilding of the Polish party, the Hungarians continue to view the situation with concern and probably regard Jaruzelski as the only hope for any reforms in Poland.

(C) The Hungarian party plenum announcement of “understanding” the imposition of martial law in Poland was made just prior to Jaruzelski’s visit and was not as formal as might be expected: It was not issued in the form of a resolution, the customary vehicle for either support or criticism. Nonetheless, the Hungarian party was the only one in Eastern Europe to issue an authoritative statement of endorsement (albeit other parties have issued editorials supporting martial law).

(C) *The Italian Connection*

The same plenum statement also took a swipe at the Italian Communist Party (PCI) resolution of December 30, 1981. It labeled “unacceptable” the PCI’s evaluation of events in Poland and its

questioning of the world historical role and ability of socialist countries to develop and fulfill their roles. Yet the Hungarian formulation was strangely defensive, insisting that the Hungarian party was only concerned with "the principled clarification of differences" previously expressed in bilateral party talks with PCI officials, most recently between Gyula Horn, deputy chief of the Hungarian party's international affairs department, and PCI chief Berlinguer and others in Rome last February. Horn's conversation at the time suggested that the Soviets may have attempted to use the Hungarian party—given its acceptability by West European communist parties—as an intermediary. In any case, Hungary is the only Warsaw Pact country to have published the Moscow-attacked PCI resolution (in a specialized, non-party journal, *Nemzetközi Szemle*).

(C) *The Future of Hungary's Economic Reforms*

While the Budapest leadership openly basks in the favorable images its reform policies have generated, there are continuing internal debates over their future pace and scope. Some Hungarian economists fear that current reforms could be reversed should the political climate change. (They were temporarily shelved in the early 1970s.) Supporters urge an institutionalization of economic reforms: accelerated decentralization and an expansion of the "entrepreneurial spirit" to strengthen Hungary's competitiveness on the world market and its living standard at home. Others are not opposed to economic and social reforms *per se* but, like Politburo member and Deputy Premier Havasi, argue against "rapid" changes and initiatives "that regard the people's economy as a scene of ill-founded experiments."

Premier Lazar, in a speech last November, took up the cudgels in defending the recent expansion of small-scale private enterprises. He criticized ideologically based attacks on such reforms as attempts to "mask a fear of competition . . . endangering the comfort provided by a monopoly position." Other supporters have spoken even more boldly, albeit they are less than precise in formulating alternative courses. Jozsef Bognar, a prominent political economist, advocates a "revision of the entire system of economic government" and claims that "the sphere of decisions by the state is too great . . . and that reforms should not be just economic, but at the same time strengthen the democratic nature of society."

What emerges from the debate thus far, as Marjai stressed during his US visit, is that Hungary does not intend to abandon its reform policies. More than likely, however, it will adhere to a gradualist approach consistent with Kadar's style of leadership, holding at bay hardline critics who could be expected to exploit the economic dislocations that more rapid implementation of reforms would entail. Reformers may seek to take advantage of Kadar's continued tenure by pressing for

more liberal policies in other spheres as well—trade unions, universities, and youth organizations. Kadar's speech at a reception on his birthday seemed to give them a green light. Despite "difficulties"—which he did not specify—Kadar made an unusually emphatic appeal for the "protection" and "continuation" of his policies within the framework of what he referred to as Hungary's "national common agreement and socialist understanding." Continuing anxieties over the Polish situation do not appear to have dampened popular aspirations for further economic reforms.

Much of the success of Hungary's economic reforms is linked to economic performance which at this juncture depends heavily on the availability of Western credits. At the moment, the specter of payment delays or even debt rescheduling threatens Hungary's credit standing. Since April, Budapest has sought to ease its liquidity crisis with possible "bridge financing" and its entry into the IMF (which Hungary now hopes to tap for additional credits).

The policy choices facing the Hungarian leadership in the immediate future are difficult ones, all entailing further austerity measures for the population. As noted, some Hungarian economists are pressing for more reforms to create additional incentives for export. If the leadership opts instead for greater control in order to meet payment obligations, both the reform effort and Hungary's image as an attractive economic model for Eastern Europe stand to be undermined. So would Kadar's policy of maintaining a national consensus.

322. Telegram From the Department of State to the Embassy in Hungary¹

Washington, September 27, 1983, 0043Z

274917. Subject: Minutes of the Meeting Between Vice President Bush and President Losonczi.

1. (C—Entire text)

2. The following is approved memcon of meeting September 20 between Vice President Bush and Hungarian President Losonczi.

¹ Source: Department of State, Central Foreign Policy File, N830009–0207. Confidential; Priority; Nodis. Drafted by Palmer; approved by Palmer, Dobriansky, Murphy, Gregg, Gusrey, and McKinley.

3. In his greetings President Losonczi said that Vice President Bush's visit to Hungary was the highest level American Government visit to ever take place. While short, it would give the Vice President an impression of Hungary. If there had been time to see the countryside, the Vice President would have seen how much progress has been made. He has, however, had substantive talks with the country's leaders and learned of its intentions. While small, Hungary contributes to the normalization of international relations. Social systems differ between the two countries, but the development of good relations between the United States and Hungary are proof of the good intentions. Economic relations can be developed within the principle of mutual advantages. The Hungarian Government attaches a special importance to the Vice President's visit because international tensions are great. During such a period there is need for dialogue. Nothing is too sensitive not to be resolved in talks. Vice President Bush has had the opportunity to meet with the First Secretary of the Party Janos Kadar and Prime Minister Lazar.² They have expressed the Hungarian Government's view on the world. While visit was short, it is to be hoped that it will give an impetus to further develop bilateral relations. President Losonczi stated that Hungary highly values this visit.

4. Vice President responded by thanking President Losonczi. He agreed that the visit was short but just being in the country was a very worthwhile experience. He was also able to see the country through the eyes of others. Ambassador Bergold has had an excellent opportunity to travel around Hungary. He impressed on the Vice President the notable progress in the rural areas. The U.S. views commercial relations as good and getting better. We see our self-interest here, just as it is essential the Hungarians see theirs. Remember that after decades of no communication with China President Nixon launched relations with that country on the principle of self-interest. Chou En Lai said the same for China. Any bilateral relations have to have real underpinnings and self-interest is essential. The Vice President agreed about increased tensions we are living with. With First Secretary Kadar and Prime Minister Lazar the areas of tensions were covered. They had very frank discussions. While not wishing to dwell on the causes or go into detail, the airplane incident (the shooting down of the KAL) had caused great passions among the American people.³ Such depth of emotion had not been seen in decades, in which one incident aroused the wrath of the American people. The U.S. has a fascination with public opinion polls.

² Memoranda of conversation for these meetings were not found.

³ Reference is to the September 1, 1983, shootdown of Korean Air Lines Flight 007.

Right after this incident the American people, by a margin of two to one, wanted strong action, showing their anger. The actions President Reagan took were viewed by most of the world as responsible and reasoned. Ironically the American people also supported them. The President said that we will continue to negotiate on missiles. However, the polls really said that the people were mad, particularly when the Soviets said that “we’ll do it again.” But this also reflects the genuine feeling of the American people to try to lower the level of terror and to lower the number of nuclear weapons in Europe and everywhere else. I mentioned this so you would know the mood of our country. It is important as relations develop that each understand the mood in the other country. I hope for some breakthrough at the Geneva talks. I am convinced that you and we want this. In the U.S. it is sometimes easier to adopt a simplistic view of the world. Because of Hungary’s alliance we have a tendency to lump your country in with the others in the Warsaw Pact. One of the great things that a visit such as this achieves is a heightened respect for differences that do exist. One can feel the differences in the mood of the people even riding in the car among the different countries I visited. Americans love to be loved, so I look at faces of the people. When I walked out of this building yesterday I sensed a certain warmth, because of our flag. It has been a worthwhile visit and we are grateful to you.

5. Concerning the KAL tragedy President Losonczi said that he did not know the reasons or why it happened. However, one conclusion could be drawn, that was how fragile the present international situation is. Various assumptions give momentum to steps taken on both sides. One questions whether it is possible to stop this momentum when it takes hold. Losonczi elaborated that he was not a soldier. As a matter of fact he did not like soldiers. But with his civilian mind he could not understand how with all the available technology produced by the world it was possible for such a thing to happen. How can this be deterred in the future? He was glad that the U.S. leadership did not want to exacerbate tensions in the world. As far as he knew neither did the Soviet leaders. The arms talks are welcome and some accommodation must be reached. There are no alternatives for mankind. Any other alternative but living in peace has terrible consequences.

6. Vice President Bush pointed out that in 1978 the same type of aircraft incident happened. An airliner was forced down on ice. Two civilians were killed. How could a plane be so far off course? This is George Bush’s homemade map and it would never get past a school teacher in Budapest. Here is Alaska and Japan. The Soviets have refused to fill the gap between Alaska and Japan. So in this area there is no radar coverage, except perhaps their own military radar. Maybe now they will show willingness to join in preventing this type of thing.

This has happened twice. However, I do agree that there is a need to work toward guarantees. Missile talks are also needed. Whether there is agreement in these forums on missiles or we can avoid accidents, we will try.

7. President Losonczi replied that the Hungarian Government genuinely welcomed any agreement along these lines to restore confidence, which is lacking at the moment. He confirmed that Hungary is trying to work on these matters in the international scene but does not want to emphasize it because of the relatively small role a country the size of Hungary plays and the limited possibilities for success. It is up to the superpowers to do the most along these lines.

8. Vice President Bush indicated that under the Western system it is necessary to have full consultation with our allies, even though the U.S. is the biggest power. That relates to the differences in our systems. Elections in the FRG or UK can affect our decisions. Each has veto power over some things.

9. President Losonczi said that they did not envy the U.S. its leadership role. The Soviet leadership has similar problems with its allies. Among the Warsaw Pact countries, the Soviets do not dream up something in Moscow that we then follow. The leadership role is accepted but for our purposes we want to take certain steps. Sometimes the Soviets have to exert restraint on its allies. This may not be directly in the Warsaw treaty. You know, hotbeds in various parts of the world. The Vice President agreed that success was really needed in international talks. President Losonczi answered that the Hungarians pray for this and again hoped that the Vice President's visit had been worthwhile in getting to know the country and its views. He requested that when the Vice President makes his report to President Reagan that he convey Hungary's good wishes. While there may be different ideologies both countries are striving to develop bilateral relations.

Dam

323. Telegram From the Department of State to the Embassy in Hungary¹

Washington, December 9, 1983, 2221Z

350275. Subject: Hungarian Ambassador's Meeting With Vice President.

1. Secret—Entire text.

2. (Begin summary) In meeting on November 28, Vice President Bush and Ambassador Hazi discussed Vice President's trip to Budapest,² his speech in Vienna,³ US-Hungarian relations and overall East-West situation. (End summary.)

3. The Vice President opened the meeting by expressing his positive memories of Budapest and the stimulating talks he had with Kadar. He had been criticized in this country for some of the things he said in Budapest, but he stood by his remarks.⁴ He asked for the Ambassador's frank views of the Vienna speech. Ambassador Hazi said that GOH had been surprised with those elements of speech which differed from positions Vice President had taken in Budapest. In Vienna, the Vice President had said he had seen on the faces of people in Eastern Europe eagerness for liberty. In his press conference in Budapest he had said just the opposite. Where was the Iron Curtain, when millions had been coming and going from Hungary for years. Hazi cited Kreisky's statement that it is better not to speak so loudly, that nobody should ask for Hungary to break away from the Soviet Union. Ambassador Hazi stressed that it was mistake to put countries of Eastern Europe into good and bad categories.

The Vice President noted that we believe there are differences among Eastern European countries, that we are pleased to see greater openness in Hungary, and that one purpose of speech was to state our support for further movement in direction of human rights and independence. We have serious problems with conduct of a number of Eastern European countries, with their involvement in terrorism,

¹ Source: Department of State, Central Foreign Policy File, D830729–0673. Secret; Exdis. Sent for information to Moscow. Drafted by Palmer; cleared by P. Hughes (OVP), Richard Kauzlarich (S/S), Dobriansky, Roger Robinson (NSC), and William Garland (S/S-O) and in EUR/EEY; approved by John Kelly (EUR). The EUR/EEY clearance line was illegible.

² September 19–20. See Document 322.

³ See Document 21.

⁴ Telegram 5722 from Budapest, September 21, conveyed the uncleared transcript of Bush's September 20 press conference. (Department of State, Central Foreign Policy File, D830545–1016)

export of socialism and spying. There must be changes for the U.S. to be willing to improve relations. We are upset about repression in Poland. We are attacked every day at the UN. We cannot be taking all the positive actions. Governments in Eastern Europe must show some effort, as Hungary had done. That was the message he conveyed in Vienna and wanted Ambassador Hazi to convey to the Hungarian leadership as well.

Hazi responded that there are differences. For example, 50 percent of Hungary's GNP was involved in international trade, while only 7 percent of the Soviet Union's GNP involved trade. But there were no fundamental differences, for example on ideology, among the East European countries. The Vice President noted that this certainly was not true with regard to religion and other matters.

Hazi again stressed how highly the Hungarian leadership appreciated the Vice President's visit—the highest U.S. visitor ever—and how important it is for them to be taken as a partner. He made a brief reference to bilateral issues—return of the crown and Hungarian "expectation" that MFN would be extended on a multi-year basis so that companies could calculate more than a year ahead. He then noted that Hungary is an "island" with the US-Soviet confrontation taking place overhead. They were afraid as a small country. The Vice President stated that we think the Soviets have made a big mistake by walking out in Geneva. They have hurt their promotion of peace movements. Somehow they will have to come back. President Reagan is serious about arms control, as he demonstrated even after KAL. There is a lot of suspicion, but we know we have to find ways to live peacefully and one way is to really reduce nuclear weapons. We won't grant Soviets a monopoly. We want to make a deal based on equality. There also are plenty of other problems to resolve, like Afghanistan. What did Hazi hear about the leadership situation in Moscow, about Andropov's health.

Hazi said he knew the thinking of "our side." They are saying that the US wants to dominate the whole world including the Soviet Union and socialist countries. If he listens here, he hears the same text with the opposite target. Since Stalin there had been collective decisions in Moscow. It will be quiet as long as civilians retain control, but military takeover would present another picture. Andropov is different than Brezhnev and others. He is a little bit more European. Educated, knows English and French, and knows Europe pretty well. This makes a difference but Ustinov and the other marshals are taking the floor and taking political positions.

Hazi then returned to the need to avoid extremes in talking about Hungary in public. Hungary is prepared to take lessons from anywhere to improve living standard. But after highest level meetings, there is discussion and exaggeration. This causes problems. The Soviets and

other East Europeans ask what is happening. Of course, this will not decide Hungary's fate. US-Soviet relations are more important.

The Vice President concluded the meeting by noting that we see degrees of difference in Hungary, that we are not trying to "peel" them away from the Warsaw Pact, but that we hold certain values very strongly and that these are important in how we treat the nations of Eastern Europe.

Dam

324. Telegram From the Embassy in Hungary to the Department of State¹

Budapest, January 25, 1985, 1532Z

653. Subject: Police Seize Massive Quantity of Samizdat.

1. (C) Entire text.

2. Dissident and philosopher Janos Kis (protect) informed Pol Chief on January 24 that on Friday, January 18, the Hungarian police raided a private house in the countryside near Budapest and confiscated approximately one thousand copies of the eleventh edition of the popular samizdat called "Beszelo." The raid reduced the total number available for distribution by about one half. No one has been arrested in connection with the seizure to date, although it appears that the owner of the house may be subject to prosecution.

3. Kis is convinced that the authorities found one of the Beszelo "depositories" by some lucky break and is fairly sure that it was not a case of their knowing about the house all along and suddenly deciding to raid it at this time. His main worry is that the authorities may also have further information on Beszelo's printing and distribution network. He added that the authorities have not decided whether to consider the seizure as an "infraction" of the press law or as a "crime." He recalled that several years ago a large number of the "Mirmondo" samizdat was seized and the authorities called it a "crime." The "Mirmondo" case was subsequently dropped because prosecution of a "crime" involves a public trial (whereas an infraction carries only a financial penalty).

¹Source: Reagan Library, Paula J. Dobriansky Files, Hungary 1985 (1). Confidential; Immediate. Sent for information to Belgrade, East Berlin, Bucharest, Moscow, Munich, Prague, Sofia, Vienna, and Warsaw.

4. In response to Pol Chief's inquiry whether anything in this particular issue could have caused the authorities to become particularly enraged, Kis said no, but smiled before recounting the gist of the main editorial, which relates the current situation in Poland to the Hungarian scene. The editorial states that the Popieluszko case in Poland² is relevant to Hungary in that, although the very top echelon of the Polish Government may not be responsible for ordering the murder of a dissident priest, this same top group bears an important part of the responsibility for his death in that they invested the police with so much administrative and unsupervised authority that they created a situation in which such an event could happen

5. Comment: The terms in which the authorities categorize the seizure as an infraction or crime, plus the extent to which they seek to limit or expand the prosecution, if any, of those involved, will indicate whether this raid is, as Kis believes, just a lucky break for the Ministry of Interior or whether it has wider implications for the Hungarian samizdat community. In either case, the fact that the authorities have the option underscores the editorial's point.

6. Embassy's single copy of Beszelo no. 11 has been pouched to INR for Foldvary.³

Garrison

² Reference is to Jerzy Popieluszko, a Polish Roman Catholic priest and supporter of Solidarity, who was murdered on October 19, 1984, by the Polish security service.

³ Frank Foldvary (INR/SEE). The issue was not found.

325. Telegram From the Embassy in Hungary to the Department of State¹

Budapest, September 27, 1985, 1458Z

8172. Subject: Reported Major Change in Hungary's Policy Towards Dissidents.

1. Confidential—Entire text.

2. Summary: A party official who is a key player in formulating Hungary's dissident policy asserted on Sep 27 that the MSZMP Central Committee has taken some "significant" decisions concerning

¹ Source: Reagan Library, Paula J. Dobriansky Files, Hungary 1985 (3). Confidential; Immediate. Sent for information to Belgrade, East Berlin, Bucharest, Moscow, Prague, Sofia, and Warsaw.

dissidents. The official clearly stated that some of the country's leading dissidents who have been unsuccessful in obtaining passports for years will be free to travel as they like. End summary.

3. On Sep 27, Pol Chief had lunch with Andras Knopp the Deputy Director of the Hungarian Socialist Workers Party (MSZMP)'s scientific, public education and cultural affairs department. In addition to discussing the case of dissident Gyorgy Krasso who is currently under a police surveillance order (limited house arrest—see septel),² Knopp claimed that the Central Committee has made a “significant” decision concerning Hungarian dissidents. Knopp claimed that no dissident is unable to obtain a passport for political reasons. In response to Pol Chief's assertion that it was his understanding that certain persons have been unsuccessful in obtaining passports for several years (without offering names), Knopp replied that the situation is now different and no passport will be withheld on political grounds. Following further discussion, Knopp became more specific and mentioned that dissident philosopher Janos Kis is free to travel to Madrid if he wishes to attend a meeting on October 17. (Comment: As recently as Sep 26, Kis was not aware of this. End comment). Knopp further commented that even in the “unique” case of Romanian-born dissident Gaspar Niklos Tamas, Gaspar is free to travel.

4. In response to further questioning, Knopp said this policy will remain in effect provided the dissidents confine themselves to unstated “reasonable” activities outside Hungary's borders.

5. Comment: Budapest's change of heart is no doubt related to the October 15 opening of the CSCE cultural forum.³ By allowing some of the most prominent dissidents to leave at that time, the authorities reap the double benefit: (a) elimination of a blot on their already relatively good human rights record and (b) lessening the chances of having to face either local dissident activity during the forum or local dissidents joining forces with foreign political activists who may come to Budapest for the forum.

6. Preliminary indications lead us to believe that the Hungarians may be successful in encouraging dissidents to leave in October. Laszlo Rajk recently told Pol Chief that he thought his outstanding application for a passport had a better than usual chance of being successful because of the cultural forum. Janos Kis has also commented that he is keeping his passport application current and has not yet finalized plans for activity during the forum. End comment.

Smith

² Telegram 8171 from Budapest, September 27, reported that Krasso's police surveillance was being terminated. (Department of State, Central Foreign Policy File, D850689–0742)

³ The forum took place in Budapest from October 15 to November 25.

326. Telegram From Secretary of State Shultz to the Department of State¹

Budapest, December 16, 1985, 2257Z

Secto 28082. Subject: Secretary's Meeting With Hungarian Foreign Minister Varkonyi, December 16, 1985.

1. S—Entire text.

2. Summary: Both the Secretary and Varkonyi described bilateral relations as good, with room for expansion particularly in the area of trade and cultural relations. Varkonyi enumerated a number of Hungarian desiderata, including multiyear MFN, GSP, more U.S. direct investment, and the opening of a second consulate. Exhibiting sensitivity to possible Soviet criticism, Varkonyi said that U.S. media suggestions that the U.S. hoped to wean Hungary more toward the West were unhelpful. He affirmed that Hungary sought a good relationship with the U.S. within the framework of its Warsaw Pact alliance. The Secretary and Varkonyi also exchanged views on the world economy and political perspectives in the light of the Geneva meeting. The Secretary noted that the "information revolution" will favor more open societies, prompting Varkonyi to complain that COCOM restrictions on technology transfer were needlessly severe. The Secretary responded that this points to the need to create a more stable East-West situation. End summary.

3. In addition to the Secretary, U.S. participants in the meeting included Ambassador Salgo, Counselor Derwinski, Assistant Secretaries Ridgway and Kalb, S/P Director Rodman, DAS Palmer, NSC member Dobriansky, and EUR/EE Director Kuchel. Other Hungarian participants included Deputy Foreign Minister Esztergaylos, Hungarian Ambassador Hazi, Directorate V Head Horvath, Press Director Szabo, U.S. Desk Chief Banlaki, and Varkonyi's special assistant Erdos.

Bilateral Relations

4. Varkonyi welcomed the Secretary, recalling that his was the first official visit of a U.S. Secretary of State since Rogers visited Hungary in 1972² although Vance had come in 1978 heading the delegation

¹ Source: Reagan Library, Paula J. Dobriansky Files, Secretary State Visit to E. Europe (1). Secret; Immediate; Exdis. Shultz was in Budapest from December 15 until December 17.

² July 6–7, 1972. See *Foreign Relations, 1969–1976*, vol. XXIX, Eastern Europe; Eastern Mediterranean, 1969–1972, Documents 127–128.

returning the Crown of St. Stephen.³ The Secretary began with a brief outline of the bilateral relationship from U.S. perspective. He described it as good with room for expansion, particularly in the areas of trade and cultural relations. He foresaw no problems in the annual MFN review for Hungary. He noted that Ambassador Salgo had been active in encouraging closer relations.

5. In reply, Varkonyi agreed with the Secretary's overall assessment. There are no outstanding problems, but he registered the following "concerns:"

—In order to assist long term commercial planning, Hungary would like to be accorded MFN on a three to five year basis rather than annual review. The GOH understood present constraints and was not "pushing," but it would be good to move to multiyear MFN by 1988, the 10th anniversary of Hungary's MFN status.

—The GOH appreciated its "good diplomatic exchanges" with the U.S., but sensitive issues such as terrorism and espionage (Comment: Travel restriction warnings) might be dealt with more effectively if the U.S. conveyed its concerns informally rather than in the form of nonpapers.

—Speculation, particularly in the U.S. media, that the U.S. hoped to move Hungary away from its Soviet alliance partners by such activities such as the Secretary's visit creates "a bad sign" after the Geneva Summit. Varkonyi affirmed that Hungary sought a good relationship with the U.S. within the framework of its WP alliance and CEMA membership.

—Concerning the economy, Varkonyi noted the need for increased exports to the West to pay its Western creditors. 1985 results were not all that good, in part due to systemic weaknesses and in part to the severe 84/85 winter. The 1986–1990 five year plan will stress export growth and debt servicing over investment. Hungary would therefore welcome greater U.S. investment. A new foreign investment law is to take effect January 1 as a further inducement.

—Hungary will be applying for GSP benefits. It hopes the U.S. response will be favorable.

—The GOH would like to open a second U.S. consulate in either San Francisco or Los Angeles (the 1972 consular agreement⁴ provides for the opening of two consulates, but the projected post in Cleveland was never opened). Varkonyi hoped the U.S. would consider the request.

³ January 7, 1978. See *Foreign Relations, 1977–1980*, vol. XX, Eastern Europe, Document 162.

⁴ The agreement was signed on July 7, 1972. (24 UST 1141)

—Hungary had solved all its U.S. family reunification cases. Varkonyi claimed, however, that the Hungarians have four “divided family” cases with the U.S. that remained unresolved. (Comment: MFA Director Horvath later presented a list of four cases involving custody and support of minors).⁵

Economic Outlook

6. The Secretary provided Varkonyi with a detailed assessment of the global economic outlook. He described the world economy as coming out of a recession, expanding more rapidly in some places (SE Asia) than others. The U.S. economy had just undergone a breathtaking expansion in jobs and remains strong. A few days ago, Kohl had described to him the upturn in the German economy.⁶ Japan is also strong. There were imbalances, however, centering on the size of the U.S. trade deficit, the large Latin American debt, protectionist pressures increasingly felt around the world. He outlined the “Baker” plan and U.S. support for a new GATT round to keep world trade open.

Political Issues

7. The Secretary took the opportunity to outline U.S. objectives in seeking a more stable relationship with the USSR. Achieving this would have a beneficial impact in East-West relations generally, but also in relations with China. The U.S. is particularly concerned, the Secretary said, over potentially explosive regional conflicts. These included Afghanistan, Cambodia, Nicaragua, the Mid-East and the Iran-Iraq conflict. While it is not desirable to inject U.S.-Soviet rivalry in these regional conflicts, it is present in many. While arms control remained the centerpiece for U.S.-Soviet negotiations, reaching understandings on regional conflicts and improved observance of the Helsinki Final Act were of great importance.

8. Describing the Geneva meeting, the Secretary stressed the personal manner in which the President conducted the direct and substantive exchanges with Gorbachev in both private and plenary sessions. The U.S. wants to place Soviet relations on a more constructive footing. We are realistic, however, in our approach and expectations. It was gratifying that both sides were willing to state jointly important positions in the joint statement.⁷ We hope to move forward with both energy and care. We must not try to go so rapidly so as to stumble, the Secretary concluded.

⁵ Not found.

⁶ Shultz was in Bonn December 13–14.

⁷ Issued in Geneva on November 21. See *Public Papers: Reagan, 1985*, Book II, pp. 1401–1410. See also *Foreign Relations, 1981–1988*, vol. I, Foundations of Foreign Policy, Document 256.

9. In response, Varkonyi said that at Prague, Gorbachev had also stressed the importance of both sides declaring that war is unthinkable. He pointed to the emphasis in the last WP communique on the importance of finding a new approach to solve world issues. Varkonyi noted that in any negotiation, mistrust is created if one side claims it had bested the other. He recalled Kadar's comment after the 1975 signing of the Helsinki Final Act to the effect that "there were no losers and no victors; everyone came out a winner." The Geneva meeting should be looked at that way. The Secretary agreed. The press may sometimes look for winners, but in reality both sides won.

The Information Age

10. The Secretary said he wanted to conclude by commenting on an important development that was not ideological but technical and scientific. The industrial age was ending, and we are now entering what may be called the "information age." The technical revolution affects how things are organized, done and how we work. It is a challenge to management, the Secretary thought, that will favor societies capable of greater openness.

11. Varkonyi said that Hungarians were also thinking very deeply about the implications of the technical revolution. We are conscious of the need to keep up with the world, he said. In this respect, he recalled his reply to Genscher recently when the latter had stressed the importance of participating in SDI to access its technology. Varkonyi said he had told Genscher that an Iron Curtain had once divided Europe. "You shouldn't now erect a 'technological curtain' to divide Europe." Should that happen, Varkonyi said, a part of Europe will again be divided off and insecure. Professing understanding of the need to protect military technology, Varkonyi complained that COCOM controls were needlessly far-reaching. As an example, he said the U.S. Embassy had complained because some of its personnel had no telephones in their homes, threatening reciprocal removal of telephone service from Hungarian Embassy residences in Washington. Budapest needed a new phone system, but its request to purchase a new system from ITT or Erikson had been turned down under COCOM. We should think about the human implications of technology transfer controls, Varkonyi concluded. The Secretary responded by noting that this emphasizes the need to create a more stable East-West situation. He recalled for Varkonyi that one of the less noted outcomes of the Geneva meeting was the accord to work jointly on nuclear fusion, a very technological proposition. Varkonyi agreed that such projects are challenges that must be welcomed. End text.

Shultz

327. National Intelligence Estimate¹

NIE 12.5-86

Washington, May 1986

[Omitted here are the title page, table of contents, and scope note.]

KEY JUDGMENTS

Hungary has entered an important transitional period. The era in Hungarian politics associated with Janos Kadar is inexorably drawing to a close. The regime is facing some rigorous tests. Accumulating social and economic strains are serious enough that by the end of the decade Hungary will have a harder time maintaining its present image as a unique showcase in Eastern Europe for economic reform, political stability, and a relatively relaxed ideological climate. [*portion marking not declassified*]

The problems are many:

—The economy, suffering from one of the lowest growth rates in Eastern Europe since 1980, is still in the doldrums. Performance lags in the key export sector and debt service burdens loom into the end of the decade.

—Moscow's trade demands have toughened in recent years. The Soviets are requiring more exports, higher quality goods, and a reduction in Hungary's hard currency surplus with the Soviet Union. Moscow is unlikely to moderate these demands over the next several years, thus cutting into Hungarian prospects to increase their exports to the West and revive their economy.

—The economy's poor growth prospects will impede the regime's ability to improve living standards, which have stagnated for several years.

—Social tensions have grown to uncomfortable levels because of stagnating living standards, inflation, and growing income disparities.

—Political dissidence has been stimulated by the public's broader contacts with the West and the younger generation's increasing impatience with the regime over issues such as the treatment of Hungarian minorities in neighboring countries (particularly Romania), political reform, and economic problems. [*portion marking not declassified*]

One of the key uncertainties is how long and to what degree Kadar, who is now 74, will remain in charge. Should Kadar die, become incapacitated, or much less likely retire, the succession probably would proceed

¹ Source: Central Intelligence Agency, History Staff Files. Secret; [*handling restriction not declassified*]. Prepared using information available as of May 14. The National Foreign Intelligence Board approved the estimate on May 15.

fairly smoothly at least in its early stages. Deputy General Secretary Nemeth, 63, is a strong contender and at the moment appears to be the most likely immediate successor. However, there are other strong candidates—Central Committee Secretary Janos Berecz, Politburo member and First Secretary of the Budapest party committee Karoly Grosz, Central Committee Secretary, Politburo member and economic czar Ferenc Havasi, Central Committee Secretary Istvan Horvath and Deputy Prime Minister and Politburo member Laszlo Marothy, among others:

—Should the succession be triggered soon, whoever follows Kadar probably will continue Kadar's general political approach and the current economic reform program at least initially. "Kadarism" has worked well for too long to be reversed without major negative repercussions. Moreover, the majority of the top leadership has been carefully groomed and selected over the years because they subscribe to Kadar's general beliefs.

—The continuation of Kadar's general approach probably will mean that the social malaise will still be evident but Hungary will remain basically stable. Dissent, however, may be somewhat more visible as economic problems drag on and as Hungary approaches the 30th anniversary of the 1956 October Revolution this fall. The government's use of police measures may be more common than during the 1970s, although not as repressive as in the late 1950s. [*portion marking not declassified*]

We question, however, whether even Kadar's masterful tinkering with the system will be viable over the longer term if the economy shows no signs of reviving and the resultant social strains continue to grow. Piecemeal implementation of reforms will limit the gains in efficiency and competitiveness needed for improved industrial performance. Debt burdens and Moscow's hardening trade demands will limit resources available for industrial modernization. Without an economic turnaround, troubles could deepen in Hungary toward the end of the decade:

—Economic stresses could sharpen rivalries within the leadership concerning the scope and pace of reforms. If the succession to Kadar occurs about this time, the initial smooth transition period might be but a respite before factionalism becomes more serious.

—While struggling with heightened factionalism, the regime could begin to drift, resorting to a "stop and go" approach to economic reform and ultimately deepening morale problems and accentuating social strains.

—An increase in public discontent would renew and possibly intensify the regime's emphasis on discipline and social control. [*portion marking not declassified*]

Hungary's economic and social problems will deepen during a difficult period for Moscow—a time when Gorbachev will wish to concentrate on Soviet economic problems and not assume any more burdens of his allies. Tensions between Budapest and Moscow could increase over a number of issues such as: the scope and pace of economic and political reform, commercial ties to the West, the dimensions of CEMA integration, ruble versus hard currency payments, prices for raw materials from the Soviet Union, the quality of Hungarian exports to the Soviet Union, and defense spending. [*portion marking not declassified*]

Despite the somewhat greater possibilities for increased strains, particularly over economic issues, in all major respects Hungary will continue to fulfill its current commitments to the Warsaw Pact. A serious crisis—one that would require the direct use or the very real threat of force by the Soviets—is unlikely. If such a crisis did develop, however, it would most likely spring from a Hungarian succession process that goes awry and/or Soviet mishandling of the leadership transition. [*portion marking not declassified*]

The United States has an important stake in the evolution of the situation in Hungary because it is at the leading edge of reforms in Eastern Europe. Hungary's growing indebtedness to and economic need of the West, moreover, should continue to give the United States and other Western industrialized countries some limited leverage. Over the longer term—and particularly if Gorbachev's program to revive the Soviet economy fails—the economic attraction of the United States and the developed West may increase even more and, thus provide a better opportunity for Western leverage in Hungary. [*portion marking not declassified*]

[Omitted here is the body of the estimate.]

328. Telegram From the Embassy in Hungary to the Department of State¹

Budapest, October 24, 1986, 1112Z

9609. Subject: Budapest: Quiet on 38th Anniversary of 1958 Revolt. Ref: 85 Budapest 9012.²

1. Begin summary: The first day marking the anniversary of the 1956 Hungarian revolution passed without any significant public incident. Except for beefed up security precautions, business was carried out in an everyday manner. Dissidents who had been cautioned to avoid any public demonstrations heeded police warnings. End summary.

2. To the casual observer walking along the rain-drenched streets of Budapest on October 23, 1986 there was little indication that along these same streets precisely thirty years ago the Hungarian people rebelled against a Soviet-imposed Stalinist system in an aborted quest for freedom and national independence. Parliament began its two-day fall session at ten in the morning, thirty years after crowds gathered in protest outside the same building. In marked contrast to the autumn 1985 legislature which began with a moment of silence for some Hungarians who lost their lives in a mining accident, the 1986 session carried on with business as usual—seemingly oblivious to the tumultuous and tragic events of thirty years ago which resulted in the deaths and emigration of thousands. EmbOffs who visited those sites which featured prominently in the 1956 revolt plus the traditional gathering places for expressions of nationalist sentiment noted little out of the ordinary other than a discreet but clearly heightened police presence, including some uniformed but mostly plainclothed officers.

3. On the Pest bank of the Danube, there was no unusual activity at Petofi Square—one of the usual gathering places of students every March 15 during celebrations commemorating the aborted revolt against the Hapsburgs in 1848. An EmbOff who visited nearby Eotvos Lorand University noted several vans of security forces parked along Regi Posta Utca, adjacent to the square.

4. EmbOffs who drove around the heavily industrialized island of Csepel, where workers took up arms against the authorities three

¹ Source: Department of State, Official Correspondence of Deputy Secretary of State John C. Whitehead, July 1982–January 1989, Lot 89 D 139, JCW's Eastern Europe Trip 11/9–16/86. Limited Official Use; Priority. Sent for information to Belgrade, East Berlin, Bucharest, Moscow, Munich, Prague, Sofia, Vienna, Warsaw, Geneva, and the mission to NATO. "Oct 25 1986 J.C.W. has seen" is stamped on the telegram.

² The telegram number is incorrect and the correct one was not identified.

decades ago, noticed nothing out of the ordinary: shoppers were going about their chores, children were playing or on their way from school and factories were busy as usual.

5. Except for the occasional discreetly beefed up security measures, sites which U.S. and UK EmbOffs visited throughout the city including party headquarters, parliament, Bem square, and the Hungarian radio station all appeared normal (UK EmbOffs reported an unusually large number of police vans parked in front of Budapest's district five headquarters around the corner from their Embassy.) Occasionally there was some indication that October 23 is a special day; a few flowers and one small wreath decorated the eternal light at Count Batthyany's Memorial along Bathori Utca.

6. EmbOffs who sought to visit the site which is popularly believed to be the grave of former Prime Minister Imre Nagy (who was executed in 1958)³ noted approximately seven policemen at the cemetery's main entrance (during separate trip, DATT noticed some very alert uniformed policemen at the front gate in addition to three members of the workers militia plus plainclothes-men. A police car was parked in the main lot; police are not normally there). As EmbOffs traveling in a car with diplomatic plates approached Nagy's unmarked gravesite at the end of a muddy lane, several men emerged from an official vehicle and stood defiantly, arms folded, in front of the Embassy car until it turned around and left (no words were exchanged). The same official vehicle was seen apparently patrolling the area both before and after confrontation with EmbOffs. Nevertheless, several journalists reported that they had no problem visiting the same gravesite on October 22 and several hours before EmbOff's attempted visit on October 23.

7. In course of DATT travel elsewhere in the city, he noted that the Budapest guard barracks had at least one squad of troops equipped with gas masks and armed with automatic weapons. Nearby, in each of five blue civilian trucks sat approximately 12 soldiers. DATT also observed that although fewer police cars were on the streets, each had four occupants whereas the normal number is two. Some had two policemen and two soldiers—an unusual combination in the capital city. DATT also noticed more military cars and jeeps than usual.

8. The heightened Hungarian security preparations reflected other indications of official nervousness as displayed by the authorities in past weeks. Recently the police advised the Embassy that no permits

³ Paula Dobriansky's files contain A paper describing the demonstrations, entitled "Police Actions Against Opposition Groups in Hungary, March 11-15, 1986." (Reagan Library, Paula J. Dobriansky Files, Hungary 1986 (1))

had been issued for gatherings on October 23 and that force will be used if necessary to break up illegal demonstrations. A number of dissidents reported that they received direct or indirect threats of expulsion from Budapest plus other administrative sanctions should they elect to hold public gatherings on October 23. Unlike last year during the CSCE cultural forum, even private gatherings have reportedly been discouraged. On October 22, Inconnu co-founder Tomas Molnar and Peter Bokros informed Pol Chief that they were warned not to repeat last year's commemorative activity honoring the failed 1956 revolution (see ref). According to another source, the police successfully used the threat of withdrawing a passport to persuade one dissident to deny use of his apartment for a special meeting of the Flying University to discuss the 1956 events. A source in a socialist embassy claims that other dissidents, including Laszlo Rajk, received additional warnings and restrictions concerning their whereabouts on October 23. Despite nervousness by the authorities, special issues of the samizdat "Beszelo" and "Demokrata" devoted to 1956 are already in circulation.

9. Comment: Other than the wealth of radio, TV and newspaper attention devoted to the 1956 events plus the increased security presence, the authorities tried to treat October 23 as just another business day. They probably feared a repetition of the clashes with demonstrators as occurred last March 15.³ If the semblance of "normal" activity and ostensive full control over would-be dissenters was the GOH's primary goal, in at least a superficial sense the authorities pretty much succeeded.

Salgo

329. Telegram From the Embassy in Yugoslavia to the Department of State¹

Belgrade, November 12, 1986, 1915Z

10408/Depto 50008. For the Secretary from Whitehead. Subject: My Visit to Budapest—Nov. 11–12, 1986.

1. Secret—Entire text.

2. I spent the first two days of my visit to Eastern Europe in Budapest, talking at length with all the important officials,² except for Kadar who was in Moscow, and visiting factories, schools and farms. The Hungarians are proud of what they've accomplished. It is a mixed economy. Government-owned businesses, cooperatives, and private sector free enterprises operate side by side, with the latter two growing at the expense of the former. The people are free to move about, change jobs, buy homes. Forty percent of the population visited some other country last year. The churches seem free. There are lots of newspapers. No Soviet troops were evident, but no one forgets their presence. Everyone criticized the Soviets freely when they thought it was justified, but were generally positive about Gorbachev.

3. My visit was most welcome. They are eager for closer relations with the U.S. Nick Salgo has done a fine job and they now look forward to Mark Palmer. I told everyone that you had asked me to take on a special responsibility to improve our relationship with Eastern European countries and that my visit was a first step.

4. In thinking about the visit, I decided that if I came only with good intentions I would not accomplish much so I tried to develop a presentation which contained some specific proposals on ways to improve the dialogue.

5. With the Foreign Minister, his deputy, and the party's chief foreign policy maker, I took the occasion to brief them on what happened

¹ Source: Department of State, Central Foreign Policy File, N860011–0079. Secret; Immediate; Nodis.

² Telegram 10102 from Budapest, November 12, conveyed the November 10 meeting between State Secretary Horn and Whitehead. (Department of State, Central Foreign Policy File, D860863–0579) Telegram 100084 from Budapest, November 12, reported on Whitehead's meeting with Party Secretary Havasi. (Department of State, Central Foreign Policy File, D860863–0183) Telegram 10411 from Belgrade, November 12, described Whitehead's discussion with Hungarian Politburo Member Szuros. (Department of State, Central Foreign Policy File, D860863–0936) Telegram 100053 from Budapest, November 11, reported on Whitehead's consultations with Hungarians regarding terrorism. (Department of State, Central Foreign Policy File, N860011–0049)

at Vienna.³ They had already heard a distorted account from Moscow. They welcomed the report and my guarded optimism. I then proposed and they accepted three specific ways to improve our dialogue:

—agreement to a meeting of experts every six months on regional issues and other items as appropriate. They suggested CSCE as a possible agenda item and I agreed;

—agreement to work quietly and professionally on terrorism. I offered a visit by Jerry Bremer which they enthusiastically accepted;

—agreement to focus our dialogue on tech transfer on what is possible rather than on what is impossible. The present system is that the Hungarians make a request and we turn them down. It would be better if we could try to define what we can do with them and work from there to reach specific agreements.

6. I also let them know that I thought our trade was too small and that we should work to increase it. Among other things, we will revive the Hungarian-American Business Council.

7. This is a country that is moving slowly away from the Soviets and toward the West. We can speed up the process if we try a little harder.

Scanlan

³ Reference is to the CSCE follow-up meeting held in Vienna, November 4–6.

330. Intelligence Research Report¹

No. 69

Washington, February 25, 1987

(U) Hungary Since the 1956 Uprising:
Part III—The Gathering Crisis

Note: This is the third of a series of four reports on events in Hungary since 1956. Part I (INR Report No. 40, October 21, 1986)² dealt with the

¹ Source: Reagan Library, Rudolf Perina Files, Hungary—Substance 1987 (1). Confidential. Drafted by Foldvary; approved by Richard Clarke (INR).

² IRR No. 40, "Hungary Since the 1956 Revolution: Part I—The Genesis of the Kadar Regime," is in the Department of State, Official Correspondence of Deputy Secretary of State John C. Whitehead, July 1982–January 1989, Lot File 89 D 139, EE Trip: Budapest, Hungary—Nov 10–12.

genesis of the Kadar regime; part II (INR Report No. 52, December 2, 1986),³ its consolidation. Part IV will look at the implications of these for post-Kadar Hungary.⁴

Key Judgments

After almost two decades of political stability and growing prosperity, Hungary since the early 1980s has been in an uncertain transition period as the 30-year Kadar era enters its twilight. A series of adverse domestic trends—political, social, economic, and generational—are converging to complicate the issue of who and what comes after Kadar. The various but interrelated developments include:

- the coming of age of a post-1956 generation (now about half of the country's 10.6 million population) oblivious of the lessons of the revolution, and the concomitant growing urgency of another "social contract" with that generation similar to the one Kadar effected with its parents by the early 1960s;

- stagnating (and for the younger and older segments of society, falling) living standards over the past seven years, a situation that is unlikely to improve appreciably this decade;

- a rising sense of national self-awareness, especially among youth, manifested in a growing interest in the country's recent and distant history as well as in the fate of ethnic Hungarians living in neighboring countries and in the West;

- the emergence of a small but diverse and growing political opposition, whose members are found even within the establishment;

- the surfacing of some new and some traditional sources of tension with Romania; and

- the looming threat of loss of the currently excellent credit rating with Western bankers at a time of gathering economic and political problems, compounded by the growing hard-currency debt burden.

Complicating these problems is the emerging popular perception that during the coming trying years Kadar either may not be in office or may not be as effective a leader as in the past. Most important, however, is the fact that not since the late 1950s has a Hungarian leadership been confronted with as many serious problems as are converging in the late 1980s.

How the Hungarian regime will cope with the conflicting demands implicit in these trends—and under whose leadership—will determine

³ IRR No. 52, "Hungary Since the 1956 Uprising: Part II—Consolidation of the Kadar Regime," is in the Reagan Library, Walter Raymond Files, P. 9 East Europe.

⁴ Part IV, "Hungary Since the 1956 Uprising—Outlook and Implications," issued on June 22, 1987 as IRR No. 97 is in the Reagan Library, Rudolf Perina Files, Hungary—Substance 1987.

the orientation of the post-Kadar era and, of course, his political legacy. The outcome could range between deepening uncertainty, stagnation, and erosion of political stability—even a crisis—at one extreme and a new takeoff marked by a modest economic recovery and expanded political liberalization at the other. The former would make Hungary look more like its allies while the latter has the potential to set Hungary even farther apart from them.

* * *

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Image Versus Reality

Conventional wisdom still counts Hungary among the politically stable and economically prosperous countries in Eastern Europe. In fact, Hungary today is less stable politically than the German Democratic Republic or Czechoslovakia and in terms of living standards could be similarly ranked.

Nonetheless, a number of factors work in the regime's favor:

—Kadar and most of his colleagues seem to be fully aware of the burgeoning difficulties they face (indeed, far more so than might be implied from the country's highly favorable image in the West which Budapest itself deliberately cultivates).

—Although none of the market-oriented reforms introduced over the past 18 years is irreversible, it would take a much more serious economic or political setback than has been experienced thus far to force a major retrenchment from Kadar's relatively liberal course. This is so primarily because substantial parts of both establishment and populace have a vested interest in continuing it even after Kadar is gone.

—So long as relative political stability prevails, the comparatively small orthodox faction within the establishment is unlikely to pose a serious problem. And Moscow (or other orthodox allies) is not likely to insist that Budapest take a course that might threaten the very stability it seeks.

Having recognized the profound, and in many ways unique challenges the various internal and external pressures pose for an already fragile social consensus, the regime gradually also has come to recognize the urgency of dealing with them. It is its imaginative (by Warsaw Pact standards) approach to containing these various pressures which has shaped Hungarian internal dynamics in the 1980s.

Commitment to Top-Down Change

This approach amounts to a calculated effort to defuse pressures from below before they pose a serious political problem, and to do so by coopting and adopting those elements of the popular demands

which can be absorbed without causing unmanageable domestic or external repercussions. Once the regime adopts as its own what it judges to be acceptable (politically and ideologically) of the popularly backed agenda, it has felt relatively free to ignore other, more radical demands and to isolate and discredit their proponents as unreasonable and extreme.

The authorities have been rather successful in "containing" the challenges thus far. But what is more important for the future is that the regime is only superficially in control of the process. In reality, with each conflict resolution (which amounts to deciding on an acceptable level of concession), the regime whets the popular appetite for new demands.

A policy of "give-and-take" has been the hallmark of the Kadar leadership from at least the early 1960s. Its pace accelerated markedly with the onset of economic stagnation; now areas that previously were the exclusive reserve of the regime have been opened to the new dispensation. The regime still benefits in that this expanding process of accommodations allows it to cultivate the image of the most liberal country in the Warsaw Pact.

At the same time, the leadership runs a considerable risk as long as yielding to popular demands remains the only viable means for keeping an increasingly restive younger generation satisfied. This is now becoming a questionable prospect in the medium term because a new cycle of prosperity is not probable until the end of the decade. Indeed, the trickle-down "creeping liberalization" seems actually designed by the regime to divert public attention from austerity. In so doing, the regime hopes to avert a greater level of instability that could result from the austerity measures inherent in the economic reforms slated for implementation through 1990.

Hungary is riddled with contradictions, tensions, and runaway problems. That none of these has assumed critical dimensions is due to the benign, by East European standards, nature of Kadar's leadership. With shrewdness and common sense, he has been able to steer a pragmatic, middle-of-the-road course between conflicting extremes. Virtually all the diehard, old-time orthodox figures had been weeded out by the mid-1980s; none of them fell so far as to feel humiliated but far enough to prevent a comeback. (The younger neo-orthodox figures who followed them are a new breed in that they do recognize the need for change, but they want to go slower and not as far as the "reformists.") Although no one can replace Kadar, his collegial style of rule and penchant for seeking consensus stand to survive him, at least for a while.

Another critical factor has been Kadar's ability to sell his reform experiment and "alliance" policy to the Kremlin, first to Khrushchev

and then to his successors. By the time the ideologically questionable features of what has become known as the Hungarian model began to arouse Soviet suspicions, the experiment was paying enough dividends in terms of political stability to assuage Moscow's more serious concerns. Also, Soviet toleration of the reform has been a significant factor in containing popular anti-Soviet sentiments in Hungary. Aware of this, Moscow generally has refrained from strong-arm tactics and kept periodic disputes out of public view, a *modus operandi* in which Kadar has willingly connived.

The Economic Scene

Overall economic performance under the Kadar regime has been impressive by East European standards, in sharp contrast with that of the pre-1956 period. Development strategies pursued for the last 30 years have been guided by the overriding political objective of pacifying an alienated populace by improving living standards. After almost two decades of experimentation, a largely agrarian country has been transformed into a semideveloped industrial one. Moreover, Hungary has evolved a modified hybrid economic model of its own, sometimes referred to as "market socialism," which combines features of a Soviet-style planned economy with those of the capitalist West. Although the former features dominate, the latter have grown in significance.

The centerpiece of the regime's policies has been its longstanding, if often faltering, commitment to a comprehensive economic reform known as the new economic mechanism (NEM), launched after prolonged debate on January 1, 1968. Also of importance has been the regime's liberal approach to agricultural development, which to a great extent preceded introduction of the NEM.

Accomplishments notwithstanding, the Hungarian economy is far from sound and is more vulnerable to domestic and external pressures—political and ideological, as well as world economic trends—than is commonly recognized. The reason is the way the original reform agenda was implemented—spasmodically in the state industrial sector, more consistently in the agricultural sector. This largely explains the successes and the failures of the economy, as well as its ability to weather adverse changes in the world economy without the kind of crisis Poland has experienced.

Agriculture. Unlike in Poland, where the predominantly private agriculture has been treated as a stepchild by the authorities, in Hungary the already liberalized agricultural sector received a further boost from the 1968 reforms, which allowed and supported cultivation on household plots by cooperative farmers. This stemmed from the official strategy of encouraging agricultural production to give Hungary,

historically the granary of Europe, not only self-sufficiency but also a substantial exportable surplus. Except for a brief period in the early 1970s, the Kadar regime has never deviated from this principle.

Thus while the economy as a whole experienced serious dislocations during much of the 1970s, Hungary had by 1974 an export surplus in all major agricultural products, and by 1975 per capita agricultural output was about 90 percent of the US level. In fact, by the mid-1970s, Hungary was the only East European country to have achieved an exportable agricultural surplus, equal to about 12 percent of domestic output. Domestic food shortages have been rare and when they occurred (e.g., in the early 1970s) they were caused essentially by government restrictions on the private farming of collective farms. Since the watershed mid-1970s, however, Hungary's agricultural performance has become spotty as a result of bad weather and, more importantly, lack of investment funds.

By 1984, Hungary alone among its allies was exporting a sizable share (about 35 percent) of its total agricultural output to help meet hard-currency obligations and cushion the impact of deficits on the state industrial sector. These exports were not made at the expense of domestic consumption (per capita meat consumption has reached about 80 kilos in recent years) because supplies were more than adequate to cover domestic demand at subsidized prices. Thus, not only has Hungary not had to depend on large imports of agricultural and food products as have other East European countries (particularly Poland), but it also has avoided the attendant economic and political risks bedeviling some of its allies.

Aside from the considerable dividends in domestic political terms (as well as within the bloc), Hungary's creditworthiness in Western financial circles has been helped by the success of the agricultural sector. Agricultural performance has played a crucial role in Hungary's economic prosperity and political stability and will continue to do so in the looming trouble spots. If the regime eliminates some of the food subsidies as part of price reform, social tensions could mount. The uncharacteristically ill-prepared price hikes in mid-January 1985 sparked considerable grumbling among consumers on fixed salaries, families with children, and pensioners (the latter make up about 25 percent of the population and their number is growing). Potentially more serious would be the impact of a severe drought. A severe harvest shortfall would strain the regime's financial resources, have a ripple effect in terms of hard-currency borrowing needs, turn the current public indifference for the new reforms into outright opposition, and lead to the erosion of what remains of political stability.

Industry. In contrast to agriculture, Hungary's industrial base has not performed adequately, owing in large measure to the regime's

failure to push ahead consistently with the 1968 industrial reform agenda. Performance in the initial years of 1968–72 was impressive. Several features of a centrally planned economy were replaced with a guided market allocation system, which featured profits and incentive payments for managers and workers. Although the state retained decisionmaking power over all infrastructural, social, and most manufacturing investments and other economic regulators (e.g., wages, prices, trade), by 1973 industry was averaging a 7-percent expansion yearly.

Between 1972 and 1978, however, the momentum of reform slowed, then halted, and in some respects was reversed in the state industrial sector. The causes were many:

- an overheated investment program caused by policy error;
- growing concern over the reforms' impact on income inequalities, which were exploited at Moscow's instigation by hardliners still ensconced in the establishment;
- an overly diversified industry for a country of Hungary's size and development;
- excessively large industrial units rendered inflexible in responding to changing conditions, compounded by preferential policies and inadequate or no competition; and
- the impact of a growing labor shortage which hit the industrial sector before newly acquired habits of productivity and efficiency could come into play.

Impact of the 1973 Oil Crisis. It was against this background that Hungary experienced the 1973 oil crisis and subsequent economic slowdown in the West. These factors reinforced the regime's retrenchment policies that had been triggered in 1971 by hardline pressure (from Moscow and at home) to eliminate the "ideologically undesirable" side effects of the 1968 reforms. At that point—just as today—the leadership was not fully united behind the reform course (the decision to go ahead was in fact a hard-fought compromise pushed by Kadar), and the population would not accept the necessary sacrifices without political turmoil. Moreover, the regime committed the costly tactical mistake of assuming that the changes in world economic trends were only temporary and that, in any case, the country somehow could shield itself from the effects of worldwide stagflation.

Thus, rather than reduce increasingly costly imports by slowing domestic growth rates and simultaneously introducing austerity measures to boost exports, the regime chose to take advantage of the excess liquidity of Western money markets (the result of recycled petrodollars) to rely on increased hard-currency borrowing. By the mid-1970s, Hungary also faced the falling demands in the West (especially by the European Economic Communities) for one of its few hard-currency-earning

exports, food products, especially meat. Western protectionist measures against Hungarian manufactured exports aggravated the situation, as did a variety of policy decisions (e.g., imposition of taxes on "excess" profits from exports) which often rewarded inefficient enterprises. State subsidies were used with imports as well as with consumer goods to protect the consumer, further distorting the relationship between production and consumption prices. Another of Hungary's reactions to the internal and external shocks was to increase trade with its Council for Mutual Economic Assistance partners through annual increases in bloc trade transacted in convertible currencies.

Even so, what proved to be of paramount importance was that the economic reform suffered a severe setback while the country's gross external debt rose from \$1.4 billion in 1973 to \$7.5 billion at the end of 1978, when credit conditions began to tighten. The situation was made worse by: the 1979–80 world oil price increase, which progressively drove up the price of Soviet oil on which Hungary largely depends; mounting interest rates; the sobering impact of the Polish crisis; and the need to reduce a massive hard-currency trade deficit (\$1.2 billion by 1978).

Return to Reforms. It was against this background that the pro-reform faction, spearheaded by Politburo member Ferenc Havasi, began to push successfully for a return to the basic premises of the 1968 reform program. The regime proceeded on two fronts. Some of the recentralizing aspects affecting the state industrial sector were dismantled and the principle of profitability in enterprises reaffirmed, and a wide-ranging debate got under way on politically sensitive reforms shelved from the early 1970s until spring 1984. Meanwhile, the regime instituted a number of measures in 1982 aimed at such nonstate sectors as the cooperatives, the small but expanding legal private enterprise, and the informal or illegal private activity in industry and agriculture. This was tantamount to legalizing or expanding the already considerable "second economy" to meet hitherto unsatisfied demand for goods and services the state sector was unable to provide.

The initial results were impressive enough to help Budapest deflect some of the criticism of more orthodox allies that it was giving way to "creeping capitalism." Kadar himself defended the Hungarian practice by noting that only about 4 percent of the means of production was in private hands and only about 5 percent of the labor force was engaged in small private industries. What he left unsaid was that a majority of the labor force (estimated at 75 percent of the total) had been working in the second economy just to make ends meet, putting in 60–80 hours weekly with two or more jobs instead of the officially set work week of 42 hours. Meanwhile, real income had declined steadily since the late 1970s with no change expected for the rest of the 1980s.

The austerity policies of the last 6–7 years, however necessary, have strained public tolerance. Kadar acknowledged this in an unpublished confidential speech during the April 17, 1984, Central Committee plenum, when he argued successfully against a “second reform” as politically and ideologically unfeasible. But he also made it clear that the populace would not accept the proposed 0.5-percent growth for 1985 and prevailed in setting a 2.5-percent growth rate for national income in the ensuing years, a modest increase in consumption, and a per capita increase in real income by 1.5–2 percent. These targets have not been reached, however, and the outlook for 1987 is even gloomier. Despite austerity measures aimed at drastic cutbacks in investments and imports as well as consumer belt-tightening, Hungary’s gross hard-currency indebtedness reached about \$13.3 billion (almost \$11 billion net) by the end of 1986.

The April 1984 plenum also decided on the scope of reform to be implemented in the 1986–90 Five-Year Plan period. Although it falls far short of being a “reform of the reform,” it is the first major reform undertaking since the early 1970s. In fact, it is similar to that part of the original 1968 agenda which was shelved by 1973. The reforms call for price increases, reduction of subsidies, greater wage differentiation, further cutbacks in central planning, enterprise decentralization, introduction of new forms of management (workers councils and elected management teams) in many state enterprises, tax reform, and modernization of the banking system. Even if the package is put into practice only in watered-down fashion—as it has been thus far—it could still erode popular support for the regime. Unlike the 1968–71 reforms, which were accompanied by a fast rise in living standards, new reforms are seen by average Hungarians without the optimism of 1968 and, rather, as a source of their daily travail.

Yet abandoning reforms would make matters worse than would persevering in implementing them. Thus the regime has little choice but to follow through with the reform package as much as is politically acceptable and ideologically defensible. At the same time, however, the authorities must be careful as they grapple with what a growing number of critics call the “social malaise” afflicting Hungarian society.

A manifestation of this malaise that has come under severe criticism has to do with the country’s highly distorted demographic situation, whereby 45 percent of society is under 30 and 23 percent are pensioners. The remaining 30+ percent of the population therefore must support an aging population. Other indicators of this social malaise are: a decline in population in absolute terms that is not expected to be reversed until about 2030, a higher death rate than birth rate (partly owing to abortion on demand), a divorce rate of almost 50 percent, exceptionally high levels of alcoholism (fourth highest in the world)

and suicides (the world's highest and affecting mostly youth and middle-aged males), and a growing crime rate.

The regime also has come under criticism for its lack of a comprehensive social policy commensurate with the needs created by increasing social stratification (largely a byproduct of the reforms). The number of unemployed is estimated at 40,000–100,000 and is certain to rise, especially if the regime carries out the otherwise badly needed and long-overdue structural reform of state industry. Meanwhile, the existence of poverty is no longer denied, with estimates as high as 30 percent of the population, affecting mostly families with several children, single mothers, and pensioners. Many social ills (divorce, alcoholism, suicide, declining birth rate) stem from the acute shortage of housing, for which the waiting period is 8–12 years. Because of the investment cutback, a substantial portion of new housing has been built by the private sector, but because this has benefited mostly the *nouveau riche* (doctors, private entrepreneurs, the technocratic intelligentsia, and the political elite), it has exacerbated rather than eased social tensions.

These problems likely will get worse in the coming years, especially if the regime sticks to its adjustment policies. The currently projected growth rates may mean no improvement at all for a substantial part of the population, a prospect with serious implications for the regime's ability to renew a "social contract" with the general population in the aftermath of the 1956 upheaval. The task promises to be difficult even under Kadar; without him, it could be much more complicated.

Moscow's attitude remains an important conditioning factor. So far, the Soviets have not expressed serious reservations about the reform program, and Kadar in turn has sought to allay their periodic concern about the pace and political consequences by stressing gradualness and moderation. Presumably, only in case of serious domestic social and political upheaval would the Soviet leadership be likely to interfere decisively. While Hungary may be drifting toward a crossroads, it does not now appear likely that the difficulties will reach unmanageable proportions under Kadar or that a post-Kadar leadership would seek to chart a radically different course in the near term. Nonetheless, Budapest remains at the mercy of Soviet generosity (e.g., by allowing Hungary to maintain its dollar surplus and a ruble deficit in bloc trade) and faces renewed demands from Moscow for more and better quality exports in exchange for raw materials and energy vital for Hungary.

In the final analysis, the Soviet attitude toward the reforms, however justifiable from an economic point of view, will hinge on the severity of the political problems they generate in the late 1980s. The current measures, diluted as they are compared with those contemplated during the Andropov interlude, do threaten many of the vested interest

groups on which stability of the Kadar regime has depended. And yet, the regime appears convinced that its course is in the long run a less painful way of staving off crisis.

An Unexamined Past—The End of the “National Amnesia”

One of the politically most sensitive and nettlesome problems confronting the Kadar regime is reawakened nationalism. As has happened often in Hungarian history, the surge in national consciousness has been spearheaded by the intellectuals, especially younger ones both in and outside the establishment. This phenomenon has been gathering momentum since the mid-1970s, despite, or perhaps because of, the regime’s ongoing efforts to contain it. Its appearance is closely connected with the coming of age of a new generation of Hungarians, some 4.7 million of a declining population of 10.6 million.

This generation, unlike its elders, grew up under conditions of peace, growing material prosperity, and detente. Its members lack the conditioned historical reflexes, or lessons, learned from the traumas of the war and the 1948–56 Rakosi era and, even more important, the 1956 upheaval. Until the mid-1970s, the distorted presentation of Hungarian history dictated by the regime was tantamount to trying to instill a powerful sense of national guilt. In ostensible reaction to the irredentism during the 1920–44 Horthy regime, the leitmotif since 1948 of Hungarian communist historiography well into the Kadar era was what the neo-populist intellectuals called “self-flagellation”—a historiography which propagated the view that as “the last ally of Hitler, Hungary deserved its fate.”

The problem was compounded in the late 1960s when the Budapest regime went so far as to eliminate history as a required subject in high schools, a practice that lasted until the mid-1970s. It was against this background that the post-1956 generation came of age, in a period of rising prosperity and growing openness of the system, with the older generation depoliticized and newcomers in a state of “historical amnesia.” But the hedonistic outlook of the young began to change as economic problems appeared on the horizon and prospects for the good life faded. Prompted by developments in neighboring countries as well as trends in the West, younger Hungarian intellectuals increasingly began to ask such basic questions as “who are we, what is our past, what actually was our role in World War II, what happened in 1956, and what prospects does the future hold for Hungarians as a people?”

The regime sought to defuse the pressure by staging several symposia, where lame explanations by establishment figures were vehemently challenged and demands for unvarnished history voiced. Questioned was the validity of the prevailing view that the record of the last century and a half justified national self-abnegation. In often heated debates, the younger intellectuals argued that their generation

should not be expected to feel guilty or responsible for the sins of their forebears, especially because their knowledge of the past was limited or tendentiously distorted.

Specifically, they objected to a national history rewritten only from the perspective of geopolitical realities following the two world wars. They maintained that Hungarian history could not be confined to Hungary as shaped by the Treaty of Trianon of 1920 (and again the Treaty of Paris of 1947), i. e., comprising one-third of its pre-World War I territory. Restricting historical studies to post-Trianon Hungary exclusively, they insisted, would be tantamount to denying a historical reality spanning some thousand years and would amount, in effect, to a sort of spiritual mutilation of the nation's history possibly worse than the two physical dismemberments this century.

Step by step, a revisionist historiography began to emerge which sought with increasing objectivity and scholarship to come to terms with the national past. Historians have been joined by publicists and journalists in this effort. Some intellectuals have gone so far as to link what they view as Kadar's insensitive policies and the growing social ills and have called on the nation to confront its past as a way of healing its wounds. Discarding instilled inhibitions, the media began to use old Hungarian names of cities now located in neighboring countries when discussing Hungarian literary and historical figures and events.

Inevitably, the growing interest in history among youth, and then gradually the public at large, took on added dimensions as Hungarians traveled to neighboring countries (except the Soviet Union) in increasing numbers. Renewed contacts with relatives were fostered. Youth, in particular, learned for the first time that almost 4 million ethnic Hungarians lived mostly in contiguous areas outside the country and became acquainted with their conditions as minorities.

Reinforced by the revival of interest in ethnic studies in the West, the popular pressure to address the issue of Hungarian communities abroad became a serious dilemma for the authorities, who realized their impotence in doing anything on behalf of these ethnic Hungarians. One way the regime sought to deflect attention from the minorities in neighboring countries was to cultivate ties with Hungarian communities in the West. While this effort succeeded in dividing the Hungarian diaspora—the pejorative term “emigres” henceforth was reserved to those in the West who continued to reject the outstretched hand of Budapest—it failed to dampen interest in the diaspora closer to home.

Ethnic Minorities

The question of national minorities—in Hungary as elsewhere in East-Central Europe and the Soviet Union—is a politically charged issue. It was ignited in the mid-1970s by the Ceausescu regime's

rehabilitation of the pre-World War II, romanticized historiography of Romanian history. The stated objective was to assert uninterrupted habitation of Romania by Romanians for some 2 millenia to justify Romania's right to Transylvania, which it gained from Hungary in 1919.

The low-key polemic on this subject beginning in the mid-1970s took on growing intensity as Bucharest began to impose limitations on contacts between its ethnic Hungarians and their counterparts on the other side of the border. Kadar's cautious efforts to defuse the issue during a two-day summit in 1977—split between the border cities of Debrecen and Oradea (Nagyvarad)—were not successful, and relations between the two ostensible allies have grown increasingly tense.

Against the background of a mounting polemic with Romania, public pressure on the Kadar regime intensified as Bucharest imposed further restrictions in the early 1980s on the nominally still visa-free travel of Hungarians to Romania—banning stays with ethnic Hungarians except for immediate blood relatives, confiscating Hungarian-language publications, curtailing Hungarian-language educational possibilities for ethnic Hungarians in Transylvania, and dispersing the latter to other parts of Romania by limiting job opportunities. Currently dissident as well as establishment Hungarian intellectuals are pushing for more open treatment of some contentious historical issues with sensitive political overtones first raised in Romanian publications. The ensuing polemics have by now reached a decibel level unprecedented among Communist European countries.

For its part, the Ceausescu regime continues to reject the notion—on which Kadar and Ceausescu had agreed in 1977—that the national minorities should serve as a bridge to promote better bilateral relations. In late 1984, Ceausescu went so far as indirectly to accuse Budapest of "irredentism." Earlier in 1985, Bucharest closed its only consulate in Hungary (in Debrecen), ostensibly as an economy measures but in fact to try to nudge Budapest into closing its consulate in Cluj (Kolozsvár).

Responding to public pressure, the Hungarian Socialist Workers' (Communist) Party for the first time placed on the agenda of the 13th congress in March 1985 the question of the rights of Hungarian minorities in neighboring countries and those of the non-Hungarian minorities in Hungary as a vehicle for strengthening relations between Hungary and its neighbors. This bow to domestic sentiment only succeeded in infuriating Bucharest, however, and did not placate Hungarian intellectuals or the public. The minority question is one issue on which the overwhelming majority of Hungarians in and outside the country, including the party's rank and file, agree. It also constitutes the more volatile aspect of the larger issue of national reawakening under way in Hungary.

Despite the popularity of such a cause, Budapest until 1986 was reluctant to seize on it as Ceausescu has done because of the serious implications such a course has for Budapest's relations with Bucharest and Prague—which also has a large ethnic Hungarian population—as well as the Warsaw Pact and Moscow. The USSR will not countenance serious conflict between two of its allies, not only because of the corrosive effect it would have on the Pact's military cohesion but also because the USSR itself has about 200,000 ethnic Hungarians in the former Hungarian territory of Sub-Carpathian Ukraine.

Because there is little prospect for a significant change in Romania's long-term objective of trying to build a homogeneous nation-state as a way of reinforcing its possession of Transylvania, Budapest—with or without Kadar—is reduced to balancing two equally unpalatable policy options. One is to risk being perceived as indifferent, or ineffective, in ameliorating the lot of its ethnic brethren in neighboring states. The other is to yield to the pressure by publicly raising the issue of ethnic Hungarians with its allies in Bucharest or Prague, as was demanded by the November 1986 congress of the Hungarian Writers' Association. Officially, Hungary thus far generally has espoused the first option, though hewing to it has not been made easy by Budapest's relatively liberal and open media policy relying, whenever possible, on self-censorship.

Kadar has been able to manage the problem by periodically rein-ing in intellectuals who clamor for more outspoken rejoinders to what they consider Romania's denigration of Hungarians and distortions of Transylvania's thousand-year history as part of Hungary. Some writers have been gagged and chief editors dismissed. But this has alienated many writers, especially the neo-populists, and a majority of the dissidents who already hold Kadar responsible not only for his alleged failure to forge a national policy more responsive to Hungarian interests, but also for the many social ills and moral decay they say afflict Hungarian society.

Public acceptance of Kadar is still fairly solid in the countryside and among those urban residents who have prospered from primary and secondary jobs (skilled workers, professionals, technocrats), and with a majority of the power elite. But rumblings over his perceived indecisiveness among the party apparat and the ranks have been on the rise. A growing segment of the urban populace unable to keep pace with inflation (pensioners, much of the youth, and other disadvantaged people) has become indifferent toward him. Meanwhile, his reputation among the intellectuals has eroded seriously in recent years and the slide—judging from the bitter confrontation at the 1986 writers' union congress—is likely to continue.

It is in this context that the fate of the regime's economic and political reform policies assume paramount significance. Assuming that Kadar gradually withdraws from active political life over the next few years, his successor(s) may not be able or willing to resist the temptation to seek public backing, i.e., legitimation, by allowing freer rein to popular sentiments on minority and related issues if legitimation through economic prosperity is not attainable. Some of the more persistent intellectuals have found a sympathetic hearing among second-echelon officialdom, the so-called young Turks in the hierarchy, whose activities recently have been curtailed by Kadar but who could rebound to prominence after he is gone. These young Turks, most prominent among them neo-populist Imre Pozsgay, general secretary of the Patriotic People's Front, have criticized the regime (and by implication Kadar) for slow action on economic and political reforms, inattention to the country's social ills, and unwillingness to take a more courageous stance on the minorities and other national issues.

Open Dissent Grows

Parallel with the revival of interest in history was the emergence in the late 1970s of a group known as the Democratic Opposition, made up mostly of young sociologists, philosophers, and historians. They drew on the Helsinki Final Act to promote the cause of human and civil rights in Hungary via the publication of uncensored material in *samizdat* form. Their number never exceeded 200 but their publications proliferated in recent years.

The regime did not take particular notice of them until they turned their attention to issues of concern to broader circles of Hungarian society, such as the fate of the Hungarian minorities in neighboring countries, inflation and stagnating living conditions, the extent of poverty and indebtedness, the impact of the reforms, documents relating to the 1956 uprising, the new independent peace movement, and opposition within the churches (especially the Catholic Church) to the accommodationist policies of church hierarchies. Dissent also affected the universities, where demands included abolition of the teaching of Russian, Marxism, and Leninism as compulsory subjects and reinstatement of the ousted editorial board of the outspoken monthly *Mozgo vilag* (Changing World). The regime not only has not complied but also recently has suspended the Budapest University publication *Medvetanc* (Bear Dance) as well as the neo-populist periodical *Tiszataj*. The latter's sin was to demand a reevaluation of the 1956 uprising and Kadar's role in it.

Alarmed at the growing coalescence of various strands of opposition, as well as the appearance of so-called free university lectures and small discussion groups in private homes, the authorities in early 1983 responded with a crackdown. The repressive moves, moderate by

the standards of other bloc countries, ranged from a limited ban on publication for some of the more critical establishment intellectuals to suspension of the Jozsef Attila Circle of Young Writers. Members of the Democratic Opposition were subjected to harassment, searches, confiscation of *samizdat* material, denial of passports (or offered one-way passports), dismissal from jobs, and blacklisting.

In summer 1984 the regime imposed stiff fines on dissidents for publication or dissemination of printed material without permit under the amended press regulation issued that June. Three months later, one of the more outspoken dissidents, Gabor Demszky, received a six-month jail sentence, suspended for three years, for resisting a police search of his car. To halt the printing of *samizdat* material, the regime in December 1984 restricted the use, storage, registration, and handling of duplicating machines and empowered the police to act as control authority. Meanwhile, the crackdown was extended to religious dissenters who as conscientious objectors refused induction into the military; dozens of them were jailed, and they remain jailed. The hitherto unhampered activity of popular punk-rock groups also came under close scrutiny. Four musicians were sentenced to jail terms in 1984 for writing blatantly anti-Kadar, anti-communist, and anti-Soviet songs, although some of them were never performed publicly.

Conscious of the need to maintain its positive image in the West, as well as of the dangers in too frontal an attack on either the dissidents or the critical intellectuals, the regime sought to defuse the challenge by trying more conciliatory gestures as well. The authorities established channels of communication with more moderate elements of the opposition, some of whom do not regard themselves as dissidents, and loosened restrictions on the official press by allowing it to address issues that had broad popular appeal (e.g., social problems, the minority issue, and the polemics with Romanian and Slovak historians).

Despite the relative proliferation of dissident and quasi-oppositional activity, the Democratic Opposition is not likely to pose a threat to the regime so long as it remains fragmented and shies away from concentrating on problems affecting society at large. As it is, the majority of its members not only applaud the regime's opening to the West but also favor expansion of the private sector under the recent reforms. The potential for troublemaking would increase, however, should social tensions become aggravated as a result of the reforms.

Kadar's role has been central in this equation. He is known to have advocated a nonconfrontational approach toward dissent and to have assented to a tempered form of crackdown when the *samizdat* literature began to run articles dealing with 1956, including his own role in those events, as well as with concerns of other dissident groups and such topics as the economy and the minorities. Kadar is especially vulnerable on the latter issue because it is not subject to easy remedy. He has

had to allow the media to vent the matter of Hungarian minorities from time to time to maintain credibility and to keep the issue from becoming unmanageable. At the same time, he has to be mindful of Moscow, which reportedly has warned him against committing the same mistake former Polish leader Gierek did when he let dissent get out of hand.

Kadar's response has worked thus far and the problem need not seriously worsen in the short run even after he leaves office, provided the current domestic difficulties themselves do not significantly worsen. If they do, the level of opposition can be contained only by greater concessions both in the official media and in the form of political reforms. But the dynamics of this interaction between regime and popular pressure would drive the regime ever further toward unorthodox limits.

Whether Kadar is still in charge would make a crucial difference, as would the extent to which the regime had succeeded in forging another social contract with the post-1956 generation. That, in turn, depends on whether the Kadar regime can finally go through with the painful restructuring of the country's industrial sector along with the necessary political reforms—all without further weakening the public's already shaky tolerance and without incurring opposition from Moscow. Equally important would be Budapest's ability to use the Western option judiciously, as would the prevailing international political, economic, and financial situation.

331. Telegram From the Department of State to the Embassy in Hungary¹

Washington, April 1, 1987, 0522Z

96007. Subject: Vice President Bush Meets With Hungarian Party Secretary Szuros.

1. C—Entire text.

2. Summary: In his meeting with the Vice President 03/26, Hungarian Party Secretary Szuros emphasized his country's strong interest in improving economic relations with the United States,

¹ Source: Department of State, Central Foreign Policy File, D870250-0422. Confidential; Priority. Sent Priority for information to Munich. Drafted by Robert Perito (EUR/EEY); cleared by Donald Gregg (OVP), Pascoe, Terry Snell (EUR/EEY), and Richard Boucher (S/S-O); approved by Simons.

particularly acquisition of new U.S. investments and increased trade. He stressed General Secretary Kadar's satisfaction with the overall state of U.S./Hungarian relations. The Vice President said we hoped to increase trade in high-tech areas such as aircraft consistent with our national security controls. We also wanted increased cooperation in combatting terrorism, narcotics control and education exchanges. He encouraged Szuros to promote Hungary's continued political liberalization which he said was essential for improvement of the overall relationship. End summary.

3. Hungarian Party Secretary for Foreign Affairs Matyas Szuros called on the Vice President 3/26 to review United States/Hungarian relations. Szuros was accompanied by Hungarian Ambassador Hazi. Vice Presidential Assistant Donald Gregg and EUR/EEY Acting Director Perito also participated. Following are highlights of the conversation.

4. Szuros began by stating that General Secretary Kadar warmly recalled the Vice President's visit to Budapest.² He said Kadar's personal message to the Vice President was that Hungary was working hard to improve our bilateral relationship and the Vice President's visit to Budapest had been important in this effort. He said Kadar had asked him to tell the Vice President he was prepared to forget about the Vice President's speech in Vienna.³ The Vice President responded that his concern about the speech was it may have placed Kadar in a difficult position.

5. Szuros said Hungary wanted to increase its economic cooperation with the United States, particularly in the areas of U.S. investment, participation in joint ventures and trade. Szuros said he had given high priority to meetings with U.S. businessmen and had discovered a growing interest in Hungary which, he said, pleased him very much. He said Kadar hoped the Vice President would help promote U.S. commercial interest in Hungary.

6. The Vice President replied that the United States was interested in selling civil aircraft to Hungary but such sales had to be consistent with our national security controls. He noted there is currently a debate within the U.S. administration on export licensing but expressed the view that sensitive technologies with military application would continue to be subject to restrictions. However, we would be willing to discuss such issues in a frank manner with the Hungarians.

7. Turning to other aspects of the relationship, the Vice President said we were interested in promoting educational exchanges with Hungary and improving cooperation on counter-terrorism and

² See Documents 322 and 323.

³ See Document 21.

narcotics control. Further, the Vice President urged Szuros to promote political liberalization in Hungary which he said was necessary for continued improvement in our overall relationship.

8. In response, Szuros said Hungary was prepared to cooperate with the United States in suppressing terrorism, noting our joint response to the attempted assassination of the Colombian Ambassador in Budapest.⁴ Among socialist countries, Szuros said, Hungary was most active in cooperating with the United States.

9. Responding to the Vice President's question, Szuros said Hungary was pushing ahead with new economic reforms which were supported by Kadar and the entire government leadership. The biggest problems facing Hungary now were depressed international markets for Hungary's primary exports, adverse weather conditions and industrial inefficiency. He said Hungary hoped for greater political liberalization but regrettably there had been some setbacks.

10. In closing, Szuros said Kadar asked him to express his support for a U.S./Soviet INF agreement. The Vice President said it appeared prospects were improved since the Soviets also seem to desire such a pact.

Shultz

⁴ Not found.

332. Telegram From the Department of State to the Embassy in Hungary¹

Washington, May 30, 1987, 0403Z

164581. Subject: DAS Simons Meeting May 28 With Hungarian DCM; U.S.-Hungarian Relations.

1. C—Entire text.

2. Summary: In meeting with Hungarian DCM, DAS Simons outlined current U.S. thinking about the state of U.S.-Hungarian relations. Simons pointed out that the U.S. has better overall relations with Hungary than any other socialist country and that there is a general

¹ Source: Department of State, Records from Ambassador Thomas W. Simons, Jr., Lot 03 D 256, Chron, May 1987. Confidential; Immediate. Sent for information to Munich. Drafted by Perito; cleared by Martin Wenick (EUR/EEY), Joseph Lake (S/S), and Robert Downey (S/S-O); approved by Simons.

belief within the USG that relations can get better. Simons said the fact is that the break-through era of easy progress on issues has ended may cause frustration and talk of a "plateau" in relations. However, we view any plateau that may exist for this reason as a challenge, a springboard for, rather than a cap on, future progress. We see no natural limit to the development of relations. At the same time, it will now take more work to maintain the pace of progress. However, the U.S. is willing to work for better relations and he believes Hungary is ready to do the same. End summary.

3. DAS Simons took advantage of meeting with Hungarian DCM Miklos Revesz May 28 to present U.S. views on U.S.-Hungarian relations. Simons said he had the feeling that there were musings on this subject in Budapest and he wanted to ensure that a clear statement of U.S. views existed for the record. Revesz confirmed that questions had been raised at "middle levels" in the Foreign Ministry and said that a statement of U.S. policy would be helpful at this time. He promised to report Simons' remarks in full.

4. Simons began by saying the United States has better overall relations with Hungary than with any other socialist country. This was true because the two countries have important interests in common, and because both sides had demonstrated a willingness to work in practical ways to expand our relations and to solve problems as they arose. Simons said he saw "tremendous possibilities" for forward movement in many aspects of the relationship. He then chose economic relations, exchanges and counter-terrorism as examples of where progress was possible.

5. On economic relations, Simons pointed to several outstanding trade opportunities and said that, of these, the prospect for the sale of U.S. commercial aircraft was the brightest. On technology transfer, he noted the U.S. was involved in clarifying our regulations in ways which could lead to expanded trade with Hungary, and be exemplary, if successful, for the way we deal with other Eastern European countries on these issues. He said the pace of our dialogue on export controls had slowed, not because of a lack of U.S. interest, but because the Commerce Department officials involved were simply overworked.

6. Turning to exchanges, Simons said the people-to-people exchanges begun by Ambassadors Rhinesmith and Palmer offered "fabulous possibilities" for expansion. Future exchanges could include not just scholars and officials but people in all walks of life. Again, such programs could be exemplary for our dealings with other regional countries.

7. On counter-terrorism, Simons said our contacts have naturally been exploratory, and development slow, but this is natural since it involves police work and intelligence; overall, the level of cooperation already achieved registers the positive state of our relations and real possibilities for the future. He said we should now follow up on what we had already accomplished.

8. Noting it was possible to describe U.S.-Hungarian relations as having reached a plateau, Simons said if it was true, the United States wished to view this as a challenge, a springboard, for future progress and not a cap on what is possible. The frustration some may feel over the current pace of relations he felt could be explained by the fact that the “break-through period” of easy advances was over and that more work will be needed to sustain the same pace of progress. Simons said the USG did not believe there was any natural limit on the development of relations.

8. This was the case, Simons said, despite the reality that our countries had different systems and belonged to different alliances. He said this situation inevitably would produce problems, but that having good relations meant the ability to deal with the “sour as well as the sweet.” Simons said the United States was fully prepared to work for future progress and assumed Hungary was prepared to do the same. He said this view was shared by Ambassador Palmer and that no differences over policy toward Hungary existed within the USG. He said we believed that relations were good and could get better.

Shultz

**333. Telegram From the Embassy in Hungary to the
Department of State¹**

Budapest, June 16, 1987, 1440Z

5754. Subject: Hungarian TV Coverage of Riots in East Berlin.
Ref: EmbBerlin 2179.²

1. Confidential—Entire text.

Summary:

2. Hungarian TV has carried surprisingly accurate coverage of the unrest in East Berlin during rock concerts in West Berlin and of the President’s speech at the Wall.³ Footage included the President’s appeal to Gorbachev to tear down the Wall. A dissident contact commented that the GOH feels it has latitude from Moscow to needle the old fogies

¹ Source: Reagan Library, Rudolf Perina Files, Hungary—Substance 1987 (2). Confidential. Sent for information to USIA, Eastern European posts, Munich, the mission to NATO, Moscow (pouch), and Vienna.

² See Document 294.

³ See footnote 5, Document 59.

in Prague and Berlin. A CC contact pointedly omitted both those two from his list of "reforming" socialist states now working together.

End summary.

3. During the evening news on 10 June MTV Channel 1 carried what was obviously Western footage of youths scuffling with police in East Berlin, along with straightforward reporting on the three successive nights of concerts. The prestigious Sunday weekly wrap-up TV program "A Het" on 14 June carried footage of the President's speech at the Brandenburg Gate. The brief report included Reagan's call on Gorbachev to tear down the Wall.

4. A Hungarian dissident contact explained this strange new TV "glasnost" by commenting that the GOH believes it has support from Gorbachev for any swipes it may take at the aging leadership in both Berlin and Prague.

Comment:

5. Until recently, the GOH has adhered faithfully to an East Bloc rule that only events already reported in the country where they occurred were fair game for the official media. Although technically in compliance with the rule on these occasions, Hungarian TV has certainly not reported the Berlin events in the spirit of other East Bloc coverage, especially given the denials coming out of East Berlin, and the sharp reaction to Reagan's speech from both the GDR and Moscow.

Kursch

334. Memorandum From Fritz Ermarth of the National Security Council Staff to the President's Assistant for National Security Affairs (Carlucci)¹

Washington, June 29, 1987

SUBJECT

U.S. Policy toward Hungary

I met on Friday² with Sandor Racz, who as a young worker of 23 played a central role in the '56 Hungarian Revolution. Since then he has spent seven years in prison and years as an outcast denied any permanent

¹ Source: Reagan Library, Rudolf Perina Files, Chronological File, Chron June 1987. Confidential. Sent for information. Drafted by Terry Bender. Copies were sent to Ledsky, Rodman, and Danzansky.

² June 26.

work. He was able to get a visa to this country only as a result of strong pressure by Ambassador Palmer on the Hungarian authorities.

His message to me, and the US government, was that the current Hungarian government remains fundamentally illegitimate, and that we must not be taken in by the slick efforts of sophisticated PR types who do a good good of selling the world on what a good place Hungary now is. He said we should be more demanding of the Hungarians in exchange for our economic help.

In a way he is right. We have tended to give the Hungarian regime the benefit of the doubt because in many ways it is the best of the lot in Eastern Europe. Nevertheless, best does not mean good.

At some point the US Government will have to come more squarely to grips with this problem. Hungarian economic reforms are not doing the job, and the economic prospects are for things to get worse before they can get better. Kadar has just done the biggest personnel shuffle in decades; reformers generally lost out. Whether he is for or against further reform and whether he succeeds or fails, Hungarian political life is likely to become more tense and the authorities probably will have to take tougher and more visible control measures. These will tarnish its good image generally, but especially with the banking community whose cooperation is needed to keep the Hungarian economy afloat.

Hungary is not the nasty place Romania is, nor as volatile as Poland. But it could be the site—as could any of the East European countries—of a sudden blow-up that would dramatically alter the East-West landscape as has occurred time and again in the past. Systemic instability will persist until Moscow allows truly popular regimes to emerge. This is what we should be pressing for more vocally.

335. Telegram From the Embassy in Hungary to the Department of State¹

Budapest, July 4, 1987, 0905Z

6346. Subject: Meeting With Prime Minister Grosz on US-Hungarian Trade and Hungarian Economic Policy.

1. Confidential—Entire text.

2. I met with Prime Minister Grosz on July 3rd to inform him that the USG had decided to license sale of Boeing 737s and McDonnell

¹ Source: Reagan Library, Rudolph Perina Files, Hungary—Substance 1987 (3). Confidential; Immediate. Sent for information to Eastern European posts.

Douglas MD80s to Hungary, and to encourage Hungary to purchase one of these American aircraft. I said I wanted to get his first week in office off to a good start in terms of US-Hungarian trade. I also wanted to point out other signals of U.S. seriousness in increasing trade: U.S. Chamber of Commerce President Lesher, Commerce Department Assistant Secretary Freedenberg, and the Chairman of Guardian Industries all will be in Budapest the week of July 6–12. (I also gave Grosz a cowboy hat and some other U.S. products from our July 3rd reception and he immediately put the hat on.)

3. Grosz expressed pleasure at the news about the aircraft and about the visits. He said that he and I were “lobbyists” in common for these projects and he wants a more active economic relationship with the United States despite the differences in our size and Hungary’s central European location.

4. Grosz then volunteered some comments on the Central Committee session of July 2nd. He said the basic lines of external and internal policy will remain the same, but serious problems must be solved. Poor balance had continued for the first five months of 1987. The government will develop a program by September 1987 based on the document from the Central Committee (only released to the public July 4th—see below). A decision had been taken by the CC to initiate VAT and income taxes in January, 1988. A second step would be action on a new social policy including pensions in the course of 1988. Third they would institute a new wages policy by the end of 1988.

5. Grosz said they want to introduce two basic changes: more use of private capital and increased competition. He noted that a decision has been taken on which sectors of the economy to stimulate, which were the most promising. But debate continued about which sectors to cut back.

6. A decision also had been taken to raise prices this month. This would not be popular but it must be done. There would be some decrease in the standard of living.

7. Finally, Grosz noted that there will be personnel and substantive consequences as a result of a new policy effort to get the party out of micro-management of the economy. The government will assume a larger role.

8. The actual communique released on the evening of July 3rd and read in detail on evening news program contains no great surprises but comes across as solid endorsement at highest levels of restructuring program and planned tax reform. CC communique notes continued growth of budget deficits at a time of increased consumption and the need to take measures to bring production and consumption into balance. In the short run, this can be taken only with a reduction of expenditures while over the long term there must be an increase in

the country's income producing capacity. The document urges that decisive steps be taken to reduce subsidies and bring an end to the situation here by which successful enterprises finance inefficient and loss-producing activities.

9. On taxes the CC document gives a green light to the introduction of a Value Added Tax (VAT) and income tax while calling for a reduction of direct taxes on production. The VAT is foreseen as helping to promote a situation where prices will reflect real costs, however, it is recognized that this will also lead to substantial increase in consumer price levels. The need for wage reform is also cited with a call for wages to reflect the social usefulness of work. The CC recognizes that such a policy will result in a greater degree of wage differentiation. An income tax will be introduced "after appropriate preparation." The tax will be progressive but not to such an extent as to take away worker incentive.

10. The communique also emphasizes the need to commit resources for worker retraining and encourage a situation where the labor force will be ready to change jobs. An improvement in the country's education system and the need to develop more skilled workers is also emphasized.

11. As is generally the case with CC communiqués this document tends to be long on generalities and rather short on specifics. Nevertheless, at first reading it does appear to provide the new Prime Minister with the authority to proceed with most of the key elements of the restructuring program particularly tax reform and phase-out of unprofitable enterprises. The inclusion of the reference for a need to increase the role of the fledgling securities market will also provide an opportunity for further innovation in this area. While no time table is set out for these changes to be put into effect, we have little doubt that Grosz will attempt to move as briskly as possible. Whether or not he will be able to overcome well-entrenched vested interests and widespread skepticism remains the major open question.

Thus far the urgency of Hungary's economic situation, reflected in both the CC communique and a government statement on the economy earlier this week, do not seem to be disrupting our contacts' vacation plans.

Palmer

336. Telegram From the Embassy in Hungary to the Department of State¹

Budapest, July 11, 1987, 0536Z

6535. Subject: Hungary's New Program on the Economy: Tensions Between Long and Short-Term Adjustment. Ref: Budapest 2972.²

Summary:

1. The recent party and government personnel changes in Hungary, followed by the Central Committee communique of July 2, which announced a new program for economic and social consolidation, underscore the Hungarian leadership's growing concern about the country's deteriorating economic situation. The most significant aspect of the communique is the distinction between the need for both short-term adjustment to the country's immediate balance of payments problems and long-term structural adjustment.

2. The two approaches are not necessarily compatible and, at least initially, can be expected to act in opposite directions. What is more, the restrictive characteristics of a short-term adjustment program are quite likely to be more in line with the abilities of the new Prime Minister, Karoly Grosz, than the more liberal characteristics needed for decentralizing and restructuring the economy. Radical economic reformers sense this and, therefore, fear that long-range economic reform will suffer or, at a minimum, be subverted by still powerful bureaucratic and political interests.

3. Central Committee staffers, however, stress that the situation is now truly different. They feel that there is widespread recognition of the seriousness of the country's economic situation and a broad consensus that without restructuring, sustained growth in the future will be impossible. Another factor forcing the party's hand at this point is money, or the lack thereof to continue to bail out loss-making industries or support expensive social programs. Thus, whether or not real changes will come about remains to be seen. It is now up to the government to bring forth the details of an economic program this fall, which will provide a clearer picture of the prospects for systemic economic

¹Source: Reagan Library, Nelson Ledsky Files, Subject File, Hungary: [1987 Memos—Letters/1987 Cables/1988 Cables/1987–1988 Intel Reports, Press Articles, Research/Bios] (2 of 2). Confidential. Sent for information to the Department of Commerce, Eastern European posts, Vienna, Geneva, USIA, and Moscow.

²Telegram 2972 from Budapest, April 1, reported the implications of the recent credit crunch in Hungary. (Department of State, Central Foreign Policy File, D8770252–0530)

reforms. Much will depend on how the program is implemented, and real changes may take years to emerge.

End summary.

4. The Central Committee communique clears the way for additional short-term adjustment measures beyond the reductions in producer and consumer subsidies and the tightening of credit introduced in April and May (reftel). The taboo against an official inflation rate in the double-digits has apparently been lifted, which will permit some needed policy changes. Further price increases can thus be anticipated as additional subsidies are cut to try to bring down the budget deficit. As a result, real incomes will fall, perhaps as much as 15 percent over three years, according to an economist in the Finance Ministry (or 20 percent according to Politburo member Berecz per septel.)³ Given the planned introduction of a steeply progressive personal income tax in January, the incomes of entrepreneurs and moonlighters who work in the private sector are likely to be particularly hard hit. Finally, import restrictions of some sort will be introduced, although they will not necessarily be as drastic as those implemented in 1982, when GATT rules were waived temporarily.

5. All these measures require a firm hand, which most agree Grosz has, and an economic sense, which insiders agree fits new CC Economic Secretary Miklos Nemeth. The implementation of more decisive short-term adjustment measures is, therefore, fairly certain, but not 100 percent guaranteed because political interests could interfere. Time is also of the essence, so the planning office intends to issue the annual indicators (national income, consumption, investment, inflation, and average wage growth rates) early—October or November—so that enterprises can adjust their behavior from the beginning of the year.

6. For the general populace it will be belt tightening all the way. The labor force will have to become more disciplined as well as more mobile and adaptable. As Central Committee staffers have told us, the country simply cannot afford expensive welfare programs, so some displaced workers will have to make great sacrifices to secure new employment by moving or commuting long distances. This creates a certain sense of foreboding by the public at large. A tight adjustment policy forced on the public will not be popular, but could probably bring the current account nearly into balance by 1991. The leadership can probably sell such a policy for at least two years.

³ Not found.

Long Term Adjustment

7. The future of the longer range adjustment program is more fuzzy as well as much more important to the economic well being of the country. Reform economists, never optimistic about the prospects of reform measures, are more pessimistic about the impact of Grosz's appointment in this area. One radical reform economist did, however, find the Central Committee communique of July 2 a more promising document than the one issued after the November plenum. He is encouraged by references to the need for some systemic changes, favorable comments on the expansion of private sector activities, a call for more glasnost, and the expressed desire for more balanced trade with the Soviet Union. (Hungary is currently under pressure to run a ruble trade surplus with the Soviet Union to pay back its accumulated ruble debt.) Still a clear admission that basic systemic changes are necessary, that more market competition is indispensable, and that investment should be shifted from heavy industry to smaller, more dynamic, export-oriented industries, are lacking in the communique. There are numerous potential pitfalls that could undermine the implementation of longer range reforms even through the party and government may currently intend to follow through with them.

—One hazard is that tighter central controls on imports and domestic demand needed to address the country's immediate balance-of-payments problems run counter to the decentralization and increased market orientation needed to make industry and agricultural cooperatives more responsive to shifts of demand in export markets.

—The need to emphasize greater scientific and technical cooperation within CEMA means Hungarian enterprises will still face a dual market and probably continue to produce separately items destined for the East and for the West. This hampers efforts to improve efficiency and become more competitive in Western markets.

—Rhetoric aside, there is no firm sign the leadership will allow the degree of political liberalization needed to underpin a more market-oriented economic system. Instead political intervention and clout appear to remain as the main arbitrators of economic forces. As one mainstream economist noted, if everything is negotiable, nothing will get done. Ironically, the leadership may find itself in the position of giving in the face of rising social tensions, for example, by keeping open a loss-making enterprise, just so people don't turn off of reform entirely.

8. There is also naturally a general uneasiness about the implementation and impact of such laws as the bankruptcy act, tax reform, and the further liberalization of enterprise management, which would ultimately entail the lifting of price, wage, and import controls. Efforts to

proceed in these areas could easily be subverted by vested interests. What was said in the communique of July 2 is not strong enough to bolster any of these elements against vested interests.

9. Laszlo Mohat, Deputy Head of the Central Committee's Economic Department assured DCM and EconOff that this time the situation is different. He acknowledged that over the past few years the party has been reluctant to face the negative consequences of both short and long term adjustment, but now the economic situation is so serious, the leadership must act on its rhetoric. He added that the party can no longer let firms appeal for special tax exemptions and subsidies in view of the pressing need to reduce the government budget deficit.

Details of Adjustment Still Awaited

10. Unmentioned in the communique are key provisions of tax and wage policy, investment priorities, the need for import and price controls, and the degree to which real incomes will be allowed to fall. It is too much to expect that a Central Committee document would go into such detail. And many of these aspects should rightly be filled in by the government program and regulations. Reportedly Miklos Nemeth's speech given at the Central Committee plenum was a bit more comprehensive and will be appearing in a future issue of "Tarsadalmi Szemle."

11. The population does not appear to be holding his breath, although here is a growing unease about the potential for unemployment. The general attitude among workers and the intelligentsia appears to be that the communique was not worded forcefully enough or the personnel changes were not convincing enough to provide adequate proof that real changes are in the making. In the meantime, the uncertainty regarding the potential changes means that many enterprises are not operating with strategic long-term considerations in mind.

12. Whether or not major changes occur remains to be seen with the program the government is supposed to present in September, and more specifically in how that program is implemented. Given the delicate situation of Hungary's external balance, the implementation of more systemic reforms and a turnabout in performance is likely to be slow. The party is envisioning a 3–4 year period of consolidation as well as further personnel changes this year, probably on the government side, to carry the program through.

Palmer

**337. Report From the Central Intelligence Agency to
Multiple Agencies¹**

Washington, September 17, 1987, 2039Z

660658. Subject: Planned Changes in Hungarian Exit Visa Policy
[3 lines not declassified]

Text: 1. [less than 4 lines not declassified] As of 1 January 1988, any Hungarian citizen with at least 100 U.S. dollars in his bank account will be eligible for an exit visa to any Western country. [less than 2 lines not declassified] This action is being offered as a "concession" to the Hungarian populace in order to lessen the unease resulting from the imposition of tax reforms, also planned for 1 January 1988. [less than 1 line not declassified] the Hungarian Government hopes that the populace will perceive this relaxation of travel requirements as a counterweight to the increased financial burden that the tax reform will bring.

2. ([less than 1 line not declassified] Comment: [less than 1 line not declassified] this easing of exit visa restrictions is a "smokescreen," in that the average Hungarian citizen will find it difficult to acquire the stipulated 100 U.S. dollars (approximately 5,000 Hungarian forints). However, the Hungarian Government feels it must implement the proposed exit visa plans because of its concern that the planned tax reforms, coupled with the declining standard of living for the average Hungarian, could lead to public demonstrations.)

¹ Source: Reagan Library, Rudolf Perina Files, Hungary—Substance 1987 (4). Secret; [handling restriction not declassified]. Sent to the Director of the National Security Agency, the Department of State, the Department of Defense, the Department of the Treasury, the White House Situation Room, and the CIA Office of Current Operations.

338. Telegram From the Embassy in Hungary to the Department of State¹

Budapest, November 14, 1987, 1722Z

10802/Depto 6033. Subject: My Visit to Hungary.

1. Secret—Entire text.

2. We had an excellent series of meetings today with Hungarian officials, including General Secretary Kadar,² Prime Minister Grosz,³ Central Committee Foreign Secretary Szuros,⁴ Foreign Minister Varkonyi,⁵ and my official host, State Secretary Horn.⁶ I also visited the Budapest bond market, believe it or not. The free market is on its way here, and I challenged them to have a Budapest stock exchange for me to see next year. At tonight's Marine Corps ball, I read your statement to the Corps,⁷ and tomorrow I'll visit the giant Raba Tractor factory and, to balance things out, a nearby monastery.

3. Relations with Hungary are good and getting better. Horn and I went through a long list of subjects that presented problems last year and all have now been solved or are vastly improved. There have been a number of high level visits (you are seeing Marjai while I am here).⁸ Our bilateral trade is up 30 percent, 18 U.S. companies now operate in Hungary (up from seven in 1985), a U.S.-sponsored graduate management school is about to open, and I signed a cultural exchange agreement today. We continue an active dialogue on terrorism. Pan Am's routing complaints have been settled and OPIC will shortly begin insuring U.S. investments. We offered and they accepted a seminar on narcotics, and, rather amazingly, we have no outstanding human rights cases. Hungary is more and more a Central European version of a Western free-enterprise country masquerading for its own protection as a socialist society. No small part of this success is due to the outstanding job Mark Palmer is doing.

¹ Source: Department of State, Official Correspondence of Deputy Secretary of State John C. Whitehead, July 1982–January 1989, Lot 89 D 139, 11/87 EEur/USSR Trip Memcons. Secret; Immediate; Nodis.

² See Document 339.

³ See Document 340.

⁴ Telegram 10808 from Budapest, November 14, described Whitehead's conversation with Szuros. (Department of State, Central Foreign Policy File, D870939–0180)

⁵ See Document 341.

⁶ Telegram 10785 from Budapest, November 16, described Whitehead's meeting with Horn. (Department of State, Central Foreign Policy File, D870939–0681)

⁷ Not found.

⁸ November 12. Telegram 358136 to Budapest, November 18, reported the Marjai meeting. (Department of State, Central Foreign Policy File, D870948–0979)

4. Unfortunately, their economic conditions are not good. While Budapest is Paris compared to East Berlin or Bucharest, they are living beyond their means, external debt continues to grow. While by no means a basket case like Poland, they need to get government expenditures under control, eliminate losing enterprises and create wage differentials for the most productive people. But they have a plan, and it's a good one. I think they have the courage to put it into effect; at least they all are willing to say so very openly and forthrightly. It includes, if you can believe it, an income tax and a value added tax, conversion of business enterprises into stock companies with subsequent public offerings, elimination of all controlled prices, free currency exchanges, etc. and all this while Lenin's bust adorns the bond market's wall!

5. Kadar is another amazing 75 year-old. He's obviously in excellent shape, physically and mentally. We had a vigorous discussion, mostly on our relations with the Soviets. He takes the view, as did all the Hungarians I visited with, that we have a window of opportunity with the Soviets and that we should be more responsive. I pressed him to tell Moscow that they should move forward with at least the kind of human rights protections that Hungary had adopted, that they should get out of Afghanistan quickly, and improve their interfering conduct in places like Angola, Nicaragua and Cambodia. No one took offense at any of this. Indeed, I repeated it in my press conference at the end of the day.⁹

6. The new Prime Minister Grosz is impressive. He is reported to be the leading candidate to succeed Kadar. He appears to be pro-Western, and has a number of relatives in the U.S. If we can get clearance for a Presidential visit next year for any Eastern European, I think my candidate would be Grosz.

7. All in all, I am surprised and certainly pleased at how much Hungary has done in the past year to respond to our initiative. But they are eager to do more. They kept asking, "what more can we do to improve our relationship?" We'll look for concrete things as next steps.

8. The leaders of the countries I have visited, I think sincerely, show great respect and admiration for the U.S. It certainly comes through loud and clear in Hungary. They have very little respect or admiration for the Soviets, but are sensible enough not to flaunt it. They continue to say that we live under two different systems, socialism and capitalism, and that this will not change. But their very definition of socialism is changing rapidly and begins to sound more and more like the free market to me. The question is not whether they will change, but whether they will change successfully. And here I have some doubts.

⁹ Telegram 10846 from Budapest, November 16, provided the transcript of Whitehead's November 13 press conference. (Department of State, Central Foreign Policy File, D870941-0182)

9. The only unsuccessful event on this leg of the trip was my meeting with Embassy employees. They are more upset at our budget reduction program than at the other posts I visited, and tend to swallow the AFSA line that it's management vs. employees and that we're out to cut people not programs. This needs work.

10. It's on to Moscow on Sunday.¹⁰ Dick Schifter and I have appointments with Adamishin and Shevardnadze on human rights, and Gary Matthews and I have an appointment with Bessmertnykh on Moscow Embassy problems. Back on Tuesday¹¹ night unless the Moscow visit gets extended.

Palmer

¹⁰ November 15.

¹¹ November 17.

339. Telegram From the Embassy in Hungary to the Department of State¹

Budapest, November 14, 1987, 1819Z

10805/Depto 6029. Subject: Deputy Secretary's Meeting With General Secretary Kadar, November 13, 1987.

1. Confidential—Entire text.

2. Begin summary. In an hour-long meeting between Deputy Secretary Whitehead and Party General Secretary Kadar, the latter said he was pleased with the state of U.S.-Hungarian relations and pledged to continue Hungary's economic reform policies. Kadar stressed that the improvement in U.S.-Soviet relations provided Hungary with increased flexibility in its relations with Western countries, including the United States. Mr. Whitehead said that the greater level of political and economic freedom in Hungary, as compared to elsewhere in Eastern Europe, had created a special interest on part of USG and he

¹ Source: Department of State, Official Correspondence of Deputy Secretary of State John C. Whitehead, July 1982–January 1989, Lot 89 D 139, 11/87 EEur/USSR Trip Memcons. Confidential; Immediate. Sent for information to Eastern European posts, Moscow, Beijing, and Bonn.

hoped that favorable trends of past years would be continued. The Hungarian policies of economic decentralization and limited controls on its citizens provided the opportunity for Hungary to play a special role in helping to promote East-West understanding. Kadar responded that the GOH would be pleased to do this as circumstances permitted. Kadar appeared fit and was articulate throughout the session, showing no signs of ill health. End summary.

3. Kadar began a long monologue with a comment on the state of U.S.-Hungarian relations. As a result of many years of efforts, these ties could now be described as normal and were developing further to the extent possible. There were limitations as to how far Hungary could go. First of all, there was a great disparity in size. In addition, the role both countries played in the world was very different; the U.S. played a determining role while Hungary was "only somewhere on the map." Kadar expressed appreciation for recent U.S. steps to improve the international climate. The Geneva and Reykjavik summit meetings,² and an agreement with the Soviets to hold two additional summits showed a recognition of reality on both the U.S. and Soviet side. For many years in bilateral discussions Americans and Hungarians had talked about what each side wanted from the other. In moving to improve relations with the Soviets, the U.S. had done what Budapest had hoped for.

4. Kadar emphasized repeatedly that improved U.S.-Soviet relations enabled Hungary as well as other Eastern European countries to behave in a more independent manner. Hungary has strived to carry out a distinct program of economic decentralization and market-oriented reforms which would be continued into the future. While it was a continuing goal of the leadership to build a socialist system in Hungary, there was no way Hungary could isolate itself from the rest of the world given the fact that 50 percent of its national income was earned from foreign trade and half of that trade was with non-socialist countries. Despite the fact that the U.S. and Hungary belong to different military alliances, many similar rules applied in both countries. Certainly both had to be concerned with costs and profits as well as achieving greater efficiency.

5. Looking at the current world situation, Kadar said there were countless issues of concern to all mankind. Extremes of wealth and poverty in the world had created a situation where surpluses of goods were produced in the industrialized countries which poor countries wanted but did not have the resources to buy. The problems of the environment were also a paramount global concern. Kadar felt, on the basis of recent

² See footnote 8, Document 286.

visits to both the Soviet Union and China, that both these countries wanted very much to open their doors further to cooperation. This, in turn, would also have a positive spin-off in the area of human rights.

6. Kadar characterized the traditional view of the struggle between socialism and capitalism as obsolete. The Bolshevik revolution had taken place 70 years ago in response to the problems of the world at that time. However, the situation which had created the conditions for revolution would not be repeated and future revolutions could not reoccur in the same manner. He mused that it seemed as if the world had moved into a situation which had been predicted by Engels in the 19th century that weapon stockpiles could become so great as to make war impossible. Kadar noted that Armand Hammer³ had once told him an ideal system might be created if the best could be taken from socialism and capitalism. Such a system might feature a far-reaching program of social security, guarantees of employment as well as opportunities for entrepreneurship. He added quickly this was an enticing idea, but philosophically he could not accept combining socialism with capitalism.

7. Turning to the Hungarian economy, he acknowledged that there were problems but that the foundations of a solution were that Hungarians had shown their ability to be compete in certain areas; even the Japanese were interested in Hungarian computer software and Hungarian industry had provided specialized equipment for both the U.S. and Soviet space programs. The fundamental problem of the moment was to get the population to consume less and produce more. Hungarians were great consumers but were less enthusiastic about production. Conditions had to be created under which people would be rewarded according to what they produced.

8. The Deputy Secretary responded by voicing his appreciation for the direction in which Hungary has developed in recent years. The Hungarian economic experiment was the most imaginative in Eastern Europe and there had been a steady growth in the degree of personal freedom allowed to individuals. We felt it important that these trends continue and that the Hungarian experiment be successful. Our bilateral relations had shown a continuing improvement and it was hard to find contentious issues. Trade had increased by 30 percent during the current year, and increasing numbers of American companies showed interest in the establishment of joint ventures. We had established an ongoing pattern of high level visits by officials of both countries. Hungary's special character, its pioneering role in the reform process and its good relations with the U.S., gave it the possibility of serving as a bridge between the U.S. and USSR. Mr. Whitehead told Kadar we recognized Hungarians understood the Soviets better than we did. At

³ American businessman.

the same time it perhaps also had greater appreciation than its East European neighbors as to why Soviet military intervention in places such as Afghanistan was unacceptable to the American people and had placed great obstacles in the way of our efforts to improve U.S.-USSR relations. He suggested that in the coming months as we intensified our dialogue with the Soviets it might also be useful to somehow find a way to have the Hungarians take an active role in trying to help the process along, as needed.

9. Kadar responded by expressing appreciation for U.S. understanding of Hungarian policies. Interestingly, American attitudes toward Hungary had much in common with appraisals he had recently heard from Chinese officials during his recent visit there. Kadar said Hungary's deep crisis of thirty years ago had resulted in a decisive break with the catastrophic policies of the early 1950's and a search for solutions which could command broad popular support. The first steps had been taken in agriculture and had proved to be highly successful. Unfortunately, attempts to stimulate industry along the same lines had not gone as well. Commenting on U.S. hopes for greater independence by East European governments in the implementation of policies, Kadar said that Hungarians preferred to think of their approach as being autonomous rather than independent. A small country such as Hungary could not afford the luxury of independence, although in today's world it was increasingly difficult for large countries to be totally independent. As far as serving as an intermediary was concerned, Kadar said that it was not Hungary's desire to act as a letter carrier between larger powers as President Mitterrand had once suggested. In the past Hungary had played a bridging role in a somewhat different way, for example, in its unwillingness to freeze contacts with Western countries in the wake of the INF deployment decision or its readiness to join the World Bank and IMF despite open Soviet opposition to this move. He promised that Hungarian leaders would be open and forthright in conveying messages and would provide the same version of events to American officials as they did to Soviets.

10. Comment: Despite various reports which have circulated about the poor state of Kadar's health, he was vigorous and alert throughout the meeting. He spoke clearly, although at times his remarks rambled and tended to have a disjointed quality. However, this rambling quality seems to be characteristic of Kadar. At one point in the conversation, referring to his recent visit to China, Kadar reflected on a long and friendly discussion he had conducted recently with Chinese leader Deng Xiaoping. After Kadar had departed the session, Party Foreign Affairs Secretary Szuros drew our attention to what he described as the similarities between the two men, both of whom he described as master politicians. We suspect Kadar gets inspiration from the fact that Deng did not retire until after his 80th birthday and still seems to have

discovered a solution for keeping his hand at the center of events. We can also suspect that Kadar, who continues to show little inclination to step down, sees the Deng example as a model for him to emulate.

11. Participants in the meeting were: US: Deputy Secretary Whitehead, Ambassador Palmer, EE Director Wenick, D Executive Assistant Grossman, DCM Kursch (notetaker). GOH: General Secretary Kadar, Party Foreign Affairs Secretary Szuros, Central Committee International Department Deputy Director Atilla Gecse, Central Committee International Department Officer Tamas Lovassy, MFA US Desk Officer Bela Szombati (interpreter).

12. Moscow minimize considered.

Palmer

340. Telegram From the Embassy in Hungary to the Department of State¹

Budapest, November 14, 1987, 1827Z

10806/Depto 6027. Subject: Deputy Secretary's Meeting With Prime Minister Karoly Grosz, November 13, 1987.

1. Confidential—Entire text.

2. Summary: In meeting with DepSec Whitehead, Prime Minister Karoly Grosz emphasized Hungary's determination to move ahead with its economic program and carry out the restructuring of the economy. He stressed the need to encourage a greater entrepreneurial spirit within the country in an effort to achieve greater efficiency. Hungary was determined to stop the growth of its debt and planned to stabilize debt levels by 1990. The rate of debt increase would be slowed to U.S. dollars 500 million in 1988, and half that amount in 1989. By 1990 there would be no further growth in debt, although the country did not plan to reduce debt levels substantially. Economic austerity would require decrease of consumption of four and one-half percent in each of the next three years. Grosz stressed the GOH's desire to reduce government interference in the affairs of commercial enterprises to an absolute minimum. At the same time, he made a strong pitch for the support

¹ Source: Department of State, Central Foreign Policy File, D870939–0176. Confidential; Immediate. Sent for information to Eastern European posts, Moscow, and Bonn.

of the U.S. and other Western countries to help Hungary get through the three difficult upcoming years. Mr. Whitehead emphasized our satisfaction with the favorable trends in U.S.-Hungarian relations and stressed our special interest in Hungary's reforms and their continuation. He also conveyed our views on the prospects for improvement in U.S.-Soviet relations, touching on arms control, regional issues and human rights. End summary.

3. Grosz opened the meeting by noting the considerable improvement which had taken place in U.S.-Hungarian bilateral relations in recent years. It had seemed like only yesterday that the Crown had been returned and the original bilateral trade agreement signed,² but, in fact, these events had taken place almost ten years ago. U.S. efforts to ease international tensions were appreciated by the GOH, though achievements in the area of arms control and an improved dialogue with the Soviets had brightened the prospects for a further improvement of bilateral relations with Hungary as well. Prospects for boosting commercial ties were promising and Hungary was particularly interested in both U.S. capital and American equipment to modernize its economy. Grosz said he had just spoken by telephone with Deputy Prime Minister Marjai, who had provided him a positive assessment of his ongoing visit to the U.S. Although Hungarian trade had traditionally been heavily oriented towards Western Europe, Grosz said he now wished to change this to some extent and develop economic ties with both the U.S. and countries of the Far East. He welcomed the establishment of the management institute as a useful step in fostering economic relations.

4. The Deputy Secretary began his remarks by stressing our appreciation for the distinctiveness of each Eastern European country and noting that we considered U.S. ties with Hungary to be of particular importance. The large number of Hungarians living in the U.S. provided a constituency which sought an improvement of relations. In addition, Hungary had adopted an economic system which had incorporated market features and decentralization to a greater extent than other countries in the area. The success of these experiments were important to us. Mr. Whitehead felt that there had been a substantial improvement in bilateral relations since his visit in November 1986.³ Bilateral trade had risen 30 percent and we had succeeded in our goal of creating a management institute in Hungary to train a new generation of business leaders. The U.S. very much hoped that Hungary would continue to move ahead vigorously with its economic reforms and overcome the temptation to pull back in the face of difficulties. Mr. Whitehead urged the GOH to get

² See *Foreign Relations*, 1977-1980, vol. XX, Eastern Europe, Documents 163 and 164.

³ November 11-12, 1986. See Document 329.

its international debt problem under control by eliminating its growing debt burden, as quickly as possible.

5. The DepSec then reviewed the state of U.S.-Soviet relations. He described them as “better than they have been for some time with real prospects for very meaningful achievements.” In December we expected to sign the first arms control agreement which would actually reduce armaments levels on both sides and hoped that this would be followed up by an accord to reduce strategic weapons by 50 percent to be concluded at a Moscow summit in the spring of 1988. In addition to progress in the arms control area, we also hoped that Gorbachev’s December visit to Washington⁴ would generate meaningful forward movement on human rights. We would also use this meeting to discuss regional issues with particular emphasis on Afghanistan. A Soviet willingness to withdraw from Afghanistan and terminate military intervention in other small neutral countries would create an environment where genuine progress toward the creation of a more peaceful world could be achieved.

6. In response, Grosz expressed his appreciation for the DepSec’s remarks on bilateral relations. He acknowledged that the large number of Hungarians in the U.S. play a very positive role in fostering these ties, noting that his mother’s sister lived in the U.S. and that he had several cousins there. It was an important tenet of GOH policy to maintain contact with Hungarians all over the world. An interesting recent development in this regard was the sizeable jump in the number of Israelis of Hungarian extraction who were coming back to visit the land of their birth. Grosz insisted that the GOH considered it a right for citizens to be able to travel abroad and, if they wished, to be able to remain there. Beginning in January 1988, there would be a very significant liberalization of travel requirements. This was an expensive policy to implement, particularly at a time of economic austerity. Nevertheless, the GOH was determined to proceed. Hungary was also pushing Western European countries hard on the mutual abolition of visa requirements, but so far these efforts had achieved little success.

7. On the economy, the Prime Minister insisted that the government had a clear scenario. He described the introduction of the new tax system, scheduled for January 1, as the greatest single event which had taken place in Hungary during the last thirty years. At the same time, Grosz acknowledged that as a pioneer among socialist countries in introducing a VAT and an income tax, Hungary possessed little expertise to implement the program. Programs for wage reform and social security reform were also on the 1988 agenda and overall price reforms

⁴ See footnote 5, Document 52.

would be implemented by 1990. Action would begin soon to shut down unprofitable enterprises. Grosz said that the reason that the number of enterprises to be closed would initially be rather small stemmed not from an absence of political will, but rather the need to wait for "the right conditions."

8. The Prime Minister insisted that the private sector in Hungary was actually receiving preferential treatment at the present time in comparison to the rest of the economy. He estimated that at present the private sector contributed about 25 percent of the country's national product but provides only 2.5 percent of government revenue. While this sector was unquestionably highly productive, something needed to be done eventually to rectify this imbalance. However, there would be no steps to deal with this question for two-three years. On joint ventures, Grosz felt that the GOH had gone about as far as it could. It had taken steps to increase the security of investments and allowed repatriation of up to 100 percent of joint venture profits. At the same time, joint ventures were treated no differently than the rest of the economy, for tax purposes.

9. Grosz described the debt situation as Hungary's most pressing problem. The increase in net debt in 1987 would be between U.S. dollars 950 million and one billion. This needed to be cut in half in 1988 to between 500 and 550 million and halved again in 1989. By 1990, the debt situation would be stabilized. The government foresaw a sizeable debt to be part of Hungary's economic structure for the next 20 years, but was prepared to accept this. A second economic alternative was to radically reduce consumption which in any event was slated to drop by 4.5 percent annually for the next three years. Grosz expected consumption to begin to rise again only after 1990. He described the structure and pattern of Hungarian industry as being far too wide, but stressed that rationalization required a great increase in the level of international cooperation. Profits could also be made from semi-finished products to be completed with the assistance of foreign partners. The government also wanted to withdraw from managing foreign exchange policy and direct involvement in foreign trade. However, this would take some time because of the precarious state of the economy. Grosz concluded that if the international community supported Hungarian efforts to restructure its economy with continued loans, desired goals would be achieved without political conflict. If the requisite financial support was lacking, the chance of such conflicts would increase significantly—and if conflicts broke out, this would adversely affect reform efforts in other socialist countries.

10. Grosz expressed his appreciation for the DepSec's review of the state of the U.S.-Soviet relations and said that the GOH would try to be helpful where it could in assisting this process. He asserted that

the current Soviet leadership was a serious negotiating partner and had a very different world outlook from its predecessor. The Eastern European countries had reached the conclusion that Western societies were dynamic and permanent fixtures; the West should give the East similar recognition. On Afghanistan, Grosz voiced the belief that this issue would be settled in due course, but pointed out that Russians like Americans were proud people and that the factor of national pride needed to be considered in trying to arrange a workable solution.

11. Participants in the meeting were: Prime Minister Grosz, MFA State Secretary Gyula Horn, MFA U.S. Desk Officer Bela Szombati (interpreter), Deputy Secretary Whitehead, Ambassador Palmer, EE Director Wenick, D Staff Assistant Kelly, and DCM Kursch (notetaker).

12. Moscow minimize considered.

Palmer

341. Telegram From the Embassy in Hungary to the Department of State¹

Budapest, November 14, 1987, 1925Z

10809/Depto 6031. Subject: Deputy Secretary's Meeting With Hungarian Foreign Minister Varkonyi—November 13.

1. Confidential—Entire text.

2. Summary:

Varkonyi stressed the steady improvement in U.S.-Hungarian relations since 1978 (date crown was returned) and the Deputy Secretary commended the improvement within the past year. Both agreed the process is not yet irreversible, and focussed on areas where they might decrease the potential for sudden destabilizing developments. The Deputy Secretary suggested there might be a role for Hungary in reducing the danger of misunderstanding between the U.S. and the Soviet Union, because Hungary, perhaps best of all the Bloc countries, understands the Soviet Union as well. Hungary could therefore help

¹ Source: Department of State, Central Foreign Policy File, D870939-0601. Confidential; Immediate. Sent for information to Eastern European posts, Vienna, Moscow, and Bonn.

the Soviet Union better understand U.S. concerns. He mentioned that Kadar had agreed to give it a try.

3. Varkonyi suggested Hungary had already been active in this regard, and asserted the Soviet position on human rights now cannot be compared to a few years ago. He advised the Deputy Secretary that he would find Moscow "ready to accept almost anything" if he approached the problem during his upcoming visit² with understanding rather than with controversy, cautioning that the Soviets have their prestige to consider. Varkonyi said the Soviets are ready to compromise quickly on CSCE Basket III if the U.S. will move on Baskets I and II³ at the same time, and that the Soviets are willing to reduce arms beyond INF.

4. The Deputy Secretary suggested that another area of possible trouble in U.S.-Soviet relations where Hungary might help Moscow understand our views is the Iran-Iraq war. The Soviets have been unwilling to put teeth in UNSC Resolution 598⁴ and are delaying a second. Varkonyi appealed for the U.S. to reconsider the Soviet proposal for a U.N. peacekeeping fleet, but said he saw the point of Deputy Secretary's argument that there is no role for a U.N. peacekeeping force until there is a peace. Varkonyi said to his knowledge Hungary does not sell arms to the belligerents as that is against GOH policy, but agreed to check on indications the Deputy Secretary raised that Hungary recently shipped military vehicles to Iran.

End summary.

5. State of Bilateral Relations:

Varkonyi opened by expressing appreciation for the frequent visits the Deputy Secretary is making to Hungary. He stressed that U.S.-Hungarian relations have definitely developed since 1978 and are now strongly progressing in all walks of life, highlighting the cultural agreement they were about to sign as an important aspect of this steady trend. He asked, however, that both sides consider whether the trend is irreversible or not, since he himself does not think that relations have yet reached a point where this is true. Varkonyi went on to say that sudden developments may still destabilize the relationship, and the MFA is doing everything it can to safeguard bilateral ties from such developments and to escape any destabilizing events.

The Deputy Secretary said we would do our best to perform that role also. He added that we are very pleased with the way the

² November 15-17.

³ See footnote 2, Document 64.

⁴ See *UIN Yearbook*, 1987, pp. 217-237.

relationship has been developing, particularly in the past year. In earlier meetings he had reviewed the long list of concrete steps agreed a year ago and said that progress had been made. Varkonyi commented that we will have to keep up the impetus and indicated that there are many avenues we can explore in order to further develop bilateral relations.

6. Mediating Role for Hungary:

Deputy Secretary repeated a suggestion he had made in his meeting with General Secretary Kadar that there may be a special role for Hungary in the relationship between the U.S. and Soviet Union. He briefly reviewed the current state of U.S.-Soviet relations, mentioning the summit,⁵ INF, and our hopes for further constructive negotiations of START, chemical warfare, and nuclear testing. Mr Whitehead raised concerns that remain about the Soviet Union in two general areas: human rights and the Soviet Union's conduct around the world, where it has invaded Afghanistan and meddled in Angola, Cambodia, Nicaragua and Ethiopia.

Because the Soviets do not seem to fully understand our concerns about their behavior, there is a possible special role for Hungary. The Deputy Secretary requested that Hungary help the Soviet Union understand the U.S. since it is Hungary that perhaps best of all the countries of Eastern Europe understand us. In this connection he suggested informally that we have a more active bilateral dialogue and discuss these regional affairs subjects frequently. The Deputy Secretary told Varkonyi that Kadar had agreed to give this a try.

7. The Foreign Minister mentioned steps Hungary has already taken in this direction. For the GOH, Hungarian-Soviet relations are a determining factor (but not the exclusive one) so his ministry does not just sit back and watch. Varkonyi said he had raised with several Western European colleagues, including Foreign Minister Genscher in New York, the need to look out for a destabilizing incident, to exercise patience, and to handle any incidents according to their merits and so reduce their importance. In this connection Hungary believes INF will be a breakthrough because it will confirm that both sides trust each other a bit more. This will be much more important than the actual reduction in stockpiles, which will only affect 3–4 percent of either side's arsenal.

Varkonyi said that, of course, Hungary belongs to an alliance but that this does not mean that it cannot express opinions, although it does not always publicize it. As evidence, he cited that Hungary has been more lenient on human rights for 20 or 30 years. He implied that the

⁵ Reference to the Washington Summit.

Soviet Union was now more comparable to Hungary in this respect than it had been before Gorbachev, and urged the Deputy Secretary as he approached the problem of human rights with the Soviets in Moscow not to take a position of controversy but rather one of understanding, stressing that this would make possible enormous progress. He asserted that the Soviets are ready to accept almost everything.

CSCE.

8. In the context of the Vienna CSCE discussions, the human rights basket is important for Hungary, and there must be progress there, Varkonyi said. He urged the U.S. to agree to Basket One negotiations at 23 and stressed that all other baskets would then fall into line, because compromises are emerging in the other areas. The conference could then move quickly to a conclusion.

9. The Deputy Secretary replied that we have seen no evidence of Soviet willingness to make any compromises in the CSCE meetings for months now. Varkonyi countered that in Prague recently the Soviet negotiators were in complete agreement about Hungary's proposals for pushing forward. However, the U.S. position that if there is agreement on Basket Three, there will be movement on all others, is not acceptable for the Soviets. Varkonyi stressed that both the U.S. and the Soviet Union are waiting for the other, and that in his opinion they must step forward at the same time—although he appealed that this not be done by making any connection between the baskets. The Belgrade formula to agree that the nations did not agree is not acceptable to Hungary, and Varkonyi would consider this a severe setback in the European process. The conference must find a way to reach a substantial document acceptable to both parties, and he expressed the hope that the Deputy Secretary could settle this in Moscow where, he stressed, Foreign Minister Shevardnadze is open to any ideas on this.

10. Varkonyi brought up the subject of past INF arms negotiations and characterized this moment in history as a great one, the significance of which will only be realized 20 years afterwards. He admitted that there will be an asymmetry of armaments in Europe and suggested this might be remedied not by the West rearming in conventional forces and creating a new arms race, but by decreasing the level of arms. He said Hungary is ready to accept any discussion and asserted that the Soviet Union would like to reduce also.

11. Varkonyi reflected briefly on the human rights situation in Hungary, mentioning that he was the first to raise this issue with the Warsaw Pact and was the first Warsaw Pact state to raise it at the U.N. He asserted that the outcome of the current economic difficulties Hungary is facing will be greater democracy than Hungary has had before and not less, and that the government will not cope with this crisis by drawing back. Hungary practiced human rights precepts even

before it spoke about them. The GOH now must simply accept and work with the fact that the international situation is wonderful for its foreign policy but deplorable for its economy. Deputy Secretary replied that we encourage the human rights trend as strongly as we can.

12. Iran-Iraq War:

The Deputy Secretary referred to another area of possible trouble in U.S.-Soviet relations, which is the Gulf and the Iran-Iraq War. He mentioned that in some ways the U.S. and the Soviet Union are on the same side there, which does not happen very often.

13. The U.S. now thinks that it is time for a second U.N. resolution, the Deputy Secretary said, adding that the Soviets have not been willing to put any teeth into Resolution 598. This is likely to become an important issue because there is serious risk every day of military incidents in the Gulf. He asked that Hungary keep this in mind in talks with the Soviets and stressed the importance of not finding ourselves on opposite sides on this question.

14. The Foreign Minister replied that Hungary welcomes the Security Council resolution but appealed for the U.S. to take into account the effect of the presence of its fleet in the Gulf. He asked whether the U.S. saw any merit in the Soviet proposal to establish a UN fleet, which would create a precedent for the future and would give teeth to the resolution, reviving the possibility of U.N. military involvement in certain regional conflicts and avoiding the possibility of a U.S.-Soviet conflict in the Gulf.

15. Varkonyi has spoken to both Iran and Iraq about the UNSC resolution, and indicated he saw the problem as one of the order of the resolution and the unwillingness of the two sides to agree on an order of implementation. Iraq is willing to first withdraw, then exchange prisoners, then form a committee to establish a culprit, whereas Iran insists that the committee be formed first. Varkonyi suggested that patience in this regard is advisable and that more time be given to working out a compromise.

16. From the U.S. perspective Iraq accepted the resolution and said so, the Deputy Secretary replied. Iran has not. The time has come to end the war. Iran should not be allowed to stall.

17. The U.S. is not in favor of a U.N. peacekeeping force. There is no peace and so can as yet be no peacekeeping force. To send a U.N. fleet in to be attacked by Iranian missiles is not a proper role for the U.N. The U.S. presence is proper because if we withdraw, Iran would threaten its neighbors and would close the Persian Gulf to shipping which would threaten the world.

18. Varkonyi said that he could see the point of the U.S. argument and that it has merit. From the center of Europe Hungary can press both

sides to end the war and will do so, but he believes that to go further the U.S. must talk with Moscow. The Deputy Secretary affirmed that the Iran-Iraq war has now been added to the U.S.-Soviet bilateral agenda and will be discussed at the next quarterly review of regional issues to begin Monday.⁶

19. The Deputy Secretary raised the question of supplying arms to Iran and suggested that Varkonyi check Hungary's policy in this regard since we have information that the GOH has recently sent military vehicles to Iran. Varkonyi responded that to his knowledge Hungary does not ship arms and that is its policy, but he said he would check to confirm this.

20. Participants were:

U.S: Deputy Secretary Whitehead,

S/CT Ambassador Adams,

Ambassador Palmer,

D Special Assistant Steve Kelly,

PolOff Rebecca Joyce (notetaker);

GOH: Foreign Minister Peter Varkonyi,

Ambassador Ede Gazdik,

Foreign Minister's Private Secretary,

MFA U.S. Desk Officer Tibor Kis.

21. Moscow minimize considered.

Palmer

⁶November 16.

342. Information Memorandum From the Chairman of the Policy Planning Staff (Solomon) to Secretary of State Shultz¹

Washington, January 7, 1988

SUBJECT

Planning Talks in Hungary

Summary. Members of my planning staff held the first ever policy planning talks with Hungarian officials in mid-December. While generally defending Soviet positions in their formal presentations, the Hungarians were eager to talk with us frankly “away from the table” on a whole host of issues. In these side talks, as well as in conversations with Party officials, the Hungarians were open and often self-critical of their economic and political difficulties. What emerged from our visit was a picture of Hungary that is anxious about internal developments, skeptical about Gorbachev’s chances for succeeding with Perestroika, and upbeat on the future of East-West relations. I see real value for us in holding similar planning talks with the other East European countries, and plan to do so later this year, as the basis for a fresh look at our policy toward the region as an element in the East-West relationship. *End Summary.*

Hungarian Internal Developments

1988 and the prospect of unrest was on everyone’s minds. Almost to a man, our interlocutors let it be known that Kadar is hanging on too long. State Secretary for Foreign Affairs Gulya Horn stated flatly the paradox confronting Hungary: economic reform without political reform will not succeed. Yet, political reform cannot come at the expense of one-party rule. The Hungarians will hold a party conference next year (as will the Soviets) to delineate further the roles of the party and the government, another indication of tinkering with the system in hopes of stimulating economic reform.

The Central Committee members we met, while aware of the economic problems facing the country, were dismissive of the notion of a blow-up in the near term. They gave every indication they would do

¹ Source: Department of State, Policy Planning Director’s Correspondence Files, 1981–1988, Lot 89 D 149, S/P Chron—January 1988. Confidential. Sent through Whitehead, who did not initial the memorandum. Drafted by Lowenkron; cleared by Sherrod McCall (S/P), Wenick, and Nadia Tangour (EUR). “Expedite” was stamped at the top of the memorandum. Solomon wrote “Dick” next to his name in the “From” line.

whatever it would take (including further mortgaging of Hungary's economic future) to keep the discontent from turning into an assault on Party rule.

Developments Within the Soviet Union

The Hungarians were frank in their assessments of Gorbachev's reform efforts within the Soviet Union. They stressed continually the difficulties he faces, pointing out that Perestroika will not provide positive pay-offs until 1991 at the earliest—plenty of time for Gorbachev's opponents to derail the process. Asked about the Yeltsin affair, it appeared that the Hungarians were bothered as much by the way Yeltsin was sacked (especially his need to "recant" in true Stalinist fashion), as by the fact that it had occurred. Underlying these comments was a profound sense of skepticism that Gorbachev would succeed. The demand for reform could not be imposed from above, they asserted; it has to come from below. As the Hungarians saw it, this demand was absent among the Soviet population. Paradoxically, the pessimistic Hungarian analysis was coupled with the conviction that Gorbachev has no other option lest the Soviets fall further behind in world influence.

East-West Relations

Predictably, the Hungarians were upbeat on the Summit results and prospects for future arms control agreements. The Hungarians were quick, however, to contrast the current state of East-West relations with the "exaggerated" and, therefore, flawed period of detente of the early 1970s.

On most specific issues, Hungarians deviated only imperceptibly from Soviet positions: the need to recharge CSCE (including scheduling a human rights conference in Moscow); the desire for more progress in bringing about a nuclear-free Europe; and the necessity of meeting Soviet concerns on SDI. The Hungarians voiced concern about the sustainability of the US arms control agenda, in particular INF ratification prospects, and our willingness to cut strategic forces by 50 percent. They attached high priority to conventional reductions (vice stability). In fact, prospects for conventional arms control (including the withdrawal of "foreign"—read Soviet—forces from host countries) dominated a good deal of the discussion. Interestingly, the Hungarians pointed to France as the "factor of uncertainty" in this thaw in relations. The desire in Paris to put the brakes on Europe's "detente fever" is registering within both alliances.

Hungarian-Romanian Tensions

The tensions between Hungary and Romania were yet another example of the nationality conflicts that are beginning to resurface

within the Warsaw Pact as well as non-Pact Communist countries: the Albanians in Yugoslavia; Turks in Bulgaria; Tibetans in China; and in Hungary's case, the Hungarian minority in Transylvania. Indeed, the reduction in East-West tensions may lead to an even greater resurgence of these long-suppressed conflicts.

In our exchanges on CSCE, the Hungarians spent as much time criticizing Romanian obstruction at the conference, and their appalling human rights performance, as they did discussing CSCE's three baskets. Interestingly, one victim of these tensions might well be the tacit Hungarian-Romanian Alliance within the Warsaw Pact Consultative bodies, with the former having quietly supported the latter's opposition to Soviet demands—earlier of greater military expenditures, or of economic specialization within CEMA.

Future Steps

Our Hungarian hosts were pleased to learn that Hungary was the first Warsaw Pact country with whom we have had such talks. They were delighted at the prospect of a return visit to the US next year to continue our discussions. For our part, the discussions confirmed our view of Hungary as uniquely situated to provide insight into trends both within the Soviet Union, as well as throughout the region. Deputy Secretary Whitehead's visits, and more frequent and varied consultations by Department officials strike us as the best approach to building valuable links in the area. To that end, we would recommend reviewing the issue of extending an official invitation for Prime Minister Grosz to visit Washington later this year.

343. Telegram From the Embassy in Hungary to the Department of State¹

Budapest, February 8, 1988, 1405Z

1124. Subject: Eastern Europe From Budapest—February 1988: Prospects and Opportunities. Ref: 87 State 398186.²

1. This cable responds to Washington's request (reftel) for posts' views on Eastern Europe. The Country Team has tried to identify

¹ Source: Department of State, Central Foreign Policy File, D880109–0505. Secret. Sent for information to Eastern European posts and Moscow.

² See Document 52.

key U.S. interests and develop specific policy recommendations for advancing each of these interests. While our views are colored by our Hungarian vantage point, we feel that the interests and the recommendations generally apply to all of Eastern Europe. We apologize for the length of this cable, but it is the result of several brain-storming sessions and contains lots of ideas—we hope some of them sensible.

2. General observations:

Viewed from Budapest, 1988 has strong potential to be one of Eastern Europe's periodic watershed years. Many factors are at work which could combine to bring this about. These include deep-seated frustration with socialism's inability to deliver a satisfactory standard of living after 40 years of trying; the feeling that aging leadership is not capable of carrying out badly needed changes; rising expectations aroused by Gorbachev and the spirit of glasnost; hope for East/West reconciliation kindled by improvement in U.S./Soviet ties and a trend towards greater outspokenness among ordinary citizens. These elements make the possibility of substantial unrest somewhere in Eastern Europe in 1988 greater than it has been since the emergence of Solidarity. With or without unrest, the pressures for change must be accommodated in some manner.

3. The current situation should provide opportunities to a younger generation of Eastern European leaders who recognize the serious shortcomings of socialism's economic performance as well as the depth of public discontent. This recognition could produce policies characterized by increased decentralization, privatization and a somewhat greater reliance on market forces in the economy and possibly less repression and greater sophistication in public dialogue as a whole. The West's leverage is increasing as these countries need us so badly in a variety of ways. We believe it is in the U.S. interest to assist efforts to respond to the popular demand for change in a meaningful, sustainable manner. The openings which such policies create present us, and our allies, with the opportunity to increase our levels of influence significantly and, hopefully, permanently, throughout the area.

4. Now is the time to develop specific measures to take advantage of the window of opportunity we are likely to have as Eastern European leaders try to introduce new policies which will both stimulate their economies and keep public discontent manageable. Our measures should be designed to be part of a gradual process which over 15–20 years will break down the largely artificial and unnatural boundaries dividing Eastern and Western Europe. We need to be prepared for reversals, particularly if serious unrest transpires and is put down, as in the past, by Soviet intervention. At the same time, we and our allies should be of the view that any such reversals are likely to be temporary since the inherent appeal of the West and its combination of economic

prosperity and political and cultural pluralism is a constant. We must recognize that our policies alone will not be the determining factor, but if they are executed in a skillful and timely fashion—and in coordination with the other members of NATO—they will be an important further stimulus to the trends in Eastern Europe we need to encourage.

5. We set forth below six Western interests and concrete steps to further each.

I. U.S. Interest in the Economic Reform Process in Eastern Europe

A top U.S. policy priority should be strong encouragement to the continuation and intensification of Eastern European economic reforms. These reforms are an unmitigated plus for us. They allow more enterprises to develop ties with the West—thereby increasing opportunities for U.S. exports—develop broad appreciation for the efficiency inherent in Western economies, and stimulate higher levels of personal contact. Ultimately, they could have profound political significance as well—changing the basic nature of these systems. For example the reform process in Hungary has encouraged a greater role for the individual, somewhat more openness and diversity in society and has generated additional demands for greater freedom from government control.

6. The effective execution of the reform process will require successful Eastern European businessmen to think and act like their Western counterparts. This need stimulates interest in Western management which we are responding to with the U.S.-Hungarian joint venture to establish a regional management training center. (This center will organize conferences on economic reform and provide consultant services as well).

7. We view the critical factors in the reform process as being the reduction of central plans and subsidies, continued movement towards market prices, emphasis on profits, a willingness to allow unprofitable enterprises to fail, greater incentives for individuals, increased receptivity to direct foreign investment and more intense links with the world economy.

8. We strongly agreed with DAS Tom Simons' point that Eastern Europe's precarious debt situation offers to the West important leverage that should be utilized. The IMF, in its discussions with the Hungarians regarding a stand-by agreement, has reached a tentative agreement which balances a traditional demand management program with performance criteria calling for further economic reforms. On balance, however, it appears that this program's main emphasis remains on the demand management side. The IMF, the Bank, the USG and the West badly need a more comprehensive strategy for economic reform in Eastern Europe. We need to think through what is realistic in both the near and medium terms—broadly and for each country. And, we need to develop a specific set of tactics. For example, we should encourage

the Fund to include performance criteria calling for economic reform in its Eastern European programs. Perhaps, the Department could take the lead in setting up a task force that would include non-USG experts to develop such a strategy.

9. Our potential to affect policy decisions by Eastern European governments in the area of trade is greater than we may appreciate. While U.S. trade with Eastern Europe is a very small percentage of our total trade and is really not of critical significance for any OECD country, we believe access to Western technology and markets is crucial if Eastern European economies are ever to become competitive and resume a pattern of healthy economic growth. Hungary's annual exports to the U.S. of \$250 million may only look like a drop in the bucket to us, but is very significant when viewed from Budapest. The U.S. is now Hungary's 4th largest Western export market, accounts for about five percent of total hard currency sales and is viewed by many Hungarians as the market with the greatest untapped potential for growth. For some key enterprises, the U.S. is the key trading partner. The U.S. is the leading market for Hungarian exports of canned ham, while half of hard currency exports of Hungary's top manufacturer of heavy equipment, Rába Győr, goes to the U.S.

10. Throughout Eastern Europe more needs to be done to promote U.S. exports. At an absolute minimum, we should get back to the level of the early 1980s in those EE countries where there has been a steady decline. And, in places like Hungary where our exports are now growing, we need to sustain momentum. Although the markets are of modest size, they are the kind of markets our companies should be going after aggressively, if we ever expect to close our trade deficit. U.S. firms need to take a higher profile in Eastern Europe and we should be expanding our official commercial presence in the area. Specifically, each of our six embassies should have a foreign commercial service officer (only three do now). We should push the governments of these countries to increase U.S. imports, and not always turn to traditional Western European suppliers. Such action would be especially timely now given the current level of the dollar. The U.S. business presence in Hungary has increased dramatically, but it is still limited. Currently, there are 20 offices of American firms in Budapest versus only seven two years ago.

11. Greater Western and, particularly, U.S. commercial presence in Eastern Europe, has a very desirable spin-off in that it responds to the longing of local citizens to be part of a broader world community. In Hungary, we are promoting the establishment of American fast food outlets and a U.S. department store, featuring American consumer goods. Nothing will have a more visible impact than McDonald's and K-Mart stores throughout Eastern Europe; nothing will break down the psychological Berlin walls more effectively.

12. Specific recommendations are:

—Develop a U.S./Western strategy for economic reform in Eastern Europe and work much more closely with the IMF and the World Bank to implement it. For example, encourage the IMF to include performance criteria calling for economic reforms in their programs for East European countries.

—Be prepared to respond to Eastern European governments' efforts to institute meaningful reform measures in their economies, and more enlightened approaches towards dissidents and human rights with reciprocal economic actions of our own. In cases where there is genuine movement towards reform, this should include the extension of MFN to those countries who do not already have it and multi-year MFN to countries who do. (Ensure that if a decision is made to extend MFN to the Soviet Union, parallel treatment is given to Eastern Europe.)

—Seek modification in existing legislation such as the Foreign Assistance Act³ blocking benefits like GSP, OPIC and the Trade and Development Program to countries "dominated by international communism". Provide the President a sufficient escape clause to allow the USG to respond to special opportunities in Eastern Europe, where warranted.

—Expand our export promotion programs throughout Eastern Europe and specifically have a foreign commercial service officer at each of our six embassies (there are currently only three).

—Open American/Hungarian management center by the fall of 1988. Encourage support of the institute by Western governments and companies and attendance by managers from all over Eastern Europe. (We already have contacts with the Czechs, Poles and Soviets).

—Introduce a more meaningful differentiation in our export control policies to favor countries disposed to cooperate with us.

—Encourage greater Eastern European receptivity to Western investment and a reduction of the restrictions applicable to such investment.

13.

II. Developing Ties With Eastern Europe's New Generation of Leaders

One development in Eastern Europe which we can be certain about is the coming to power of a new generation of leadership. This process is already well underway in Hungary and even if Kadar is able to fend

³ P.L. 87–195, 75 Stat. 424–2.

off growing pressures to replace him at the special Party Congress this spring, the successor group is already heavily into day-to-day decisions. Prime Minister Grosz at 58 is a man of Gorbachev's generation and is making every effort to be seen as a Hungarian personification of the Gorbachev approach. Many of the rising stars in the Hungarian Government and party are almost a generation younger than Grosz, being in their early 40s and late 30s. Grosz's newly-appointed Senior Deputy Prime Minister, Peter Medgyessy is 45, while new Party Secretaries Gyorgy Fejti (security affairs) and Miklos Nemeth (economics) are 41 and 39, respectively.

14. Eastern Europe's new generation of leaders is likely to be more pragmatic, better educated and more widely travelled than their predecessor. A larger portion of them will also be able to speak some English and have an interest in improving their knowledge of the language. While we will need to keep in mind that these individuals will still have an ideological outlook influenced by long periods of training in party educational institutions, they are likely to be more approachable and easier to deal with than their predecessors.

15. It should be a top priority of U.S. policy to develop substantive contacts with this new generation of leaders while they are still relatively young. We need to devote significant attention to identify emerging leaders and get them to the United States through official visits, USIA leader grants, privately-sponsored study tours (such as those offered by the Soros Foundation) and participation in academic study programs.

16. Our success thus far with emerging Hungarian leaders has been encouraging. Party Secretary Nemeth has studied in the U.S., speaks good English and appears to be very comfortable with the American approach to business. Fejti completed a tour as a USIA leader grantee just before being elevated to his current post, which oversees both the Ministries of Interior and Defense, and wrote an internal party report full of praise for what he had seen in the U.S. Perhaps the most telling comment on the enormous benefits we reap by giving communist leaders first-hand exposure to the U.S. was made recently to the Ambassador by Gyorgy Aczel, the 70-year old Politburo member, ex-chief ideologist and Kadar confidant, upon his return from his first American trip last fall. Aczel commented "If I only could have done this 20 years ago, it would have made a big difference in my way of thinking."

17. Of course, high-level visits are extremely valuable in developing contacts and expanding U.S. influence. Eastern Europe needs to be given a higher priority in travel plans of senior U.S. officials as well as when scheduling official visits by foreign dignitaries to the U.S. The travels of Deputy Secretary Whitehead to the area on a regular basis has been a very helpful development and the Vice President's visit to

Poland appears to have been a major success.⁴ We should do more, including possible stops by the President and Secretary, where appropriate and encouraging key members of Congress to pay more attention to Eastern Europe—perhaps on their way to or from Moscow. One dramatic initiative would be a tour by an American President from Warsaw to Sofia. We are by far the most popular country in this part of the world and should take advantage of that popularity. In this spirit, we strongly support an official visit to the U.S. by Prime Minister Grosz this fall.

18. Specific recommendations:

—Increase our efforts to send emerging younger party and government leaders to the U.S. on official grants. Consider an expansion of the IV grantee program to do this.

—Work closely with the interested parties in the private sector (Soros Foundation, AFS, Young Presidents) to see how their activities might best complement our efforts to develop contacts with the new generation of leaders.

—A Presidential tour of all of Eastern Europe.

—Give Eastern Europe a higher priority in developing the travel plans of senior administration officials and in approving official visits to the U.S.

—Actively encourage key Congressmen to visit Eastern Europe.

—Invite Hungarian Prime Minister Grosz to the U.S. in 1988.

19.

III. Weakening of the Soviet Strategic Position in Eastern Europe

We have several thoughts about how to undermine the Soviet's military strength in this part of the world.

20. We cannot expect to woo the Eastern European militaries from the Warsaw Pact. Soviet institutional control mechanisms are much too strong for any chance of success in that area especially among the professional officer corps. There are, however, opportunities to chip away at Soviet military dominance in Eastern Europe and accentuate, if not accelerate, fissures in the command and decision-making structure of the Warsaw Pact command and decision-making structure in which the Eastern European national armies have greater participation.

20.⁵ Reductions in Conventional Arms

Sizeable reductions in Soviet tank, infantry and artillery forces and the withdrawal of these forces from Eastern Europe would cause

⁴ September 26–29, 1987. Documents covering Bush's visit are scheduled for publication in *Foreign Relations, 1981–1988*, vol. IX, Poland, 1982–1987.

⁵ Paragraph number 20 is duplicated in the original.

the Soviet Union to rely to a greater extent on the national armies of its less modern Warsaw Pact allies. This, in turn, would require the Soviets to attempt to have their allies increase the size of their military forces or at the very least to modernize. The Soviets would take up the slack by providing to the Eastern European national armies some of the weaponry reduced as a result of a conventional forces agreement, but probably not for free. Even at reduced prices, none of the Eastern European nations can endure economically the massive modernization program that would be necessary to replace withdrawn Soviet forces.

21. Fully modernized Eastern European national armies would still not inspire confidence in Soviet military planners, since each of the Eastern European national armies rely largely on conscript soldiers who are susceptible to the same cultural, linguistic and historical prejudices as the population at large. Moreover, none of these armies has an independent history of recent military success that could serve to bind them together. Therefore, any programs effective in influencing the population as a whole will be effective among the rank and file soldier and reduce Soviet confidence in the reliability and effectiveness of their allies. In addition, withdrawal of Soviet forces would have a significant political impact within these countries—increasing pressures for reform and closer contacts with the West.

22. Opportunities to influence the Eastern European military elites are available, but they are going largely unutilized. We commend the JCS for its initiatives in this area and believe that with the establishment of greater U.S.-Soviet military contacts (Secy Carlucci-DefMin Yazov, for example), we have new openings in Eastern Europe.

23. Specific policy recommendations:

—Seek conventional arms control agreements that provide for substantial reductions in Soviet tank, mechanized infantry and artillery forces in Eastern Europe and force greater reliance on the Soviet Union's less reliable allies.

—Expand military-to-military dialogue at all levels and on a wide variety of subjects. This dialogue should, in addition to the Soviets, focus on the leaders of the Eastern European national armies.

—Strongly encourage our NATO partners to increase the level of military exchanges with Eastern Europe. (Our experience in Hungary suggests the local military establishments may be more comfortable in agreeing to exchanges with countries they would view as possible counterparts in NATO rather than directly with the U.S.)

—Promote general information programs which will influence that segment of the population comprising the rank and file of the national armies.

24.

IV. Reaching Out to the People of Eastern Europe

The spin-off effects of the Soviet policies of glasnost and of local pressures for change are likely to make the people of almost all countries in this area more accessible to us and our allies. This is a development we all need to take advantage of through bolder exchanges and information programs and greater openness to the West will reinforce trends towards greater democratization throughout the area. The individuals who are most curious to know more about the Western democratic practices are likely to be in the forefront of those who will insist that East European leaders honor their pledges of political reforms and be most able to take advantage of the concessions that are made. They will play a key role if the remaining barriers between East and West are to be dismantled during the next 20 years.

25. While we recognize that the U.S. image may vary somewhat throughout Eastern Europe, our feeling is that on the whole it is very positive. Our role as leaders of the West, our technological achievements, continuing links with relatives who have emigrated and generally prospered and the appeal of American culture—especially among the young—are all elements which substantially enhance our standing. Despite institutionalized anti-Americanism, one encounters relatively little of this phenomenon within the public at large.

26. In Hungary, we are often seen as a large, powerful, mysterious and distant entity, an image which begets a great deal of curiosity and a very strong desire to learn more about us. A trip to the U.S. is a very special reward for Hungarians of all ages, and an opportunity to study in America is a truly exceptional prize. Although the demand to participate in exchange programs will always be far greater than we can hope to accommodate, the fact the overwhelming majority of Hungarian participants return with extremely positive impressions of life in the U.S. and much enthusiasm for the American style of life should make the expansion of both official and privately-sponsored exchange programs a top priority.

27. One special advantage that we and the British have in making Eastern Europeans more familiar with us is the exceptional popularity of English. Despite our relative remoteness, English has become the foreign language of choice in Hungary (and we believe elsewhere in Eastern Europe), the number of those passing state proficiency examinations in English now outnumbers aspirants in German—traditionally the first foreign language of educated Hungarians—by a margin of about 3 to 2. This margin will almost certainly grow in coming years. American English is already generally acknowledged here as the language of computers and international business. Compared to their counterparts in Western European countries of similar size, young Hungarians are still largely monolingual, a characteristic which we suspect also holds for

their counterparts elsewhere in Eastern Europe. While Hungarian youth are generally proud of their inability to speak Russian, even after many years of compulsory study, there is growing embarrassment at being unfamiliar with English which, like computer literacy, they regard as one of the requirements needed to obtain good jobs in the coming century.

28. Specifically, we propose a truly massive program to bring Americans to Eastern Europe to teach English. A major element could be 1,000 high school teachers and college students coming to teach 6-week courses in English each summer. This would be very inexpensive and cost-effective as local costs and a small salary could be covered by fees paid by the East European students. We just need to generate the funds to charter several 747s and to cover program management—perhaps a million dollars a year. As we know from the limited number of American teachers now here, such a program would teach our democratic values just as much as English.

29. The information revolution and the U.S. role as a pioneer in this field also offers great possibilities to enable East Europeans to become more familiar with us and less dependent on the organs of their governments for information about foreign and domestic events. Western radios continue to enjoy a large audience and force the local media to address potentially embarrassing issues. This function of keeping the local media “semi-honest”—if governments want to have them regarded with any level of credibility—is an extremely important reason to continue the activity of VOA and RFE, while at the same time, ensuring that these stations retain the ability to appeal to increasingly sophisticated local audiences.

30. We should also make aggressive efforts throughout the area to get radio and television access for senior American officials. In Hungary we have recently been able to get prime time radio and television interviews for Assistant Secretaries of Commerce Freedenberg and Laun, DAS Simons, Ambassadors Rowny and Zimmermann, Assistant U.S. Trade Representative Blum and Ambassador Palmer. This type of direct exposure enables us to allow East European audiences to obtain first-hand information on U.S. positions on issues from trade to arms control as well as demonstrating our efforts to improve bilateral relations. We also need to come up with new methods for reaching Eastern European audiences via video cassette—there are now more than 500,000 VCRs in Hungary alone, according to Hungarian TV—and by satellite television. Hungarian television, which pioneered interactives with USIA in 1985, has now been receiving the Worldnet daily feed for well over a year,⁶ providing the Embassy with cassettes for daily showings in our library. We ought to encourage the continued expansion of

⁶Worldnet, established in 1983, was USIA's satellite TV channel/network.

video cassette lending libraries by our cultural libraries. We also should generate funding for a dedicated, direct broadcast satellite with sufficient power to beam signals directly into East European (and Soviet) homes. While most of the programming should be in English, we should do some programs in the EE languages. This would go well beyond Worldnet which is not picked up directly by the peoples of this area and which is not designed exclusively for Eastern Europe.

31. Specific recommendations:

—Establish a U.S. cultural center in each Eastern European capital. These would be separate from our secure chanceries. They should offer easy public access. Our other public functions like export promotion and consular affairs also could be located in these “America House(s)”. This would allow us to remove all FSNs from our core chancery.

—Recognizing that there is a special period of opportunity in Eastern Europe, expand official exchanges with Eastern Europe. Tight USG budget probably would mean giving EE a higher priority than in the past.

—Work closely with the private sector to expand significantly the level of private exchanges such as Experiment in International Living, AFS International, and other programs featuring home stays for youth.

—Give strong support to the establishment and continuation of U.S.-East European professional contacts along the lines of the highly successful U.S.-Hungarian economic roundtable.

—Seek to establish American studies programs with visiting U.S. professors in all Eastern European countries. Expand existing programs.

—Initiate a massive expansion of English language teaching programs using 1,000 American high school teachers and college students to teach English in Eastern Europe. Create opportunities for teachers of English to travel and study in the U.S. Work closely with emerging English bilingual school, including work in developing curricula.

—Get more television access for visiting U.S. officials.

—Maintain RFE and VOA broadcasts at current levels while ensuring that the stations remain attractive to an increasingly sophisticated audience.

—Put up direct broadcast satellite and set up a televised service for the EEs (and Soviet Union).

32.

V. Supporting Pluralism, Encouraging Democracy, Protecting Human Rights

Devising effective means for encouraging greater pluralism, promoting democracy and insisting that Eastern European governments observe the human rights standards stipulated in the Helsinki Final

Act should be among the West's top priorities in dealing with Eastern Europe during the decade to come. Governments, such as Poland's and Hungary's, which make serious efforts towards democratization should be encouraged with economic concessions; those with poor records in this area should receive less favorable terms.

33. We anticipate that demand for a greater voice in the decision-making process by Eastern Europeans is likely to grow sharply in the coming years, particularly if the Soviet glasnost policies are continued. In Hungary there is increased acceptance of the notion that more outlets for popular expression must be found if economic restructuring policies are to be successful. The role of parliament and parliamentary committees has been expanded and members, although still timid by Western standards, are increasingly outspoken. Elections for seats in parliament are now contested in form and sometimes in fact, as are contests for local council seats. In the current preparations for the Special Party Congress the question of how to broaden participation in the decision-making process within the party itself appears to be a major issue.

34. Interest groups are also assuming a higher profile. Environmentalists, although unsuccessful in their efforts to stop the controversial Nagymaros Dam on the Danube, are becoming more organized and effective at stating their priorities, while Hungarian trade union officials openly acknowledge to us their need to be more aggressive in defending workers' interests. The recent request by Hungarian homosexuals to obtain permission to form an organization underscores the trend towards a proliferation of interest groups in Hungarian society. In the coming years, we would anticipate the emergence of other increasingly outspoken interest groups in such areas as consumers rights, health care, the problems of the elderly and in opposition to nuclear power.

35. Limits on democracy and the activities of interest groups will certainly remain in place, but it is likely that these limits will be broadened gradually in response to popular pressure and economic necessity. And, the more these limits are widened, the more costly it will be to roll them back. For while coercion will remain an option, there seems to be little disagreement in Hungary, at least, that coercive policies bring with them serious economic costs, both in terms of potential Western sanctions and the creation of a sullen population unwilling to work hard or creatively.

36. The process towards greater democratization and pluralism in Eastern Europe will be a gradual one—and a system which we would be prepared to recognize as democratic is likely to take decades to achieve. However, we believe that our hope of long-term evolution towards greater democracy throughout the area is realistic. As noted earlier in this paper, the demonstrable success of the Western democracies in achieving a combination of high living standards, life quality and freedom will have growing appeal in Eastern Europe, especially

as better communication, increased travel and improved access to Western media allows Eastern Europeans to become better informed about the outside world.

37. In addition to the economic steps already mentioned to reward good performance and punish poor ones, we believe there are a number of measures which can be taken to promote pluralism, democracy and human rights. General exchange programs, and informational programs will clearly serve this goal. Likewise, exchanges between Western and Eastern interest groups in areas such as consumer rights and environmental protection are likely to make Eastern European special interest groups more outspoken, sophisticated and able to affect domestic policies. Parliamentary exchanges and contacts with labor unions are trickier questions. Congressional reluctance to treat members of Eastern European parliaments as full equivalents is understandable and justified. However, carefully planned exchanges between members of key committees (i.e. budget, appropriations) which would demonstrate to the new generation of Eastern European parliamentarians the political powers of Western parliaments and the techniques used in exercising this power would seem to be very much in our interest. Example: Until October 1987, the Hungarian Parliament had no committee staff and no capacity for independent research of determination of facts. There is considerable interest among some Hungarian parliamentarians as to how the functions are carried out in Western systems. In establishing such programs, consideration should be given to including state legislatures and staff delegations should also be encouraged.

38. We also think the time may be coming to consider careful modification of our policy towards contacts with labor unions. In Hungary, and perhaps elsewhere as well, the trade union apparatus contains numerous mid-level officials as frustrated and outspoken as many of the democratic opposition. While we must avoid puffing up old-line war horses like trade union chief Sandor Gaspar, we believe it would be beneficial to talk to the Hungarian Central Council of Trade Unions officials at the mid-level. An initial step might involve the visit to Eastern Europe by an AFL-CIO official as a guest of the Ambassador and having contacts with both the dissidents and trade union officials along the pattern of a December 1987 visit to Hungary by the President of the National Endowment for Democracy. This approach might work in other EE countries.

39. Our contacts with the opposition in Hungary and elsewhere are extremely beneficial to us and them and need to be pursued vigorously. While the opposition here is small and its members have difficulty in adopting a common platform, collectively they represent a program which we believe the majority of Hungarians would heartily support—a genuinely neutral Hungary with a representative parliamentary democracy and considerably more free enterprise. Their sense of commitment and ability to think without the constraints which

even democratically inclined members of the local establishment must impose upon themselves, make it very possible that their ideas will be one of the key engines of change in the years to come (as we can see happening in the Soviet Union to some extent).

40. In respect to the opposition, various programs of the National Endowment for Democracy in Eastern Europe have made a good start. One recurrent difficulty here is the Hungarian language and with translations. The JPRS series "Hungary: Samizdat, Other Unofficial Publications", is an invaluable source about and for the Hungarian opposition. Other countries would profit from similar publications if they do not already exist. Book-length publications remain a problem, and a mechanism is needed to insure English language publication of all major Hungarian samizdat works. In the exchanges area, it would be particularly useful for the opposition if we could sponsor visits by prominent U.S. political thinkers of all persuasions. Zbig Brzezinski's visit,⁷ lectures, TV appearance, etc. were a smashing success. While we should do what we can to improve conditions for dissidents here, we should also continue vigorously to support passport applications by dissenters.

41. In our experience, programs with the Hungarians in drug enforcement and terrorism have been useful in their own right, but have also provided us with channels into the Hungarian police and security apparatus. One message we and U.S. agencies involved in these programs should be trying to reinforce patiently over time, is that police professionalism, an orderly society, and respect for human rights are not incompatible. In that respect, we would welcome more visits by groups such as the Human Rights International Law Group. Also in that respect, Party Secretary for Security Fejt's recent international visitors program may turn out to be one of our more important efforts in the human rights field in some time.

42. Specific recommendations:

—Step up efforts to arrange visits by U.S. political thinkers for dialogue with both official party groups and opposition elements.

—Facilitate visits by the International Human Rights Law Group and other organizations interested in exploring human rights legal concepts with opposition and government officials.

—Increase support to Hungary's and other opposition movements by supporting English language translation and publication of samizdat materials on a regular basis.

—Encourage parliamentary exchanges in targeted area with the express goal of helping Eastern Europe parliamentarians to have a

⁷ May 12–15, 1987. Telegram 4858 from Budapest, May 23, 1987, described Brzezinski's visit to Hungary. (Department of State, Central Foreign Policy File, D870398–0889)

greater impact on policy formulation. In arranging such a program, exchanges with state legislatures should be included.

—Continue to work closely with our allies to object to human rights abuses and push Eastern European governments to observe standards set forth in the Helsinki Accord. Restrict economic benefits to human rights violators.

—Encourage all NATO governments to adopt policies which will insist that Eastern European citizens, including dissidents, will be permitted to accept invitations to visit the West.

—Promote contacts between emerging Eastern European interest groups (i.e. environmentalists) and Western counterpart organizations.

—Generate greater congressional funding for National Endowment for Democracy for its EE programs.

43.

VI. Establishment of a regular dialogue with and about Eastern Europe

We and our allies should establish and maintain a dialogue with the individual countries of Eastern Europe on issues which transcend the narrow confines of immediate bilateral concerns. Over time, such a dialogue should encourage these countries to develop views on a range of international issues in terms of their own national concerns, rather than automatically reflecting those of the Soviets. We would give priority to exchanges of views on international security issues, with particular emphasis on questions relating to conventional forces, but also seek to establish a regular dialogue on regional issues and economic questions of mutual concern. The December 1987 visit of the Policy Planning Staff team to Hungary and our plan to hold a conference in Budapest this summer on conventional forces offer concrete examples of ways to conduct such a dialogue.

44. We should also try to increase the number of generic areas where East European governments can work with us comfortably on a bilateral basis without feeling that such cooperation is at odds with their alliance obligations. In this regard, we feel a modest yet good start has been made with a number of governments on contacts we have initiated on narcotics control and counter-terrorism. A dialogue on environmental protection may be another area worth pursuing—and would have the added benefit of promoting sales of relevant U.S. equipment.

45. In Hungary, our discussions of counter-terrorism and narcotics control have already yielded some concrete benefits. We have been able to raise the level of police protection for our Embassy personnel and at the same time make it clear to the Hungarians that turning a blind eye towards international terrorists operating within their borders will have a negative impact on relations with us. Officials in both the Foreign and Interior Ministry are showing much greater sensitivity to our

concerns and have indicated to us that they are tightening up surveillance of would-be terrorists. Continued efforts in this area reinforced by approaches from allied governments could pressure Eastern Europeans eventually to deny their territory to those who would use it to mount terrorist actions against the West. Indeed, we should insist that such a policy be part of the price for better economic relations.

46. Exchanges on narcotics have proceeded even more smoothly. DEA has established very good working relations with their Hungarian counterparts and will be holding a training seminar with international participation in Hungary in April. Information provide by DEA also helped bring about the arrest of narco-terrorists who attempted to assassinate the Colombian Ambassador to Hungary in Budapest in January 1987.

47. Consultations With the Allies:

We should also take a careful look at how we conduct consultations with our allies about Eastern Europe. While a regular format exists for exchanging views in NATO and elsewhere, these sessions may be too heavily weighted towards exchanging observations on events in the area instead of considering what we might do collectively to bring about change. Semi-annual consultations on Eastern Europe with key allies at the DAS level might be a good mechanism for comparing our policies with a view towards making them mutually reinforcing.

48. As noted at the beginning of this paper, the developed West has an enormous amount to offer Eastern Europe. Today, Hungarians view Western support as the last best hope for achieving international competitiveness and sustainable growth. If the U.S. and its allies can play our cards in a coordinated manner, we could eventually have a major impact on the course of future developments throughout the area.

49. Specific recommendations:

—Engage the Eastern Europeans in bilateral dialogue on such generic issues as counter-terrorism, narcotics control and the environment convincing governments that cooperation in these areas is not inconsistent with their alliance obligations.

—Create opportunities for exchanging views with individual East European governments on security questions, such as conventional force reductions, and selected regional issues.

—Continue dialogue begun by Department Policy Planning Staff with East European governments.

—Review the current mechanism for consulting with our allies on Eastern Europe. Establish a pattern of semi-annual consultations at the DAS level or above in an effort to improve coordination of our respective approaches.

344. Telegram From the Embassy in Hungary to the Department of State¹

Budapest, March 15, 1988, 1716Z

2439. Subject: Budapest March 15 Demonstrations: Sitrep I. Ref: Budapest 2299.²

1. (Confidential—Entire text.)

Summary:

2. A substantial unofficial demonstration mounted by the democratic opposition, with crowd peaking at around 8,000, broke off from planned official ceremonies at the National Museum Tuesday morning,³ and lasted until around 3 p.m. Deputy Foreign Minister Kovacs has confirmed to Ambassador that police have picked up eight opposition leaders as preventive measure, and plan to release them this evening. Ambassador has expressed strong objection to this tactic. Police posture toward the demonstrations has been restrained. The authorities have wired most of Budapest's likely assembly points with loudspeakers, which have been used to impede or disrupt speeches by the opposition.

End summary.

Dissidents Detained

3. Deputy Foreign Minister Kovacs told Ambassador at 1:00 p.m. local time March 15 (at FRG Embassy reception) that eight people were being held in police station—he named Haraszti, Gado, Demszky.⁴ They would be released later in the day. He said this was better than having matters get out of control and facing serious problems. Kovacs said he had been on the phone with the Interior Ministry during the morning and the police are under instructions to be gentle. Kovacs also said he was relieved to see Ambassador at reception and not out on streets with demonstrators.

4. Ambassador responded that he had in fact just come from two hours of standing in front of the National Museum with about 8,000

¹ Source: Department of State, Central Foreign Policy File, D880224–0107. Confidential; Immediate. Sent for information to Eastern European posts, Moscow, Paris, and Vienna.

² Telegram 2299 from Budapest, March 11, reported a conversation with the deputy police chief regarding preparations for the March 15 demonstrations. (Department of State, Central Foreign Policy File, D880213–0347)

³ March 15.

⁴ Miklos Haraszti, Gyoergy Gado, and Gabor Demszky, respectively.

Hungarians at the official commemoration of March 15th.⁵ Embassy officers would be present at the unofficial events. Ambassador said that decision to hold eight democratic opposition figures was similar to police searches of their apartments at same moment as Western journalists attending IPI conference here were being told by Politburo members Grosz and Berecz about Hungary's commitment to openness. Steve Rosenfeld of "Washington Post" had written a scathing article about this fact, completely spoiling GOH hosting of IPI.⁶ Ambassador expressed regret that opposition leaders, many of whom were personal friends and respected here and in the West as Kovacs is aware, were being held. He said we would be watching closely as the rest of the day unfolded.

Official Observances

5. The anniversary of the 1848 revolution—which GOH officials have been referring to this year as the Hungarian national day—started off quietly with fewer than usual cars on the streets, and a heavy police presence in readiness. Two police vans were parked near the Alexander Petofi statue with one young policeman testing his gas mask.

6. Organized commemorations at the traditional memorials around Budapest have been nationalistic and more polished this year. Amplified music has been loud enough to preclude or cut off spontaneous chanting from the crowd.

7. At the official ceremony on the steps of the National Museum—where last year Patriotic People's Front Secretary General Imre Pozsgay spoke with sound equipment so faulty he could not be heard at all—this year the communist youth organization, Kisz, ran a hip program. Kisz Central Committee member Janos Gocsei gave a short, punchy speech incorporating Kisz' version of the 1848 twelve points which include more responsibility and better pay for youth.

8. The Museum was wrapped in the national colors, the traditional banner of Budapest (with the Monarchy's crest) was displayed, and trumpeters dressed in Hussar uniforms sounded the fanfare for a well choreographed show. All these elements were new. The show featured youth in period costumes, Petofi poems set to rock music, and moving banners. The original 12 points—many of which are relevant today—and some of Petofi's poems drew sustained applause, and the audience at times sung along. Budapest Mayor Pal Ivanyi, Deputy Prime

⁵ March 15 is the anniversary of the beginning of the 1848 Hungarian Revolution.

⁶ Reference is to Stephen S. Rosenfeld, "Hungary's Great Hope," *Washington Post*, March 12, 1987, A27.

Minister Judit Csehak, and three military officers were among the relatively low-level official delegation present.

9. A Kisz Central Committee official, who came up to Ambassador to ascertain his plans, said that officials estimated the crowd to number 8,000—larger than last year, which was a warm, sunny Saturday. There were fewer families with young children, and more young adults.

10. Other official commemorations we observed were at the Kossuth Memorial at 8:30 a.m., and at the Batthyany Eternal Flame at 1 p.m. Both were solemn, with music and wreathlaying. The Batthyany commemoration we were told was a first this year.

11. Much of the crowd from the [garble] walked the traditional route to the Petofi Memorial, where they joined forces with the large number of college-aged youth already assembled. From there, the parade along the traditional route to visit all 1848 memorials was well-organized and massive.

Unofficial Demonstrations

12. A crowd of around 1500 people—mainly young professionals, students, and members of the opposition—gathered at the Petofi statue in late morning and was reinforced by people coming from the National Museum. At noon, democratic opposition leaders Ferenc Koszeg, Janos Kis, Gaspar Miklos Tamas, Tibor Philipp and Sandor Szilagyi laid a wreath with flowers and a Hungarian flag with a circle cut out of the center a la 1956. According to Szilagyi, a video recording was made of opposition speeches, which were inaudible due to patriotic marches blaring from the official loudspeakers.

13. The crowd, which peaked at some 8,000, then proceeded through Vaci Utca to Jozsef Attila, Bajcsy Zsilinszky up to Kossuth Square in front of the Hungarian Parliament. Police plainclothesmen with radios blocked traffic along the route. Speaking from the steps of the Kossuth Memorial, Gaspar Miklos Tamas said that the work of Hungary's three previous revolutions—1848, 1918 and 1956—is incomplete. The country now needs a new constitution, free elections and the end of self-appointed government. The leaders who have lost public confidence should resign. Standing in front of banners reading "real reform," "press freedom," and "freedom of association," Tamas said that strong political will can create true political institutions, a development which cannot be prevented by police or the military. He protested the arrest of democratic opposition leaders Gabor Demszki, Miklos Haraszti, Otilia Solt, Tamas Molnar, Gyorgy Gado and others. Concluding with shouts of "long live the opposition," "long live Hungarian freedom," the singing of the national anthem and Transylvanian "Szekely Hymnus," the demonstrators then processed to the Batthyany Memorial which has

been adopted by the opposition as a memorial to Imre Nagy.⁷ As in other processions through town, the demonstrators sang the national anthem along the route, as well as the "Marseillaise," a patriotic song about Lajos Kossuth,⁸ and periodically applauded in unison. The mood was upbeat, almost festive, and the enthusiasm was shared by spectators. At one point in the procession, the demonstrators' clapping in unison was reciprocated by Agriculture Ministry staffers.

14. At the Batthyany Memorial, the demonstrators heard a statement read out on behalf of detained "samizdat" publisher Gabor Demszki. The crowd responded with chants of "this we want," "democracy," and, briefly, "solidarnosc." Opposition statements at the Batthyany Memorial were curtailed by the national anthem blaring from official loudspeakers.

15. The crowd proceeded from the Batthany/Nagy Memorial to the Bem Memorial across the Margaret Bridge, blocking traffic, which was redirected by the city police. During this part of the march the group swelled. Once over the bridge, the crowd started chanting slogans such as "freedom of the press," "free elections," etc. As the crowd moved across the bridge, ambulances crossed at regular intervals, scattering the people and disturbing the build-up of momentum, but in the final blocks before the Bem statue, the group began to come together and gather a sense of purpose.

16. When the marchers finished gathering at the Bem Monument, an official speech was broadcast over the loudspeakers. In a reversal of the scenario at the Batthyany Memorial, the crowd drowned out the words of the taped speech. The chant from the crowd was "Varkonyi, Varkonyi" referring to the Foreign Minister whose ministry borders the square. Once the voice from the loudspeaker ended, the mood of the crowd hit its peak and moment of greatest confidence. There was palpable crowd electricity. This mood dissolved quickly, however. An older man addressed the crowd, making inflammatory statements about Transylvania and the need to redraw the Hungarian borders and regain the territory lost after World War I. The crowd reacted with hostility, crying out "forget that," "no war," "leave it," "we don't need it," "fascist," and referring to the man's speech as "stupid."

17. The other leaders of the demonstration finally managed to remove him from the podium but could not regain the spirit that had been created earlier, and the crowd's mood seemed to deflate.

⁷ Nagy was Chairman of the Council of Ministers at the time of the 1956 revolution.

⁸ Kossuth was Governor-President of Hungary at the time of the 1848 revolution.

Organizers called out the usual row of slogans, to some good effect, but when one of the leaders proclaimed “human rights for Hungarians” twice within a few minutes, someone from the crowd yelled out “say something new” and most people lost interest. Some standing near EmbOfs muttered they wanted to go home.

18. Most of the people did move onto Batthyany Square where the Kolcsey Monument was the final stop on the march, but did not stick around for more than a few minutes. One organizer EmbOfs spoke with said that more people showed up than were expected, but that in general he was a little disappointed with the results. In particular, he said that people had wanted to hear about Hungary’s internal problems and to address current issues, rather than to retreat into nationalism and the Transylvania question. But, he added philosophically, at least a demonstration like this can take place. He was also concerned that the march would not receive adequate publicity and derived some satisfaction from our assurances that it would at least be reported in the West.

19. Police posture: Thus far, we have detected no unusual military activity in Budapest related to security. DAO’s checks around town have disclosed no activity at the riot police barracks, lighter than normal military traffic on the streets, and no Soviet military traffic. There have been no signs of the authorities limiting access to Budapest. Police trucks and buses have been parked on standby near the parliament and other prospective demonstration sites; civilians with blue armbands are assisting police. As Budapest deputy police chief told us earlier (reftel), uniformed foot police in the downtown area are not carrying night sticks.

Palmer

345. Telegram From the Embassy in Hungary to the Department of State¹

Budapest, March 15, 1988, 1912Z

2440. Subject: Budapest March 15 Demonstrations; Sitrep II. Ref: Budapest 2439.²

1. Following Tuesday's³ mid-afternoon dissipation of the opposition's major demonstration, there has been no major recurrence. Through early evening, a crowd of roughly 500—mostly young people—remains gathered at the Petofi statue under official loudspeakers blaring 19th century march music. (Comment: Success of the official loudspeakers in detaining opposition political speeches has been a theme most of the day. Evidently, the unofficial demonstrations' organization is too cumbersome to permit simply moving the event to a site not equipped with official loudspeakers. The sole gap in loudspeaker coverage came earlier this afternoon in front of the parliament, where Gaspar Miklos Tamas was able to address a large crowd through a bullhorn unhindered by competing official loudspeakers.)

2. Individuals are still laying flowers at the base of the Petofi statue, at which the democratic opposition's wreath remains undisturbed. There are lighted candles at the Batthyany Memorial, with a few curious onlookers leavening a heavy plainclothes police presence. Young people throughout the downtown shopping area are wearing Hungarian tri-colored cockades, the trademark of today's official and unofficial demonstrations. There is heavy and visible police presence at Budapest's other likely gathering-spots for demonstrations.

3. Comment: With Budapest thoroughly bedecked with flags—even on broken-down backstreets—and with official statements repeatedly referring to March 15 for the first time as a national day, today's events represent an impressive gathering of opposition strength in the streets as well as a substantially successful exercise in official deflection and cooptation of opposition efforts. It will be interesting to see how this evening's T.V. reports treat the day's events, and learn the details of today's detention of democratic opposition leaders.

Palmer

¹ Source: Reagan Library, Rudolf Perina Files, Hungary—Substance 1988 (1). Confidential; Immediate. Sent for information to Eastern European posts, Moscow, Paris, and Vienna. Printed from a copy that was received in the White House Situation Room.

² See Document 344.

³ March 15.

**346. Telegram From the Department of State to the
Embassy in Hungary¹**

Washington, May 24, 1988, 0553Z

166021. Subject: Message to New Hungarian Leader.

1. Embassy is instructed to pass the following letter from President Reagan to HSWP General Secretary Karoly Grosz. There will be no signed original. We will not publicize this letter, but have no objections if the GOH wishes to do so.

2. Begin text.

Dear Mr. General Secretary:

I would like to offer you my sincere congratulations on the occasion of your selection as General Secretary. In the name of the American people, I wish you success in your efforts to implement political and economic reforms which will allow Hungary to utilize fully the great talents and creative genius of its people. I would also like to take this opportunity to emphasize the strong desire of the United States to build upon the already good relationship we enjoy with Hungary. I look forward to meeting with you during your forthcoming visit to the United States.²

Sincerely,

Ronald Reagan

End text.

Shultz

¹ Source: Department of State, Central Foreign Policy File, D880443–0492. Limited Official Use; Immediate. Drafted by Tongour; cleared by Jack Seymour, Jr. (EUR/EEY), Richard Mueller (S/S), Paul Schott Stevens (NSC), Saadia Sarkis (S/S–S), and Minton (S/S–O); approved by Simons.

² July 26–28.

347. Memorandum Prepared in the Central Intelligence Agency¹

EUR M 88–20094

Washington, June 1, 1988

Hungary: New Leadership Struggles to Develop
Program [*portion marking not declassified*]

Summary

Premier Grosz's stunning rise to General Secretary and the replacement of conservative Old Guard Politburo members by six new members, most of them strong advocates of further reform, leaves Hungary with a leadership that will push harder for economic change. The new leadership was united by its opposition to Kadar's continued rule and agrees that things must be changed: foreign debt must be reduced, productivity must be increased, government and economic administration must be improved, and "democratization" must be extended. However, it does not have a concrete program for achieving these objectives, and its members disagree over how fast the changes should be made and how radical they should be. Their policy disagreements will be exacerbated by personality conflicts and political infighting, and even after they reach a consensus on policy, they will face the same impediments that Kadar faced, including the risk that major changes could provoke instability and aggravate the country's precarious financial situation. Major policy changes that go significantly beyond what has already been discussed, such as wage reform and increasing private initiative in the economy are, therefore, unlikely before the end of the year. In discussions with US officials, Budapest may argue that the recent party conference was the most democratic in its history, that significant political and economic reforms are in the offing, and that the US must help turn the economy around if more conservative elements of the party are not to regain the upper hand. [*portion marking not declassified*]

Intractable Problems

The new leadership inherits an exceedingly difficult economic and social situation. Their most immediate challenge will be to stabilize Hungary's foreign debt, which has risen nearly \$9 billion—to a record \$17.7 billion—over the past three years. [*portion marking not declassified*]

¹Source: Central Intelligence Agency, Office of Support Services (DI), Job 90T00100R: Intelligence Publications Files, Box 3, Folder 260: EUR M 88–20094: Hungary: New Leadership Struggles to Develop Program. Confidential; [*handling restriction not declassified*]. Prepared in the Office of European Analysis. A distribution list is *ibid*.

Hungary's rapid increase in debt is due mainly to the inconsistent implementation of previous economic reforms and to policy errors that have slowed the economy's adjustment to fluctuating commodity prices and growing competition in world markets. Investment and import restrictions imposed between 1979 and 1985 to cope with recurring balance-of-payments problems held back the establishment of new ventures and the modernization of potentially dynamic enterprises. At the same time, an increasing share of resources was allocated to ailing enterprises in the heavy industry and energy sectors, further undermining the economy's export potential. *[portion marking not declassified]*

When Budapest loosened controls on domestic credit, government spending, and imports in 1985, economic performance fell far short of plan and serious payments imbalances reemerged. GNP growth averaged only 0.3 percent annually in 1985–87 while higher than planned growth in investment and consumption—coupled with pent-up demand for Western capital and consumer goods—led to a surge in hard currency imports. The hard currency trade and current account balances subsequently swung into deficit, unleashing the foreign borrowing binge. *[portion marking not declassified]*

Debt service costs, which we estimate will exceed 50 percent of hard currency export earnings over the next five years, are a severe drain on the economy. They limit Budapest's ability to devote more resources to updating the country's increasingly obsolete industrial base, assuring adequate energy supplies, and improving labor productivity. Even if Budapest now meets its austerity program's targets for reducing the budget and current account deficits, we estimate that it will need to borrow more than \$2 billion annually until 1990, and increasing amounts thereafter, topping \$3 billion by 1992. If Hungary fails to obtain these funds, it will face the prospect of a debt rescheduling and more severe austerity measures than the current program. *[portion marking not declassified]*

These economic difficulties have contributed to rising social tension. Workers, already upset with declining living standards and the prospect of unemployment as inefficient enterprises are shut down, are fearful that further reform will lead to even greater hardships. Young people and intellectuals resent regime controls on civil freedoms and are agitating for far-reaching reforms of the political system, which they believe are necessary if further economic reforms are to work. *[portion marking not declassified]*

New Leaders Divided by Policy Differences, Personal Rivalries

The new leadership, taken as a whole, is more likely to make major changes in the economic and political systems than the Kadar regime, but it may not be able to move as quickly to address the problems as

many would like because of potential policy differences and personal rivalries. (See Box on The Balance of Forces in the Politburo.)

- The new leaders formed a coalition because they were united by their opposition to Kadar's continued rule and by their belief that Hungary needed new policies and stronger actions if it were to avoid a crisis, not because they shared identical views on the solutions to the country's problems.

- Some members of the Politburo, notably Imre Pozsgay and Rezso Nyers, probably would be willing to permit broad market-oriented economic reforms and almost unlimited political freedoms, while General Secretary Karoly Grosz or recognized conservative Janos Berecz, who is now probably the number two man in the hierarchy, would most likely prefer to stick with less controversial economic policies, such as a stricter austerity program, and fairly limited political reforms that would simply enhance the role of the government in administering economic policy. [*portion marking not declassified*]

These differences will be aggravated by political infighting as the new leaders jockey for power and prestige.

- The Politburo already has vetoed Grosz's first three choices for the Premiership—one because he was seen as being Grosz's "tool"—according to the US Embassy.

- Berecz was thwarted in his effort to be named Deputy General Secretary, but he is likely to continue scheming against Grosz and other members of the Politburo in order to increase his influence. If he is stymied by the other leaders, he may in desperation try to arrange for Kadar to attend Politburo meetings in return for the "old man's" support on leadership matters.

- Pozsgay and Berecz have been feuding openly for the past year about the former's association with dissidents, and they are likely to continue to clash over this issue in the Politburo. [*portion marking not declassified*]

* * *

Box: The Balance of Forces in the Politburo

New General Secretary Grosz probably will need some time to consolidate his power in the Politburo—and over the Central Committee. Embassy reporting suggests that although Grosz was instrumental in convincing Kadar to step down at the conference, many of the other personnel changes were not directed by him but were instead the result of an unprecedented demonstration of authority by conference delegates and the newly-elected Central Committee. Thus the new Politburo members may not feel beholden to Grosz for their power and may not hesitate to oppose him. Moreover, Grosz is

more likely to have to respect the wishes of the reinvigorated Central Committee than Kadar needed to for most of his career, making it even more difficult for him to dominate policy making. [*portion marking not declassified*]

At least initially, the Politburo is not likely to vote along set factional lines. The pragmatic technocrats in the leadership are likely to decide their positions on the basis of facts rather than ideology or the views of the General Secretary, and a fluid voting pattern in which the majority changes from issue to issue may result. The most likely tendencies are these:

- Conservative Orientation. Support for meaningful reforms limited by ideological considerations, fear of setting loose uncontrollable forces for change. Only Janos Berecz falls in this category.

- Pragmatists. A basic acceptance of the need for changes, but stance linked to the issue at hand. Most likely to be more comfortable with economic than political reform, but probably would support small steps in the latter area. Karoly Grosz, Janos Lukacs, Csaba Hamori, Judit Csehak, Istvan Szabo fall into this category.

- Radical Reformers. Advocate sweeping reforms that verge on social democracy. Imre Pozsgay, Rezso Nyers, and Miklos Nemeth probably fall into this group.

- Unknown. Preferences cannot be determined on the basis of available information. Pal Ivanyi and Ilona Tatai are political unknowns. Tatai, head of Taurus Industrial Rubber Company, probably has an open mind on reform issues; Taurus has concluded several business deals with American companies and is a test case for employee stockholding. [*portion marking not declassified*]

* * *

Continuity in Economic Policy Likely in the Short Term

Budapest remains committed to pursuing such economic reforms as expanding the influence of the market, increasing private initiatives, and facilitating foreign investment. The recent party conference, however, avoided dealing with the country's serious economic problems and merely recommended that the Central Committee set up a working group to explore the possibilities for further reform. It may be several months before this committee arrives at a conclusion and reports back to the leadership, which would then probably put the recommendations before the Central Committee before acting on them. Even after the party adopts a new program, however, bureaucratic footdragging by officials whose power or perquisites will be diminished by the reforms is sure to slow its implementation. [*portion marking not declassified*]

Moreover, the new leadership faces the same obstacles to faster reform that stymied the Kadar regime. The introduction of more sweeping changes, such as market pricing or the implementation of stricter austerity policies, such as the closing of insolvent firms, would lead to higher inflation—which has already topped 18 percent—and unemployment, either of which could threaten stability. Austerity policies needed to deal with the country's financial problems also make it difficult to carry out long overdue structural reforms. For example, tighter central control of imports and investment to reduce the trade deficit run counter to the decentralization and greater market orientation needed to make Hungarian industry more efficient and competitive. In addition, structural change requires a more flexible labor force, but a host of factors—among them, the oversupply of unskilled laborers, an undersupply of skilled workers, and housing shortages—will continue to impede labor mobility. *[portion marking not declassified]*

Economic performance during the first quarter of this year underscores the difficulties of trying to balance austerity and reform. Industrial output grew by only 0.9 percent compared with the same period in 1987, despite a much milder winter. Confusion over the major tax reform introduced in January and a too sudden tightening of credit by the National Bank, which is trying to function more like a Western central bank, appear to have created supply bottlenecks that slowed overall industrial growth. *[portion marking not declassified]*

Little progress, moreover, has been made in shifting resources from heavy industry to more competitive sectors. Output in the energy intensive and inefficient metallurgy sector increased 4.4 percent, and despite a reduction in subsidies to Hungary's ailing steel works, these firms are continuing to receive more indirect support: the government is allowing them to sell their hard currency earnings to other enterprises at a subsidized rate. In contrast to the moderate growth in metallurgy, output in machine building, important to modernizing Hungary's industrial base, declined 1.6 percent, while performance has continued to lag in potentially dynamic export sectors, such as food processing and light industry. *[portion marking not declassified]*

Political Reform More Divisive. . .

The outlook for political reform is clouded because it will be a contentious issue within the leadership and between the leadership and elements in the party's Central Committee. In the past, Pozsgay has gone so far as to admit the worth of dissidence and multiple political parties, while Grosz and Berecz are strongly opposed to such radical ideas. Grosz insists that the party's leading role is not negotiable and that independent trade unions and youth groups outside the officially recognized union and youth structures cannot be permitted. His speech to the party conference emphasized the themes of increasing social

discipline and maintaining order, and he also has defended publicly the decision taken earlier this year to expel four prominent members of the party for associating with dissidents. At the same time, the regime is likely to be faced with numerous calls for radical political reforms from intellectuals within the party who have been emboldened by Kadar's ouster, and its credibility will be quickly destroyed if it ignores these calls. [*portion marking not declassified*]

. . . And Political Stability Uncertain

Grosz is not popular with workers, and his failure to include a well-liked trade union official in the Politburo may exacerbate his difficulties in selling an austerity program. When Grosz tried to address a workers' meeting late last year, he was shouted down, and more recently workers in Grosz's home county painted the slogan "Bread for all—String up Grosz" on a train going to Budapest. Workers could be quick to vent their anger in open demonstrations if he pushes ahead with plans to close bankrupt enterprises or lay off workers from unprofitable factories. [*portion marking not declassified*]

Outlook

The regime probably will be tied up with turf disputes, as individual leaders vie for predominant influence in various policy areas, and with making further personnel changes, particularly in the government, for the next several months. The new leadership is likely to want to put its own team in charge of key ministries, such as the Ministry of Industry, and it may also want to restructure the government in order to improve its administrative efficiency. [*portion marking not declassified*]

The new Politburo members have not made any policy statements since their appointment, but with younger, better educated leaders now in power, we expect the regime to develop more imaginative steps for dealing with Hungary's pressing economic problems. Miklos Nemeth, for example, in his address to the party conference, advocated the conversion of foreign debt into shares that foreign companies could hold in Hungarian enterprises. [*portion marking not declassified*]

For now, the regime will probably stick with the austerity and reform program for 1988–90 developed by the Grosz-led government last fall and endorsed by the party conference. The economy is still trying to adapt to the measures introduced at the beginning of the year, and the main goals of the austerity program have been incorporated into Hungary's \$365 million standby arrangement with the IMF. The leadership may try to toughen the austerity measures, however, because some key targets, such as the size of the budget deficit, are already being overshot. In addition, they will almost certainly push ahead with reforms already envisaged, especially the economic association law,

which will permit the conversion of state enterprises into joint stock companies. The new law may even broaden stockholding rights to Hungarian citizens and foreign companies in view of the economy's shortage of investment funds. Wage reform is also on their agenda, but Grosz recently acknowledged in the Soviet press that it is going to take a long time to plan and implement. [*portion marking not declassified*]

The regime probably will heed calls made at the party conference for improving internal party democracy by increasing the influence of lower-level party bodies in the formation of policy. Budapest also is likely to give the government more autonomy to fill in the details of the economic plan and to permit the National Assembly greater leeway to debate policy proposals, but a meaningful reduction of ultimate party control over the actions of these bodies does not appear likely at this time. Nor is the new leadership likely to change the existing policy of opposition to dissidence unless Politburo liberals, with the support of reformers in the Central Committee, can convince Grosz, Berecz, and their allies that a traditional hardline approach in this area will be counterproductive to the development of a new social consensus. [*portion marking not declassified*]

Implications for the US

Budapest's objectives in dealing with US policymakers are not likely to have changed much, but regime members probably will be better salesmen for Hungarian policy. Most of the new Hungarian leaders are better educated, more sophisticated, and more open to contacts with the West than their predecessors—8 of the 11 Politburo members have visited the US, for example. They are likely to still focus on multi-year Most-Favored-Nation trade status, a reevaluation of Cocom restrictions, more bilateral trade, and more joint ventures, but they may argue that the recent leadership changes are indicative of the development of a new era of democracy and market-oriented economic reform and that the US must help Hungary turn its economy around if more conservative forces are not to regain power. With a number of high level US visits to Hungary planned for June, as well as the upcoming visits of Nemeth and Grosz, Washington may have a unique chance to affect Budapest's thinking before the regime has time to fully develop its domestic and foreign policy agenda. [*portion marking not declassified*]

348. Telegram From the Embassy in Hungary to the Department of State¹

Budapest, June 8, 1988, 1503Z

5925/Depto 3011. Subject: Deputy Secretary Whitehead's Meeting With Deputy Prime Minister Medgyessy.

1. Summary:

In Deputy Secretary Whitehead's meeting with Deputy Prime Minister Medgyessy, Medgyessy outlined Hungary's current balance of payments picture. While Hungary could possibly achieve a positive trade balance in convertible currencies by the end of the year high debt levels and high interest rates would continue to put pressure on the current account. The country's future program to deal with its economic situation would be three pronged: restrictions, liberalization and deregulation. A tight monetary policy and a reduction of government subsidies were planned. Among the liberalizing policies being pursued are wage and price reforms, as well as the development of a capital market, to be aided by a new law of corporate association. Finally, while increased autonomy would be given enterprises, stricter enforcement of the bankruptcy law could be expected. These policies, however, require the development of a new social consensus—economic and political freedoms would be increased, but at the expense of the security which the government had previously provided. Medgyessy noted that U.S. help would be important in two areas—political support for the reform process, particularly with the international financial institutions, and in the development of business contacts.

End summary.

2. The Macro Picture

Deputy Secretary Whitehead opened the meeting by noting his interest in discussing Hungarian economic reforms with Deputy Prime Minister Medgyessy. Medgyessy then outlined the status of the government stabilization program. According to Medgyessy, the first five months of 1988 showed some positive results, some negative. The government's basic approach was to improve the convertible currency balance of payments by increasing exports. To do so, it was attempting to restrict other possible channels of commercial activity by cutting exports to CMEA countries, reducing domestic demand, and by pursuing a strict monetary policy. In addition, the new tax system had

¹ Source: Reagan Library, Rudolf Perina Files, Hungary—Bilateral 1988 (1). Confidential; Immediate. Sent for information to Eastern European posts, Vienna, Geneva, the mission to NATO, and the Department of Commerce.

produced a practical devaluation of the forint. As a result of these policies, Hungary's hard currency exports had increased 27 percent in the first five months of 1988, while exports to other socialist countries had increased by only three percent.

Thus, the country had achieved an even balance in its trade with the West, but a positive trade balance by year end was sought, which Medgyessy believed was achievable. The picture concerning the current account balance, however, is not so bright because of high debt levels and high interest rates. Thus, the current account deficit requires a substantial surplus on the trade account. Medgyessy also noted that the status of the government's budget deficit was not satisfactory. The government was taking steps to reduce subsidies. That morning, a decision had been reached to reduce subsidies to the coal mining industry, and even more significant reductions would take place next year. He believed that it was inevitable that one or two coal mines would be closed down this year. Other subsidies were also being reduced. Steps were being taken to encourage household savings.

3. The Future Approach

The Deputy Secretary asked about the Hungarian experience in implementing its new income and value added tax systems. Medgyessy responded that the tax system was operational, but that some minor corrections would be made. The government's proposals would be presented to the parliament at its fall session. Medgyessy argued, however, that a healthy market was a prerequisite for the tax system to operate well. The Hungarian market was highly protectionist and its operation was hampered by government subsidies and the lack of competition from imported goods.

Medgyessy then launched into a description of what the government hopes to achieve in 1989. According to him, the government's future program can be divided into three areas: restrictions, liberalization, and deregulation. The restrictions include a tight monetary policy and a reduction of government subsidies in 1989 of 15–20 percent (30–40 billion HFTs). Liberalizing actions include wage and price reforms and the development of a capital market. The introduction of a new law of corporate association in 1989 would further the latter. In addition, the country's import policy should be liberalized although further devaluations could be expected. Asked by the Deputy Secretary about the proposed wage reform, Medgyessy answered that workers already have the opportunity to change jobs and that some firms had fired workers. By 1989 the government hoped to achieve more freedom of movement in wages. A tripartite coordinating mechanism including the trade unions, the government and enterprise leaders would be established, to coordinate minimum and maximum wages during 1989. Over time the goal would be to do away with limits on wage movements.

The final part of the government's program, deregulation, would include the grant of increased authority to enterprises. The flip side of this, however, would be the stricter enforcement of bankruptcy laws. Medgyessy noted that he expected one coal mine would go bankrupt this year and expressed his doubts about the future viability of Ganz-Mavag's successor enterprises.

4. A New Social Consensus?

Medgyessy then stressed that the government was following a high risk policy—there was a great demand for imports and the country's monetary institutions, which should regulate demand, were not yet fully established. Nonetheless, the government had to proceed. Its difficult task was to establish a social consensus around its policies. One advantage of the current system was its ability to provide Hungarians with a sense of security. This would, however, decline in the future. In return, enterprises would obtain a wider sphere of activity and individual liberty would be increased. He noted that while it was possible to strike such a deal intellectually, it was much harder to do so on a practical level. Two preconditions for achieving this social consensus, according to Medgyessy, are enabling individuals to move up in enterprises and maintaining the social security net.

Here, the government had concluded that it was cheaper to have early retirements than to maintain loss-making industries. The public's concern about inflation was another factor affecting the government program. Medgyessy said that he was optimistic that it would not exceed 15 to 17 percent in 1988, but was uncertain whether it would be possible to reduce inflation next year because combatting inflation could not be at the top of the government's list of priorities.

5. The U.S. Role

The Deputy Secretary responded that Hungary was moving in the right direction. While it was true that people would be giving up security, they would obtain greater freedom in exchange. People would prefer the freedom to start their own businesses and move on to better paying jobs. As a result, the security net would rarely be necessary. He then noted that Hungary could count on U.S. help in the areas of trade and investment. Medgyessy agreed that the use of the official safety net would be a last resort, but stated that there would still be problems. He added that they had discovered that too much emphasis had, in the past, been placed on gradualism. Changes had been introduced so slowly that they had lost their vigor. Thus, in 1989, the government wanted changes that would achieve a critical mass. He then noted that U.S. help would be important in two areas: political support for the reform process, particularly with the international financial organizations, and in the development of business contacts.

In regard to the latter point, Medgyessy stated that a favorable judgement by the USG of the Hungarian situation could have a positive effect on the attitude of American businessmen towards Hungary. More progress, however, could have been achieved to date. Here he noted Hungary's interest in the removal of some discrimination in tariffs (FYI—He was presumably referring to Hungary's interest in obtaining GSP) and the recent defeat by the Congress of an amendment which would have enabled OPIC to operate in Hungary. He added that he hoped that Prime Minister Grosz's visit to the U.S. would help contribute to an increased interest by U.S. firms in investing in Hungary. The Deputy Secretary responded that he was working to help make Grosz's visit a success, but that the most important precondition for increased interest by American firms in Hungary was the Hungarian legal structure. Firms needed to know that they would be able to produce and sell without government interference. Medgyessy here noted that efforts were being made to establish the right background. Citibank had established a Budapest office; if other banks or insurance companies were interested in opening offices in Hungary, they would be welcomed.

Palmer

349. Telegram From the Embassy in Hungary to the Department of State¹

Budapest, June 8, 1988, 1527Z

5931/Depto 3014. Subject: DepSec Whitehead's Meeting With General Secretary and Prime Minister Karoly Grosz.

1. Summary: In 75-minute meeting with newly-elected General Secretary and Prime Minister Grosz, DepSec Whitehead provided review of U.S./Soviet summit, endorsed Hungarian efforts to create a freer and more market-oriented economy and reiterated invitation for Grosz to visit the U.S. in July. He urged Grosz not to be excessively cautious in introducing economic policy changes, noting that it was important to take advantage of momentum created by Hungary's recent change of leadership. Grosz said he very much looked forward

¹ Source: Reagan Library, Rudolf Perina Files, Presidential Meeting with PM Grosz Hungary 7/27/1988 (1). Confidential; Immediate. Sent for information to Eastern European posts, Vienna, The Hague, and West Berlin. Sent Immediate for information to Bonn.

to his upcoming U.S. visit and had devoted more than a week of his schedule to the trip in order to be able to see many parts of the country. He expressed appreciation [garble] to meet with the President and stated [garble] for the warm tone of the President's congratulatory message.² Regarding economic changes, that priority was still being given to assembling an effective team and that many more personnel changes could be expected within the next few months. After these changes had been completed, the leadership would be able to devote its full attention to dealing with fundamental policy issues. Grosz appeared relaxed and confident throughout the meeting, reflecting the air of one who had just won a major political victory.

End summary

2. After an exchange of opening formalities in which Mr. Whitehead congratulated Grosz on his selection as General Secretary, the Deputy Secretary commented on the just-concluded U.S./Soviet summit meeting.³ The summit had been a great contribution to what can be considered perhaps the major recent development in world affairs—an easing of tensions between the U.S. and Soviet Union. We recognized how important an improvement in superpower relations was for all countries of the world. At the same time, it was crucial to realize that great changes do not take place overnight and thus important that both sides not become prematurely optimistic about the prospects for immediate changes. Major differences remained between Moscow and Washington. What we sought to avoid were the succession of ups and downs which had characterized U.S./Soviet relations in the past. We wanted steady progress and a stable predictable relationship, which also recognized that there were significant differences between us.

3. Grosz responded that it was extremely important for partners to be predictable. He said that the current Soviet leadership was a good potential partner for us to work with. This had not always been the case. History was offering both sides a very significant opportunity which needed to be used in the interest of promoting a better worldwide political environment. The improvement in U.S./Soviet relations was also creating more opportunities for the U.S. and Hungary to work together.

4. With respect to Hungary's own foreign policy, the recent party conference reconfirmed basic policy directions. Hungary was willing to go anywhere to meet with partners who were willing to see them. This was even true when no diplomatic relations existed as shown by the

² See Document 346.

³ Reference is to the Moscow Summit, May 29–June 1. See *Foreign Relations*, 1981–1988, vol. VI, Soviet Union, October 1986–January 1989, Documents 155–164.

recent visit of Israeli Foreign Minister Peres to Budapest. Grosz commented that originally the GOH had tried to give this "illegal" visit a very low profile while, at the same time, allowing Peres to meet with a broad range of Hungarian leaders, including himself. However, in the end, it turned out that the press knew as much about the visit as the GOH itself.

5. Turning to bilateral relations, the DepSec said that he hoped recent changes in the Hungarian leadership would permit an intensification of U.S./Hungarian ties. He added "We would like to be considered among your best friends". The steps towards the creation of a freer, more market-oriented economy being planned by the GOH and the authority the party conference had given to carry these steps out was very encouraging to us. Grosz responded that there should be no doubt about the Hungarian leadership's determination to bring about fundamental economic changes. Problems existed and long standing "ideological knots" in the thinking of many people had to be eliminated. It was harder for a tailor to redesign a poorly-made suit than to make a new one from scratch. The leadership now faced two very basic problems: a public that very much wanted change while simultaneously fearing that change can only be for the worse.

6. Grosz stated that his first task was to restore confidence in Hungary's leadership. While no one liked unpopular decisions such as the introduction of income taxes, such decisions, nevertheless, needed to be taken and there would be more such decisions. The new leadership needed to correct the errors which had been promulgated over the last 15 years. Personnel and organizational changes had to be completed by the end of 1988 in order that the party and government could begin to tackle difficult policy questions in 1989 and 1990. Lobbying centered on personalities continued to be a problem in Budapest which, in reality, was a small city where people tended to know one another and persistently pushed for their special interests. This created much speculation regarding future appointments, on the question of Grosz's relations with Kadar, and even issues of protocol. While much attention was being given to personnel questions, there should be no doubt about the new leadership's willingness to assume the burden which the current economic situation placed on them and make tough decisions. The leadership wanted economic reform, democracy and an open foreign policy. There were those whose confidence in the leadership was lacking both in Hungary and abroad and Grosz said he recognized that time would be needed to demonstrate that he can act as well as speak. The tough period ahead would be a good test to see who Hungary's true friends were. Perhaps the biggest problem of the moment was general popular impatience for change. Grosz said that just as Hungary had once made the mistake of moving too slowly, he now wanted to avoid

the opposite extreme. He is determined not to move too quickly since hastily endorsed policies could produce more harm than good. It was critical to carry out policies with resolve and circumspection. Failure to do this had the potential to create another conflict in the center of Europe which could not be in the interest of any responsible parties.

7. The General Secretary said that he took the DepSec's repeated visits to Hungary and President Reagan's recent letter of congratulations to him as signs that the U.S. wished to strengthen relations with Hungary. Although Washington was far away, the Hungarian leadership felt good that there was interest in the course of events here. It was important not to forget the fundamental rules which good communications play and need to repay good words in kind. Contacts between our two countries were expanding quickly and Grosz commented that at times it seemed some of his senior colleagues were spending more time in the U.S. than in Budapest. Agriculture Minister Vancsa's report of his recent visit had been particularly positive and enthusiastic. It was an encouraging sign to see that even those foreign journalists who had long been hostile were now looking at Hungary in a much more positive light.

8. The DepSec responded that Grosz would find great interest in Hungarian developments during his upcoming visit to the U.S. The large number of Hungarian-Americans had helped create a special bond of friendship between our two countries and recent changes in the leadership and the way these had been carried out had been followed with much positive interest. Having a new face at the top also served to eliminate some of the bad memories of 1956. Hungary's decision to move towards a free economic system was a fundamental one in trying to create a more prosperous future for its citizens. The successes of other free market economies provided clear examples as to the advantages of such an approach. While it was understandable that many Hungarians were uncomfortable with the prospect of giving up some of the security and predictability they had become accustomed to, they would accept change once they learned to appreciate the new freedoms they had obtained, such as the right to start their own business, change jobs at will and move from city to city. He urged Grosz not to be overly cautious in implementing change since the momentum of the moment could be lost. It was important for the people to realize that a real revolution was taking place. If progress were too slow, this fact would not be appreciated.

9. The DepSec said that he personally looked forward to seeing Grosz in Washington and had taken it upon himself to ensure that his visit would be a successful one. President Reagan was expecting Grosz with pleasure on July 27. Mr. Whitehead said that he would make every effort to ensure that the General Secretary met with all important American political figures, including Secretary Shultz, Vice President

Bush and Governor Dukakis.⁴ We were pleased that he was devoting sufficient time to his U.S. visit to see more than Washington and New York.

10. Grosz thanked Mr. Whitehead for the invitation and said he had been making intensive preparations. His visit was intended to be more than just a political gesture but an opportunity for concrete work as well. He said that the Hungarian side was currently working on several proposals which would be made in connection with the visit. The most important goal of the trip would be to give Americans an opportunity to become more familiar with Hungary and its current policies. The U.S. was a large country, a long distance away and not visited every day. For this reason, Grosz said, he decided to undertake a visit of more than one week. He added that he was particularly appreciative that time had been found for him to make the visit in the midst of a U.S. election campaign when foreign visitors are generally not received. Grosz added he had received a letter from his 83 year old uncle, who has lived in the U.S. since 1930 and now resides in a suburb of Los Angeles stating "We are in the midst of an election campaign right now, do you think they will have time to receive you?"

11. Turning to prospects for expanding economic ties, Mr. Whitehead noted that now was an excellent time to promote more trade and investment. While this had been growing in recent years, we had only scratched the surface of our potential. As the GOH developed details of its new economic policies, regulations and laws, it was important that they keep in mind the need to make these attractive to potential American investors and businessmen. Close relations with U.S. companies not only had the potential to bring in scarce capital and jobs, but management know-how as well.

12. Grosz said that such factors were being given intensive consideration as changes were being planned. In the past, one of Hungary's great mistakes had been to compare itself to other Eastern European countries rather than to the larger world. There were political, ideological and personal reasons for this, but such attitudes could not be continued. Hungary needed to develop products which could be sold in the entire world, these could then be delivered to CEMA countries as well. Nevertheless, serious obstacles remain on the Western side, including a broad-based COCOM list which Grosz said contained many items which had nothing to do with the military production. Capital scarcity was also a very major difficulty. Practically all the money which was being borrowed had to be used to pay current debt which had caused some, including certain officials of the IMF, to say that one had to be

⁴ Michael Dukakis, then Governor of Massachusetts and front runner as the Democratic candidate in the 1988 Presidential election. Dukakis met with Grosz in Boston on July 25.

careful in lending to Hungary since it did not use its money well. These people forgot that money was needed just to keep the economy running. At the same time, it was absolutely critical to find a bottom for the barrel which was swallowing up most of the loans being raised so reform policies could be carried out effectively. However, it was not a simple matter to phase out production even though the broad profile of goods now being produced was much too large for Hungary's size. Even when inefficient product lines were discontinued, it often cost twice as much to obtain replacements from abroad. Noting the affinity of Hungarian companies for ties with German firms, Grosz said that this had been the result of long traditions and familiarity with German language by older Hungarians. He personally wanted to see greater diversification and enthusiastically supported language training in English and French as well as German. (Indeed he intended to insure that fluency in one of these three languages was a pre-condition of university admission and for this recently welcomed the availability of English language satellite TV programs, even though the programs themselves were often of low quality.) At the same time, the fact that the FRG had extended a one billion Mark credit could not be ignored. It was natural that the FRG would expect that the overwhelming majority of these credits would be spent on German imports.

13. The DepSec responded that U.S. prices were now much cheaper as a result of the dollar devaluation and that almost anything that could be bought in Germany would be less expensive in the U.S. As far as credits were concerned, the most effective capital was foreign investment. Loans cost interest and needed to be repaid. In contrast, investment was paid back only if successful and at the same time, provided the spin-off of management and marketing know-how. Grosz concluded by remarking that he was glad to get an "American advisor" endorsing the potential benefits of foreign investment to Hungary. He added that "when I say the same thing they always say that the party secretary is speaking." Grosz said that an arrangement had been decided upon which would allow a German firm to buy out a Hungarian enterprise. The British were also building a hotel in which their participation would be 70 percent. The ownership of production, now 94 percent in state's hands and 6 percent private, would also be changed significantly in the direction of greater private ownership. Ideological concerns about foreign ownership were no longer a major problem. Although technical concerns remained, the new generation of Hungarian economic leaders was not infected with the dogmatic virus of its predecessors and was inclined toward practical problem solving. Grosz noted that Deputy Prime Minister Medgyessy was only 45 years old and the party Economic Secretary (Miklos Nemeth) was just 40. Hopefully, the good ideas that these young people will produce

would generate sufficient wealth to enable Grosz to enjoy his own prosperous retirement.

14. Hungarian participants in the meeting were, Grosz, Foreign Ministry State Secretary Gyula Horn, Deputy Foreign Minister Laszlo Kovacs, U.S. Desk Officer Bela Szombati (interpreter). U.S. participants were the Deputy Secretary, Ambassador Palmer, NSC staff member Rudy Perina and DCM Don Kursch (notetaker).

15. Moscow minimize considered.

Palmer

350. Telegram From the Embassy in the Federal Republic of Germany to the Department of State¹

Bonn, June 8, 1988, 1648Z

19021/Depto 3009. Subject: My Stop in Hungary.

1. Secret—Entire text.

2. As in Yugoslavia,² I found the talk here in Hungary revolutionary. Talk about free enterprise. Talk about market economies. Talk about reform and democratization and breaking with old ways of approaching problems. Also as in Yugoslavia, I found my visit well timed. I am the first high-ranking U.S. official to meet with Karoly Grosz since he pulled off his remarkable rise to the General Secretary's position, and sent Kadar and six of his loyalists in the Politburo packing. Grosz arrives in the U.S. July 20 and will meet with you and the President about a week later. The chance to take stock of the man just before his visit, and to give him our views of the Moscow Summit so soon after the event, was useful.

3. I've always found the Hungarians to be among the most progressive thinkers in Eastern Europe, but much of that progressive thinking never got translated into progressive action. They talked about reforming their economy, and indeed have already implemented measures like

¹ Source: Department of State, Official Correspondence of Deputy Secretary of State John C. Whitehead, July 1982–January 1989, Lot 89 D 139, Potsdam Trip, June 4–16, 1988 (Eastern and Western Europe). Secret; Immediate; Nodis. Drafted by Kelly; approved by Whitehead.

² See Documents 251–253.

a value-added-tax and income tax that are unprecedented in Eastern Europe, but much of their reform-minded talk remained just that—talk. The Hungarians suffer under a dols. 17 billion debt that is the highest per capita in Eastern Europe, and they've made little progress in whittling it down. They passed a bankruptcy law a few years ago, but very few firms have gone bankrupt. Major industries are all state-owned, and many continue to operate only with large state subsidies.

4. But the message I received this trip is that the time for talk has run out. Peter Medgyessy, a young, dynamic, reform-minded Grosz protege who is responsible for economic development, said a few coal mines are probably going to close down in the near future, and other bankruptcies will follow. The Hungarians recently concluded a standby agreement with the IMF that includes a new corporate law allowing for the conversion of state enterprises into joint stock companies. The IMF agreement also limits the state's ability to grant wage increases. The biggest change of all, of course, is Grosz's move to take over Kadar's party job, and the rebellion in the party leadership that saw six relatively young technocrats move into the Politburo. As my host, MFA State Secretary Gyula Horn, told me, never in Hungary have there been changes as radical as these, brought about peacefully, and even with a measure of democracy. Horn, a Grosz insider himself, noted that in the past, quote personal factors unquote blocked progress to reform, an apparent reference to the Kadar old guard. When the time came for hard decisions, the old guard was not committed to reform. But the people are demanding change, said Horn, and this government plans to give it to them.

5. The key to all this, of course, is Karoly Grosz, whom I've met with on my previous trips, and who will see Bill Verity next week. I found Grosz self-confident and firmly in command. He is extremely proud of the new, younger people he's brought into positions of authority. He said he planned still further personnel and policy changes, referring back to the Hungarian people's impatience with the way things have been run.

6. But we should not expect changes overnight. Grosz is at heart a conservative person, and tempered his discussion of the need for reform with a cautionary note that he can't move too far too fast. It's much harder for a tailor to remake a spoiled suit, he said, than to cut a new one from scratch. Peter Medgyessy asked what happens when a country that has offered total job security to its people suddenly withdraws that security in the name of economic efficiency. Some protest seems inevitable. But I told Medgyessy that when people realized what they had gained was freedom—the freedom to change jobs, the freedom to start their own business, the freedom to make choices that previously

were made for them—they'd never look back. I told Grosz he shouldn't move too cautiously because he'd lose his momentum, and perhaps the people's support along with it. As for whether all these personnel and economic changes will lead to political change, I noted in my departure statement³ that our experience in the U.S. suggests that a free economy will produce great benefits for the Hungarian people. And a free economy inevitably leads to greater political freedom as well.

7. Unlike my stop in Yugoslavia, the topics of conversation here did include other things besides the economy and reform. Both Horn and Grosz thanked me for my readout on the summit, with Grosz noting that smaller countries like Hungary feel much safer when the giants are talking. Horn said all the Eastern bloc countries welcomed this summit, unlike, he said, the publics of some Western European countries. Horn also was interested in discussing the upcoming Vienna Followup conference, and noted Hungary's desire to be included in the zone for conventional arms reductions. Horn also covered the full list of our bilateral agenda, noting progress in most areas with satisfaction, and showing just a bit of pique at Congress's recent defeat of OPIC legislation for Hungary. I admitted that we hadn't correctly gauged the opposition on this, but would try again.

8. Grosz also told me he is looking forward to his ten-day trip to the U.S., which will be his first. He said he plans to visit an 83-year-old uncle who's been living outside of Los Angeles since 1930. He also said he views the U.S. as a model for Hungary, and wants his visit to be an occasion to work on several concrete proposals he plans to bring along, and not just a political gesture. This trip will be important for U.S.-Hungarian relations. When the President sent Grosz a congratulatory message after the party conference, it appeared the next day front and center on the front page of the government newspaper. Grosz's trip will be watched carefully from Budapest, and will give us an opportunity to make a lasting impression on a man whose mind is open to new ideas, and who has the will and perhaps the moment to implement real change.

Burt

³ Not found.

351. Telegram From the Embassy in Hungary to the Department of State¹

Budapest, June 24, 1988, 1609Z

6554. Subject: Lunch With General Secretary Grosz.

1. Probably the first Communist Party General Secretary to eat at the McDonald's restaurant enjoyed his hamburger and listened with interest to my discussion of what makes America tick and what we should be trying to accomplish with his trip. He had some interesting things to say about the situation here.

2. I devoted the first part of our meeting to an extensive discussion of the nature of American society, our economy and politics. I stressed the strong engine of growth which in the first two months of this year alone has produced an increase which exceeds the total national gross product of Hungary and is now into its seventh year of expansion. I talked about the problems of poverty and wealth but stressed that what is most extraordinary about the United States is what is most ordinary—the lives of the vast majority who are middle class and whose quality of life is higher than that of any other country in the world in my view. I noted that we might seem somewhat confusing and messy as a society, but in this is our greatest strength—our willingness to allow for disorganized creativity, our suspicion of big government and big business. I noted that I had talked with IBM's leadership about giving him a briefing on how they are decentralizing, trying to combine the benefits of some control at the center with enormous freedom and innovation at the base, the same challenge he is facing here. I explained why we see Hungary and other countries so much through the prism of human rights: the emigre nature of our society and our conviction that politicians must be controlled by the people or they inevitably become corrupt. I had sent Grosz a summary of "In Search of Excellence" which gave the eight principles that the most successful companies in America followed.²

3. Grosz said that his greatest fascination about the United States is how we have managed to create a society which is so dynamic and so middle class. What system has been followed to make this possible? I noted that we were lucky that we inherited a country without an already existent feudal class, that we deeply believe that there is nothing wrong

¹ Source: Reagan Library, Rudolf Perina Files, Presidential Meeting with PM Groz Hungary 7/27/1988 (1). Secret; Immediate. Sent for information to Eastern European posts and Moscow.

² *In Search of Excellence* by Tom Peters and Robert H. Waterman, Jr., published in 1982.

with making money and in fact that most young Americans are urged to work even while they are still in school. We also tried to keep government to a minimum and to allow individuals and companies maximum room for their activity. Grosz clearly wants to discover during his trip some lessons that he can bring back to apply here to create more dynamism.

4. The second part of our discussion was devoted to his trip, US-Hungarian relations and the situation here. We both stressed the need for concrete accomplishments and not just more good words about the relationship. I noted our disappointment that U.S. exports appear to be down this year as a result of Hungarian import restrictions. I said that we should set an objective for a balanced trade relationship over the next four years and noted that Secretary Verity had suggested that a billion dollar two-way trade turnover was a good objective. Therefore, I said that perhaps Grosz could announce while he was in the United States that we are seeking a one billion dollar turnover by 1992. But to achieve this we need to be much more active and we need to remove bureaucratic and other barriers. Things were just too slow here in Hungary and there were too many regulations and restrictions in the area of finance. I stressed that Hungary needed to attract more Western investment in the form of 100 per cent Western owned firms or joint ventures. These could serve as role models. I also urged Grosz to support the idea being promoted by Canadian investor Sarlos for a mutual fund for investment in Hungary. I urged that he allow 100 per cent foreign ownership of some companies here and cited an example in which they had just lost a million dollar a year hard currency payroll as a result of bureaucratic resistance to one American company getting 100 per cent ownership. I also urged Grosz to consider a Disneyland theme park in Hungary, perhaps on the road between Budapest and Vienna. I had talked with Disney World owner Sid Bass June 23 about this and urged Grosz to talk to the Disney people during his Los Angeles stop. I urged him to give Malev's³ director the green light to go ahead to run Malev on a profit and loss basis, to purchase aircraft, and if he failed to fire him.

5. Grosz responded that he will announce in parliament a major new two-tier system in Hungary. For those 10 per cent of the companies which are genuinely doing well restrictions will be significantly reduced. They will be allowed to keep more of their income and to deal more freely in foreign trade. He hopes that this will be a magnet gradually to attract other Hungarian companies to improve and to join this first team. But Grosz noted that he has stirred up an intense fire storm

³ Hungarian airline.

of protest from within the system. People are coming up with all sorts of ideological and other reasons as to why there cannot be these two classes of companies. On reducing the party and government's role in the economy, Grosz noted his frustration with pinpointing the blame and getting people to accept more responsibility. He said that he had told the head of Malev Jahoda that he could earn as much as he wanted if he would only galvanize Malev into a success story. Jahoda is now making 67,000 forints a month, but Grosz told him he could make 200,000 forints or even more if only he would make some changes—that Malev had not changed itself in ten years. But Jahoda said he would rather have the certainty of the 67,000 forints than try for anything more. Grosz said he agreed that foreign companies could provide role models to deal with this problem; this was precisely why he had agreed to a West German buying out a Hungarian company in toto. He would love it if other Western companies would buy Hungary's troubled companies. As he sat there he could say that he would approve on the spot any American company I could think of that wanted 100 per cent ownership. I said that there was such a company—Jacky Bronner who is the world's largest polisher of diamonds. Grosz said "agreed." Grosz said that he did not agree that the government was using up too much of the national income: the money is being wasted by the companies whom the government is subsidizing. I stressed that the fact remains that too much of the national income is going through the hands of the government and that as the Chamber of Commerce President Beck had stated in a recent interview the successful companies simply don't get to keep the revenue they make. Grosz stressed again that the government itself was only using about 2 per cent of the national income which he believed was low by international standards and underlined his hope that the new two-tier system will gradually lead to a change in the way that companies operate. I noted that the Governor of Iowa⁴ and his experts on meat packing companies had told us earlier this week that in an extremely up-to-date Hungarian meat packing company with new Western equipment there were three times as many Hungarian workers as in a comparable American plant. Grosz said he agreed that improved management was a key as was better morale and motivation. He had read the portions of "In Search of Excellence" which I sent him and seemed genuinely interested in pursuing this subject in the United States.

6. On the non-economic side of his trip to the United States I said that we were very pleased with his statement of support for student exchanges during Secretary Verity's visit and said that Ron Lauder was

⁴ Terry Branstad.

prepared to announce a new student exchange program during his visit. I noted that he would be having an extended meeting with the President and that there would be time for a brief one-on-one. Grosz said that he would be having a five hour one-on-one with General Secretary Gorbachev in Moscow before his trip to Washington. He would be asking Gorbachev for his view on Budapest as a site for a possible fifth summit between President Reagan and Gorbachev. Therefore, he would be in a position to tell President Reagan during his meeting precisely what Gorbachev's attitude is on Budapest as a possible site. We discussed the conventional forces conference coming up here at the end of August,⁵ and I noted that there is considerable interest in the United States in this subject. I stated that Congressman Les Aspin would be coming for the conference as would a number of other people that Grosz may meet during his visit to the United States. Finally, I noted that Americans like a give-and-take as opposed to monologues and urged that he take this approach, including plenty of time for questions and answers when he is giving presentations.

7. In that connection I noted that he may very well face questions on human rights as so many Americans view Hungary largely through a human rights prism. While Hungary has a good record on freedom of travel, we view its record as being mixed on independence of organizations like youth groups and trade unions and on handling of demonstrations. I would be presenting Deputy Foreign Minister Kovacs with a paper on our concerns over human rights. Grosz responded that he wished the opposition here would give him a little more room. It was not possible to reverse decade of Stalinist and other practices overnight. Why couldn't the groups see that he was trying to let them do some things? For example, for the first time being able to honor Imre Nagy's memory in the cemetery, but that staging events at a place where government ceremonies are held, like Heroes Square, was not acceptable. Why couldn't they wait for the new law of associations to come out in a few months? Didn't they know that it was important for him not to create additional difficulties for Gorbachev? Didn't they know that he was under pressure from people within the system to clamp down. I told Grosz that he was fortunate in the nature of his opposition, a word that I said really didn't fit them in any case. 95 per cent of them were extraordinarily moderate. I knew them personally—people like Janos Kis, Gabor Dembsky, Csoori⁶ and Gado.⁷ They wished Grosz success in bringing about changes. They were not his enemies. Grosz asked

⁵ Documentation on the conventional forces conference is scheduled for publication in *Foreign Relations*, 1989–1992, European Security Framework, 1984–1992.

⁶ Sandor Csoori.

⁷ György Gado.

whether I really thought that Gado is a moderate. He said that Gado's writings create a cycle of writings. They stimulated anti-Semitism which he is trying to clamp down on. I noted that I had myself been involved with the police in demonstrations during the civil rights era in the United States. Police sometimes use force when it is totally unnecessary; they had done so on June 16 when one of my Embassy officers had seen a Hungarian kicked in the head while he was lying on the ground. Grosz said you couldn't teach police to be humanitarians; their task is to follow orders. If they are ordered to disperse a crowd, that is what they must do. For example, there is a demonstration coming up on June 27 over Romania in front of the Romanian Embassy. Grosz said he was permitting this demonstration to take place as he had others on other subjects, even though it is against national policy on Romania. But the first moment that the demonstrators try to break into the Romanian Embassy, or the first time they start chanting "irredentist" slogans, he has given orders that the demonstration will be dispersed. I noted that this could be difficult. There is a rumor going around Budapest that the Romanian Government blew up Hungarian houses. (We have since heard that the rumor has it that the seven families who were taken from the houses, after having threatened Securitate with a knife, were taken to a cave and executed.) Grosz said that he knew the people were angry over this event and that he was very angry also, but he could not allow his anger to show. Nonetheless, the crowds would be dispersed if they started to make certain chants.

8. Grosz seems genuinely eager to learn about the United States and to pursue various avenues of trade and investment and exchanges with vigor. He is a tough customer, stressed that he would speak his mind in the United States, and that he would not mind others expressing different views.

9. Moscow minimize considered.

Palmer

352. Telegram From the Embassy in Hungary to the Department of State¹

Budapest, June 28, 1988, 1552Z

6672. Subject: Romanian Refugees in Hungary.

1. Summary: The Hungarian press reported recently that Romanian citizens of ethnic Romanian or German background who do not want to return to Romania will be allowed to leave Hungary provided they have proof of acceptance from another country. This major change in Hungary's treatment of citizens from other communist countries raises opportunities and problems for would-be refugees which the Embassy requests Department and INS review. End summary.

2. On June 16 the Hungarian press reported on a meeting of the GOH Council of Ministers in which the plight of a reported 5,000 Romanian citizens who have officially notified the GOH they do not wish to return to Romania was discussed. In a subsequent press conference Deputy Minister of Interior Zoltan Gal reported that most of the refugees are ethnic Hungarians, and are being assisted with jobs, etc. However, he noted that 400–500 ethnic Romanians and Germans wish to go on to a third country. In a major new development, Gal said that quote if they receive a statement of acceptance the Hungarian authorities pose no problems to their departure end quote. Embassy subsequently confirmed with MFA that it is now official GOH policy to allow these Romanians to depart, providing they have a visa for a third country.

3. In the past the GOH has refused to allow nationals of other communist countries to depart Hungary without the permission of the nationals' own embassies. The public announcement of a special policy for Romanians not of Hungarian origin is a major departure apparently caused by the GOH unwillingness to force refugees back to Romania, coupled with a realization that it would be difficult to integrate these people into Hungarian society.

4. Unfortunately for the Romanian citizens, the new policy coincides with a major increase in the number of would-be refugees already present in Austria and an apparent growing resentment against the cost

¹ Source: Reagan Library, Rudolf Perina Files, Romania—Substance 1988 (1); NLR-422-3-35-7-4. Confidential; Priority. Sent Priority for information to Vienna and Bucharest. The White House Situation Room sent the text of the telegram to Perina in an electronic message. See Document 180.

of their maintenance to the Austrian taxpayer. In septel the Embassy reports on an interview given by Austrian Interior Minister Karl Blecha to the Hungarian newspaper “Magyar Hirlap”, in which he complains about the increasing numbers of refugee applicants awaiting resettlement from the camps in Austria (now approximately 14,000) and notes that approximately 6,000 are Hungarians.² The new Hungarian passport law which came into effect on January 1 has, as expected, resulted in many Hungarians traveling to the West seeking to immigrate. Most are not eligible for immigrant visas, and so seek refugee status. Though most probably do not meet the international criteria, their presence in Austria while awaiting decisions in their cases poses a growing problem for Austria.

5. The Romanian citizen refugees, therefore, are caught in a Catch-22 situation, since while they are allowed to leave Hungary they are often not allowed to enter Austria to apply for refugee status. In the past two years this Embassy has seen a marked increase in the numbers of Romanians coming in to request advice or assistance in getting to the U.S. or other Western countries. In the past few months we have averaged interviews with twenty or more such Romanians a week. Their stories of privation and persecution in Romania have grown most desperate.

6. The new policy by the GOH in our view presents a major challenge both to Austria and the refugee-accepting countries to develop procedures to deal in a humanitarian manner with the Romanians stranded here. Since neither this Embassy nor other Western Embassies with which we have consulted is in a position to issue visas to the vast majority of them, we have at present no solution to offer to them, although we believe many would qualify for refugee status.

7. We therefore urge the Department and INS to review the situation with a view to working out procedures to enable these Romanians to apply for refugee status.

8. We also note that this problem is becoming more urgent with the reported presence in Hungary of agents of the Romanian secret police. Several times recently Romanians have reported to us they fear they are in physical danger in Hungary because of the infiltration by Romanian agents of the Hungarian organizations set up to help refugees.

Palmer

² Telegram 6437 from Budapest, June 23, described Blecha’s interview with *Magyar Hirlap* regarding Hungarian refugees. (Department of State, Central Foreign Policy File, D880539–0933)

353. Telegram From the Embassy in Hungary to the Department of State¹

Budapest, July 1, 1988, 1453Z

6838. Subject: Grosz Visit to the U.S.—Demarche to the Hungarians on Human Rights Issues. Ref: Budapest 6554.²

1. Meeting June 30 with MFA State Secretary Gyula Horn, Ambassador handed over a non-paper outlining concerns with Hungarian human rights performance which General Secretary Grosz might be hearing about during his visit to the U.S. The Ambassador recalled that MFA officials had suggested our presenting such a paper in effort to avoid surprises during the General Secretary's visit, and that he had told Grosz over lunch June 24 that he would be presenting such a paper. Ambassador said that we raise these concerns—including passport denials, the formation of new associations, and the June 16 demonstrations—in a constructive spirit and not in effort to preach or instruct, and that we believe GOH action on these concerns would be useful.

2. In subsequent conversation, Horn noted that he is a member of the committee Pozsgay is chairing which is reviewing developments in Hungary over the past 30-plus years, including 1956 and Imre Nagy.

3. Following is text of the non-paper:

Begin text.

Human Rights Concerns

—In the United States, General Secretary Grosz may hear a broad spectrum of people—including officials, non-officials, journalists, human rights activists, and Hungarian-Americans—express a range of concerns about human rights practices in Hungary. This term refers, in the fullest sense, to the entire range of relationships between an individual and the state regarding subjects which include freedoms of expression, the press, assembly, and religion, the degree to which individual interests and concerns are reconciled with governmental decisions, the right to organize trade unions and to strike, and the right, through lawful, constitutional means, to change the character of the government. It

¹ Source: Reagan Library, Rudolf Perina Files, Presidential Meeting with PM Groz 7/27/1988 (1). Confidential; Priority. Sent for information to Eastern European posts, Bonn, London, Paris, Rome, and Vienna.

² See Document 351.

is to be expected that some of the points made to the General Secretary may variously be vague or inaccurate. Any concerns likely to be raised, however, will reflect a fundamental American preoccupation with human rights which affects our overall perception of the bilateral relationship most profoundly.

—What follows is an outline of issues of concern to American human rights groups which, we believe, could be addressed by the Hungarian authorities to improve further the image of Hungary's human rights performance in the United States.

Passport Denials:

—The new passport law contains a clause denying a passport to anyone who has been imprisoned. This clause has been used to refuse passports to Sandor Racz, who was in 1987 granted a passport for travel to the U.S., and Jeno Fonay.

—A passport has also been denied to Dr. Gyula Erdei, of Szolnok, who once tried to seek political asylum while on a trip to Austria.

—Also unable to obtain a passport is Ferenc Koszeg, who is refused on grounds of unspecified, allegedly unacceptable statements made during his last trip to the West. Peter Bokros and Tamas Molnar have been denied passports on similar grounds. Gyula Dardai of Kiskunfelegyhaza, a former personal driver of a senior official of the Ministry of Defense, has reportedly been denied a passport on grounds of "offending the public order." Jeno Nagy has been denied a passport in light of a civil suit concerning receipt of family allowances.

—We would welcome review and modification of the new passport law, which has already been publicly discussed, in such a way as to eliminate the grounds for passport denials to former political prisoners. We would also welcome an individual review of the foregoing cases, and believe that a statement by the Hungarian Government that in the future passports will not be denied for reasons which are—directly or indirectly—political would be very helpful.

Law of Associations:

—The formation of an independent youth group (FIDESZ) and of an independent union of scientific and technical workers (TDSSZ) have been noted in the U.S., especially among labor interests which exercise a strong influence on U.S. economic and trade policy toward Hungary. Such U.S. groups have been encouraged by recent public statements by Hungarian officials that the new law of associations will broaden the field of permissible activities for Hungarians. At the same time, some Americans are aware that General Secretary Grosz has said that a second, independent youth organization is not permissible.

Freedom of Emigration:

—Further to a recent conversation between Mr. Vargo of the U.S. Commerce Department and Deputy Prime Minister Marjai, it occurs to us that it might be constructive, in respect to U.S. trade legislation, for the Hungarian Government to review its existing travel controls with a view to abolishing criteria for legally-authorized emigration from Hungary. In effect, this would transfer the decision from the Hungarian Government to the individual, and to his ability to obtain a visa or residence permit from the intended receiving state. We would welcome further informal exchanges on this subject.

Conscientious Objectors:

—Several individual cases of imprisoned conscientious objectors have attracted attention in the U.S. and other Western countries. These include Zsolt Keszthelyi, Gyorgy Hegyi, Barna Csontos, Jozsef Peller, Zsolt Locsmandi, and Istvan Lukacs, all of whom are reportedly held under a harsh prison regime (Borton, as opposed to Foghaz). There have been several reports of Mr. Keszthelyi being mistreated.

—We would welcome release or amnesty of these and other imprisoned conscientious objectors, possibly by offering them alternative service of the nature made available to members of some religious groups.

Psychiatric Confinement:

—The situation of dissident Laszlo Rusai, who was confined involuntarily last winter to a psychiatric hospital in Gyongyos, has been raised by Amnesty International. We understand that Mr. Rusai is now in a Budapest psychiatric clinic; this represents progress and the General Secretary should be aware that this meets the major concern. We believe it would be useful, in order to dispel remaining concern, for permission to be granted for a representative of a Western non-governmental organization to have access to Mr. Rusai.

Unrecognized Religious Groups:

—The recent understanding between the Hungarian Government and the Mormon Church may be welcomed by some of the General Secretary's American interlocutors. The Hungarian Government's continued denial of official recognition to the independent Seventh-Day Adventists, who have repeatedly been fined and harassed, and the Faith Church, whose believers are subject to official harassment and job-related sanctions, may generate criticism. Broadly, we would encourage the Hungarian Government to examine the relationship of religious freedom with state requirements that legally acceptable religious activities may be conducted only by denominations recognized by the government.

June 16 Demonstration:

—The confrontational posture of the police toward the June 16 Budapest commemoration of Imre Nagy's death received critical publicity in "The New York Times"³ and other journals. By prevalent American standards, police used excessive force in confronting a demonstration which appeared in no way provocative. An Embassy officer saw policemen kicking a downed demonstrator in the head, and police motorcycles charged a gathering which had actually begun to disperse several minutes before. The General Secretary may receive questions and expressions of concern about this.

Differentiation between "Opposition" and "Enemy":

—The General Secretary may be pressed to explain his views on the difference between responsible "opposition" (ellenzek) and "enemy" (ellenseg) activities. The substantially higher threshold of opposing and dissenting views permitted, and expected, in American politics and society will be a basic premise of any questions.

Palmer

³ See Henry Kamm, "Protestors March to Remember Nagy," *New York Times*, June 17, 1988, p. A6.

**354. Memorandum From Paul Schott Stevens of the
National Security Council Staff to the White House
Press Secretary (Fitzwater)¹**

Washington, July 6, 1988

SUBJECT

Request for Hungarian Television Interview With the President

At Tab A is a telegram from our Ambassador to Budapest reporting that Hungarian television has requested a short Presidential interview

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, President's Meeting with Prime Minister K. Grosz, Hungary 07/27/1988 (2). Confidential. Copies were sent to Frederick Ryan and Mari Maseng.

or prepared statement to be broadcast in connection with Hungarian Prime Minister Grosz's official working visit on July 27.

We strongly endorse this request. Hungary is in the forefront of reform in Eastern Europe, and the Grosz visit will be historic: the first visit by a Hungarian Prime Minister since 1946. Televised comments by the President will have a vast audience in Hungary and offer an opportunity to endorse the internal reforms underway in the country.

We recommend agreeing, as a first preference, to a five-minute on camera interview with 4-5 questions submitted in advance or, as an alternative, a three-minute prepared statement.

The State Department also endorses this interview, and USIA Director Wick has sent a letter to Fred Ryan recommending that this interview be scheduled.²

Tab A

Telegram From the Embassy in Hungary to the United States Information Agency and the White House³

Budapest, June 28, 1988, 1401Z

6657. Subject: Hungarian Television Interview With President Reagan.

1. Hungarian television has come to me to ask for a few minutes of the President's time for an interview in the context of General Secretary Grosz's visit to the United States. This is an opportunity to get to virtually all ten million Hungarians and the President's words would have an enormous impact here. It would be an opportunity for him to talk about the great benefits of a free enterprise economic system and a democratic political system at a time when Hungary is more open to change than at any moment since 1956. If the President would not want to do an interview he could perhaps read a brief statement and we could provide written answers to some written questions submitted by the Hungarian press.

Palmer

² Not found.

³ Confidential.

**355. Memorandum From Paul Schott Stevens of the
National Security Council Staff to the President's
Speechwriter (Dolan)¹**

Washington, July 13, 1988

SUBJECT

President's Statement for Hungarian Television

Hungarian television has requested a taped statement from the President for broadcast prior to the U.S. visit of Prime Minister Grosz. We understand this taping may occur on Thursday, July 14. At Tab A is a suggested text for this statement, as supplied by our Embassy in Budapest and amended in the NSC. The original incoming cable from Embassy is at Tab B.²

Tab A

Paper Prepared in the National Security Council³

Washington, undated

PRESIDENT'S STATEMENT FOR HUNGARIAN TELEVISION

Thank you for this opportunity to address the Hungarian people at the start of the trip of Prime Minister Karoly Grosz (pronounce: GROSS) to the United States. I am pleased not only with Mr. Grosz's visit, but with his willingness to meet with many different Americans and explore a number of regions of the United States, from San Francisco and Los Angeles in the west, to Chicago in the midwest, to New York and New England, as well as to our national capital. It is my belief that through personal contacts and shared experiences such as these we can overcome prejudices and stereotypes, and provide the foundation to make further progress in our bilateral relationship to the mutual benefit of our peoples.

Of course, you know that American-Hungarian relations go far back and predate the current improvement in relations. Americans have benefitted richly from the contributions of Hungarian immigrants

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, President's Meeting with Prime Minister K. Grosz, Hungary 07/27/1988 (2). No classification marking. A copy was sent to Fitzwater.

² Not attached. See Tab A to Document 354.

³ No classification marking. No drafting information appears on the paper.

to American life. Hungarians have demonstrated their enormous talent and genius in America, from George Szell and Eugene Ormandy in music, to Nobel prizewinners Albert Szent-Gyorgyi and Jerome Wigner in biology and physics.

More recently, I was moved while watching the final return of Bela Bartok to Budapest and am proud and honored that America was able to provide a sanctuary for him during the second world war.

In the film industry, which I know well, the legendary Hungarian director, George Cukor, found himself facing so many Hungarian aspirants for his productions that he felt compelled to put a sign on his office reading, "It's not enough to be Hungarian, you have to have talent, too." And certainly many talented Hungarians found their way into this industry. One of the best known, Tony Curtis, is also actively involved in promoting contacts between our peoples.

In the economic area, we are following with interest the bold reforms calling for the exercise of greater responsibility by individual managers, broader scope for private enterprise, and growing competitiveness among companies.

We welcome encouragement of international joint ventures and the recently announced opportunities for direct foreign investment in Hungarian firms. Clearly, there is recognition on both sides of the mutual benefits of economic cooperation. We are confident that determined movement toward a market-oriented economy will result in greater opportunities for Hungarians, and allow Hungary to take its rightful place in the modern, high-technology world which we are entering.

Hungarian leaders have noted that economic reform cannot move forward without political reform. We strongly share this view. We welcome the increasingly open discussions on democratization, pluralism, and a greater role for Parliament and the press. We look forward to the full implementation of these important reforms in Hungary because we know that respect for human rights and democratic processes is the key to peace and prosperity, both within individual countries and in the international community.

In recent years, our bilateral relations have been steadily improving in many areas: from the return of the Crown of St. Stephen ten years ago to the recent surge in academic and cultural exchanges. We are prepared to work diligently to expand such contacts further.

There was—just in the first half of this year—a 30 percent increase in visas issued to Hungarians to visit the U.S. This clearly demonstrates the expansion in professional and tourist traffic between our two countries. We hope many more of you will come to see the United States firsthand. We welcome the easing of Hungarian travel restrictions, which will almost certainly result in many more Americans visiting Hungary in the coming years.

Prime Minister Grosz is visiting during a time of promise. I am convinced that there are excellent prospects for improving East-West relations in a wide range of important areas. Hungary has played and can continue to play a valued role in this larger East-West relationship. We look forward to continuing ever richer contacts with the Hungarian people and send our best wishes for your success.

Thank you and God bless you.

**356. Telegram From the Embassy in Hungary to the
Department of State¹**

Budapest, July 15, 1988, 1539Z

7305. Subject: MFA Officials on Withdrawal of Soviet Forces From Hungary. Ref: Budapest 7086.²

1. (Secret—Entire text.)

Summary:

2. Hungarian MFA officials confirm Hungarian CC staffer's account that Soviet troop withdrawals from Hungary did not come up in the July 5 Grosz-Gorbachev Moscow meeting. According to the MFA's Deputy Director for Disarmament Matters (protect), there is a bilateral agreement in principle that all the Soviet forces will go, and it is currently foreseen that the move would be triggered by some Western gesture in the conventional forces area.

End summary.

3. In a chance meeting with PolOff July 14, Ambassador Ferenc Somogyi, the MFA's Director for International Organizations and Disarmament, confirmed reftel report that Soviet troop withdrawals from Hungary under the rubric of "unilateral gestures" did not come up in the July 5 Grosz-Gorbachev meeting. He said the issue would be addressed again during the July 15 Warsaw Pact meeting. Somogyi denied that Soviet-Hungarian conversations to date have addressed specific numbers. He did not think there was any prospect of troop

¹ Source: Reagan Library, Rudolf Perina Files, Hungary—Substance 1988 (3). Secret; Immediate. Sent for information to Eastern European posts, Bonn, London, Paris, Rome, and Vienna.

² Telegram 7086 from Budapest, July 11, reported on Grosz's July 5 meeting with Gorbachev. (Department of State, Central Foreign Policy File, D880590–0384)

withdrawal from Hungary only, but that there would be related moves from other Pact countries.

4. However, over lunch July 15, Ambassador Imre Uranovitz (protect) MFA Deputy Director for Disarmament Matters, elaborated that extensive Hungarian-Soviet party/party and military/military conversations have resulted in an agreement in principle that the Soviet forces will go. Uranovitz says the agreement provides for withdrawal of all the Soviet forces—piecemeal withdrawals, he points out, would vitiate any political impact of the move. Uranovitz says the Hungarians and Soviets now share the perception that the Soviet troops are here because of 1956, not for military reasons, and that changes in the Soviet Union and the invalidation of the Brezhnev Doctrine have increasingly undermined the rationale for keeping the Soviet forces here. So have developments in Vienna: The 62,000 Soviet troops in Hungary used to be a component in the MBFR “numbers war;” paradoxically, movement beyond MBFR has facilitated understanding that the Soviets could pull out. Uranovitz says the Soviet military has been reluctant throughout for reasons of institutional self-interest: It is easier, in terms of careers, to demobilize a GLCM or retire outmoded strategic rocket forces than to withdraw tank regiments.

5. Uranovitz is uncertain of the timing; he doubts it will come in the immediate future. It is presently foreseen that the move will be triggered by some positive Western gesture in the conventional forces area which might be of an indirect nature. For example, attention is being paid to West German political positions regarding commitments of conventional forces to NATO, and to Franco-German military cooperation. Some development in one of these areas could precipitate movement of Soviet forces.

6. Uranovitz repeated that Hungary is interested in cutting defense outlays and has resisted suggestions by other Pact members that it increase spending under the guise of “modernizations.” He declined to get into details, but said areas of suggested interest for force modernization were “not just aircraft.”

7. Comment: Asked why Hungarian officials have lately been so communicative about “unilateral gestures,” Uranovitz was cautious and denied that CC International Department Director Kotai, speaking in Potsdam in June, had actually called for Soviet “unilateral gestures” in Hungary: that, Uranovitz said, was the press interpretation. The signal we do seem to be getting is that Soviet troop withdrawal from Hungary is agreed, packaged, and waiting on the shelf, subject to the right conditions. And Uranovitz was trying to leave the impression that those conditions may not be all that strenuous.

357. Telegram From the Embassy in Hungary to the Department of State¹

Budapest, July 19, 1988, 1445Z

7397. Subject: Thoughts on the Hungarian Human Rights Situation on the Eve of Grosz' Visit.

1. (Confidential—Entire text.)

Summary:

2. This message is an editorial comment setting forth the Embassy's views on the Hungarian human rights situation on the eve of General Secretary Grosz' visit and following two days of Budapest consultations by Assistant Secretary Schifter² with Hungarian officials and leading members of the opposition. We believe the Grosz visit will create important opportunities to encourage the GOH to move forward with its announced plans to codify and enumerate citizens' rights and broaden guarantees of personal freedoms. While recognizing that many problems remain and that recent favorable trends are reversible, we believe that Hungary's current situation offers a window of opportunity to stimulate improvements on fundamental human rights issues which would have profound impact on this society, and which we should take full advantage of.

3. The Hungarian paradox offers temptations for extremes of praise and criticism that ill-serve our interests in stimulating political reform and pluralism here. Internally, Hungary has come a long way, and we need to be careful of confusing relations between the opposition and the apparatus with relations between the people and the system. We should not allow ourselves to be too distracted by individual regime moves in "tightening up" or "easing up" on dissenters and samizdat publishers because, in the current Hungarian context, these are tactical maneuvers, blips on a small oscilloscope. We should be careful of Grosz himself—perhaps influenceable for the good, but in no way, deep down, a paragon of democratic principles. In a positive vein, we need to probe and push Grosz on his intentions regarding the fundamentals—toleration of independent associations and trade unions, holding of multiple-candidate elections for which nominations are not party-controlled, instituting meaningful limits on the party's

¹ Source: Department of State, Central Foreign Policy File, D880620–0508. Confidential; Immediate. Sent for information to Eastern European posts, Bonn, London, Paris, Rome, and Vienna.

² Reference is to Richard Schifter, Assistant Secretary of State for Human Rights and Humanitarian Affairs.

role in society, and accepting a multi-party structure in which opposition groups perform a normal and healthy function. Tactical objectives well within our capacities include our getting passports for the handful of dissidents now denied them, and prompting officials to lay off harassment of samizdat publishers. Successfully addressing such issues is now becoming almost routine. But Hungary's future, in terms of fundamental political arrangements, is very much in doubt. Securing some forward movement there would represent a real payoff for Hungary, and us.

End Summary

In the Eyes of the Beholders

4. The question of what to make of Hungary presents policy difficulties across the board, and none is tougher than in the human rights area. Hungarians for the most part are able to say what they like when they want to, yet within a controlled society in which old-fashioned communist theoretical norms still have weight, with the regime's internal policy mix containing reduced doses of fear and compulsion, and with the opposition serving as a source of ideas and concepts for reformers within the system. Hungary's situation is also different in that economic difficulties have not yet, as in Poland and Romania, reached consumers and workplaces so seriously as to make workable social consensus elusive. While there has been significant decline in the Hungarian standard of living, with more to come, there is still room for maneuver and dialogue here. Relatively, compared to most of its Warsaw Pact allies, this is a strikingly tolerant and humane society which has taken some notable steps toward pluralism. Practically, there is substantial exercise of basic freedoms, but without guarantees. As governments go, this one has some identifiable interest in the material welfare and dignity of most of its people. In form, and to a certain extent in practice, there is control by a communist power structure we abhor.

5. Our own House of Representatives grappled with these contradictions through 11 pages of the "Congressional Record" in its May 12 floor debate on the issue of OPIC coverage for Hungary, which was voted down.³ It is a fascinating transcript. On the whole and in parts, it betokens a thoughtful view of a complicated situation. In some passages it reflects the temptation, magnified by our own ideological blinkers, to accord Hungary harsh criticism or high praise. There are guilt-by-alliance allegations of slave labor and innuendo that police seizure of samizdat materials is typical, a revelation of basic trends. On the other

³ The debate is in the *Congressional Record*, vol. 134 (100th Congress, 2nd Session), pp. 10585-10605.

hand, there is a relativist statement, made in the abstract and standing alone, that in the Eastern European context Hungary's human rights record is exemplary. In dealing with Grosz, as with Hungary, both extremes of loose criticism and unguarded praise ill-serve our basic interests in promoting democracy and pluralism here. That is because in various ways, this level of our policy debate is about trappings and attributes, and ignores the fundamentals. And that is where we most need to press Grosz.

Dissent, and Beyond

6. Prominent among the pitfalls facing us is the temptation to confuse relations between the opposition and the apparatus with relations between the people and the system. This temptation may be healthy in respect to some members of the socialist commonwealth, in the sense that blatant disregard for individual rights of Polish or Romanian or Czech or Bulgarian non-conformists are in varying degrees a reflection of broader trends within those societies. Police there use surveillance and threat of force against opposition members, and surveillance and threat of force are also an important overall element in those societies. Hungary has come a long way. In the sense that occasional samizdat seizures and denials of passports to dissidents reflect the absence of meaningful guarantees of civil liberties in this society, but do not reflect an overall atmosphere of fear and compulsion.

In the first five months of 1988, under the new passport law, Hungarians applied for and received 1.4 million new passports and made over 2.9 million trips abroad. (The country's population is 10.6 million.) According to official statistics, there were 3,200 passport denials for all reasons, and a recent opposition research paper identifies a dozen dissidents and former 1956 activists currently being denied passports. On July 19, five of the dozen went on hunger strike; the Interior Ministry had earlier told us it would review one of those five cases. On balance, then, remaining passport denials say something about the nature of this system and its lack of legal and procedural guarantees. It is clear, all the same, that the trend is very much toward liberalized passport issuance.

7. Close contact with the Hungarian opposition over a long period has left us some strong impressions about the nature of dissent and the opposition here. One is that the most important role of Hungary's opposition is in being a source of ideas and concepts for reformers and younger Turks within the system. There are numerous conduits: intellectuals outside of dissident circles are avid samizdat readers. Newly-created Minister of State and Politburo member Imre Pozsgay has close links to the Hungarian populists. Interior Minister Istvan Horvath has twice met with populist leader Sandor Csoori. On the democratic opposition side, ideas which first surfaced in samizdat literature such as

Janos Kis' treatise "The Social Contract," regarding relations between the party and society, have raised arguments later picked up by ideological debate within the party itself. While the opposition is important for its seminal role, it is not (yet) the germ of an alternate party or alternative to the present government. It is important as a pressure group on party and system behavior because it is overwhelmingly moderate. To some degree it can be said that there are, between regime reformers and Hungary's opposition, substantially shared goals and perceptions, but differences regarding tactics.

8. As Americans, we identify closely and naturally with members of the opposition. In assessing our interests in Hungary, however, we need to bear in mind that opposition movements are, by nature, in the advocacy business. It is natural that Western press treatment of opposition matters tends to highlight the negative. For example, police raids against samizdat printers in March, which involved seizure of an IBM word processor, 10 typewriters, and large quantities of printed matter received a fair amount of Western press attention. Officials' action in returning the IBM word-processor (which had been legally imported, with import duties duly paid) in May, along with the typewriters, went unnoticed. The recently improved format of the "Beszelo" and "Hirmondo" samizdat journals owes to composition on the previously-seized word-processor. Similarly police provocation and use of excessive force against a peaceful gathering June 16, on the anniversary of Imre Nagy's death, received widespread press attention. Numerous police beatings were reported. EmbOfs present witnessed one (Gabor Bouquet) and confirmed two more (Gabor Demszky and his wife Rozsa Hodosan), but that's fewer than claimed in press accounts. Nowhere in Western published sources have we seen the point made that this year, for the first time, the authorities allowed a church service and a cemetery gathering to commemorate Imre Nagy's hanging. This is not to write off excesses which should not have occurred, but to point out they were less extreme than was widely reported.

9. As a government, we need to continue to follow Hungarian opposition matters closely, but we should not allow ourselves to confuse the regime's tactical measures in "tightening up" or "loosening up" on dissenters with the actual human rights situation here. In the current Hungarian context, these maneuvers are small blips on a large oscilloscope. The big picture which is so important here is how far Grosz intends to go in allowing real pluralism, with meaningful guarantees of fundamental human freedoms. Our challenge is to convince Grosz that in order to achieve a viable economic system, he has no alternative but to implement fundamental political reforms. The approach we advocate is not new—carrot-and-stick linkage, with the carrot consisting of the prospect of substantial and well-directed U.S. private sector investments to help turn the Hungarian economy around.

10. Grosz will not be an easy sell. He does not in any way share our innate respect for democratic values. Some of his statements in recent weeks—confusing “opposition and enemy elements,” alleging “atrocities” committed against the police June 16 at the instigation of “chauvinist, irredentist” elements, and endorsement of a cheer-leading role for trade unions—are more broadly disquieting than the June 16 police action.

Democracy's the Thing

11. We are currently fairly successful at solving specific human rights concerns on a routine basis. With Grosz, we need to focus most strongly on the fundamentals, including worker rights such as the right to strike and toleration of independent associations and trade unions, and issues of party and political democracy including the holding of multiple-candidate elections for which nominations are not party-controlled, acceptance of a political structure in which opposition groups perform a normal and healthy function, and the establishment of a judicial system which can truly protect those rights. There is to be a new constitution, and we need to encourage meaningful mechanisms to defend constitutional rights and function from encroaching elements of the state apparatus. We need to make sure that—as leading dissidents fear—“reformist” laws on freedom of association and assembly will not become new and more sophisticated devices for regulating dissent. We should urge curbs on the activities of the secret police and seek to pin down official plans, explained to Assistant Secretary Schifter this week, to revitalize the court system and institute a constitutional court capable of overturning party and governmental edicts. Securing positive movement on these issues would represent a real payoff for Hungary, and for our interests.

Kursch

358. Report From the Central Intelligence Agency to Multiple Agencies¹

Washington, July 25, 1988, 1638Z

172110. Subject: Hungarian Party Leader Interest in Raising Issue of Hungarian Minority in Romania During U.S. Visit

[1 line not declassified]

[less than 3 lines not declassified]

Text 1. Hungarian General Secretary Karoly (Grosz) [less than 2 lines not declassified] discuss the likely U.S. position on Romania's treatment of its Hungarian minority prior to Grosz's meeting with the U.S. President. [less than 2 lines not declassified] It is a political impossibility for Grosz to be indifferent to the issue of the Hungarians in Transylvania, considering Hungary's strong historical ties to the region and Romanian President Nicolae (Ceausescu)'s current program of razing thousands of Hungarian villages in Romania. [less than 1 line not declassified] Grosz received no support when he raised the subject during his private meeting with Soviet leader Mikhail (Gorbachev). [less than 1 line not declassified] Gorbachev told Grosz that the issue involved Romanian sovereignty and that Ceausescu had the right to develop and implement Romanian policies.

2. [less than 1 line not declassified] Grosz would be interested in exploring [less than 1 line not declassified] whether it would be appropriate for Grosz to raise the minorities subject during his meeting with President Reagan. [less than 1 line not declassified] some Hungarian officials thought that perhaps the U.S. Government would be willing to consider some concession to the Romanians associated with the most-favored-nation (MFN) trading clause in return for better treatment of the Hungarian minority in Romania. ([less than 1 line not declassified] Comment: [less than 1 line not declassified] this approach was a non-starter. There was also some discussion [less than 1 line not declassified] on whether the United States would be willing to mention the Hungarian minority issue to the Soviets in a low key way during U.S.-Soviet discussions on regional issues.)

3. [less than 1 line not declassified] the primary reason for the visit was that Grosz favored the development of further ties and cooperation

¹ Source: Reagan Library, Rudolf Perina Files, Presidential Meeting with PM Groz Hungary 7/27/1988 (5). Secret; Specat; [handling restriction not declassified]. Sent to the White House Situation Room, the CIA Office of Current Affairs, the Department of State, the Department of the Treasury, and the Department of Commerce. This copy of the telegram was sent to Perina by means of an electronic message from the White House Situation Room, July 25.

with the United States. [*less than 1 line not declassified*] repeated references to the fact that this was the first head-of-state visit from Hungary to the U.S. ([*less than 1 line not declassified*] Comment: There is currently much discussion at senior government and party levels in Hungary as to the future of the country in light of the movement toward economic and financial integration within the Economic Community (EC). Many Hungarians fear that Budapest could progressively be shut out of the West European market, forcing the country deeper into the embrace of the Soviet Union. A number of officials, [*less than 2 lines not declassified*] argue that the solution is to try to align the Hungarian economy much closer to the West German economy. [*less than 1 line not declassified*] Budapest should follow the example set by Austria of political neutrality, combined with very close economic and financial ties with the EC, especially West Germany. [*less than 1 line not declassified*] Grosz is conceptually interested in further ties with the U.S. as a partial counterbalance to closer ties with Western Europe.)

**359. Telegram From the Department of State to the
Embassy in Bulgaria and the Embassy in Poland¹**

Washington, August 17, 1988, 0915Z

267733. Subject: The Secretary's Meeting With Hungarian General Secretary Karoly Grosz.

1. (C—Entire text).

2. Summary: On July 26, Secretary Shultz had a wide-ranging discussion with Hungarian General Secretary Grosz which focussed heavily on Hungary's internal developments. Grosz defended the openness of Hungarian society, but acknowledged that the rules of conduct are not yet established. This resulted in misunderstandings such as those which occurred during the demonstrations on the 30th anniversary of Nagy's death.² He saw the need for greater intellectual support for the reform program and new legislation on minorities and the right of assembly. He hoped for a new constitution by 1990.

3. On the foreign policy front, Grosz asserted that the Hungarians are looking outward and even moving toward relationships with Israel

¹ Source: Reagan Library, Rudolf Perina Files, Hungary—Bilateral 1988 (1). Confidential. Grosz visited Washington for an official working visit July 26–28.

² June 16.

and Korea. He admitted that some of this Warsaw Pact partners remain wary of Hungary's opening to the West. He stressed the importance of working with Gorbachev and said that if Gorbachev failed, we would all live in a tougher world. End summary.

4. The Secretary met Grosz for one hour at latter's hotel suite. With Grosz were Laszlo Kapolyi, Commissioner of the Council of Ministers; Lazlo Kovacs, Deputy Minister of Foreign Affairs; Ambassador Hazi; MFA Second Secretary Kiss, Embassy DCM Pataki (notetaker); and an interpreter. The U.S. side included the Deputy Secretary, Assistant Secretary Ridgway, Ambassador Palmer, DAS Simons, EUR/EEY Director Deal (notetaker), and an interpreter.

5. The Secretary said he looked forward to hearing from Grosz about developments in Hungary and Hungary's foreign relations. He said we are living through a time of tidal changes. He had seen such change in his extensive travels, e.g., in the USSR, China and Thailand; the trend is not limited to one country. Economic and political systems are being rearranged; scientific and technological questions are coming to the fore. There is a ripple effect and more diplomatic fluidity today than before, e.g., in Cambodia, South Africa and the Korean Peninsula. Unfortunately, there is not that fluidity in Central America. He then invited Grosz's comments on these trends.

6. Grosz said that he had been preoccupied with domestic problems and the accelerating pace of change in Hungary. It should come as no surprise that there is an intense debate about how to resolve Hungary's internal problems and how to set its course internationally.

7. The process of change is strong in the socialist world. The USSR, Poland and Hungary are working on common ground with a common spirit. On the other hand, Bulgaria's course is uncertain, the GDR has reservations about reform, and Czechoslovakia is preoccupied with domestic affairs. He did not know whether these trends are necessarily favorable for Hungary. He did not like Hungary being in the position where everyone agrees with it, but he didn't want Hungary to be isolated either. In response to the Secretary's question about where Romania stood in this scheme, Grosz said only that as he got older increasingly he lacked self-discipline and declined to comment further. (FYI. Grosz left no doubt, however, about his negative attitude toward Romania. End FYI). Within the Warsaw Pact there are fewer differences of view on international issues than on domestic reform programs, he said.

8. In Hungary's case he had decided to open the country further to outside influence while settling domestic issues that arise one by one. He saw the need to obtain intellectual support for internal renewal. Money is important but intellectual support more so. He had not fallen in love with the West, but he could take some things from it for

use in Hungary. Hungarians had concentrated traditionally on Western Europe; it is time to see what is happening elsewhere.

9. Grosz stressed that he did not seek financial support for Hungary, the Hungarians can get all they need from their close neighbors. What is needed is better intellectual exchanges and better East-West communications to resolve contentious issues.

10. He noted that Hungary's relations with Israel are not as good as he would like. The suspension of diplomatic relations in years past had achieved nothing. The Israelis do what they want regardless of formal relations. He wanted to communicate better with Israel and get his message (unspecified) across. He had invited Peres to Hungary and talked with him about the present and future. He noted Shamir would come also when he has the time. Hungary is dealing more actively now with Asians generally and the ASEAN countries in particular. Relations with China had improved since Kadar's visit to the PRC. The trends and processes in China are remarkable. The Chinese show more conviction and resolve in their economic reform efforts than the Hungarians. Hungary is improving relations with Thailand and Malaysia, and he recognized that it is time to come to terms with the South Korean issue.

11. The Secretary termed this a smart policy. Korean society is moving ahead at a breathtaking pace. He had just been to Korea³ and could testify to that. It would be wise to be associated with that kind of dynamism. Grosz agreed; he said Hungary had sent a representative to Korea to prepare for its Olympics, but his activities will extend beyond the games to see what further steps in the relationship are possible.

12. Grosz claimed difficulty in dealing with the Arab world. The Hungarians don't understand it well. Hungary had to rethink its policy toward Arab countries and reorient some elements of that policy.

13. He noted that better U.S.-Soviet relations give Hungary greater opportunities and permit the development of more contacts internationally. He had spoken with Gorbachev twice in preparation for his visit to the U.S. Gorbachev would like further cooperation with the U.S., but is uncertain about the impact of the coming elections on U.S. policy. The Soviet leadership attributes greater importance now than previously to the development of relations with the FRG. He had contributed personally to that process. He also had urged Jaruzelski to seek a more dynamic relationship with the FRG. Regrettably, the Poles do not seem as receptive to the idea as the Soviets. It is important that there

³ July 16–18.

be a further rapprochement between the U.S. and USSR and between the USSR and Western Europe. He added that some of Hungary's "friends" are suspicious about Hungary's good contacts with Germany and Austria.

14. On travel and tourism, Grosz said that 20 million tourists visited Hungary last year, but only 117,000 came from the U.S. He would like more American tourists. Hungary had opened its borders as of January 2; travel from Hungary is up 450 percent in the first six months of 1988 over 1987. Yet at the National Press Club luncheon he had been asked about the six persons who were not allowed to travel.⁴ He was prepared to have millions of Hungarians see the world even if this heavily in terms of Hungary's current account. Personal contacts do more to further relations than meetings between Prime Ministers. He wanted Hungarians to learn more foreign languages; only seven percent of the adult population now spoke a foreign language well. He downplayed the risk of open borders to the survival of the regime. He concluded this lengthy monologue with a call for better bilateral relations, while noting that there did not appear to be any special problems.

15. The Secretary responded by stressing the importance of human rights in which freedom of travel and freedom of emigration are key elements. The U.S. always looks at the internal policies of other countries; repressive actions get a lot of attention here.

16. Grosz asserted that it is hard to imagine a more open system than in Hungary now. Unfortunately, the rules of conduct are not yet established there. They must sort these things out through enactment of legislation; this is a task for the parliament. He cited as an example of the lack of rules of conduct the problems arising from the 30th anniversary of Nagy's death. He had allowed demonstrators to pay tribute to Nagy, make speeches, meet freely. He did not want policemen around, and there weren't any. He told the demonstrators to keep away from two areas, but they failed to do so, apparently desiring to challenge the new party leader. He wanted to be fair, however, and warned them in advance of the consequences if the demonstrators failed to abide by the rules. But they did not respect the law. The Secretary asked what they had done. Grosz said it might sound strange, but he did not like to see policemen beaten up. But that is what happened. And if policemen don't respond to provocations they should be sent to a monastery to which the Secretary retorted "if they can get in." Not fazed, Grosz said he was opening up monasteries too. He then noted Amb. Palmer's broad contacts with Hungarian

⁴ The luncheon was earlier that day.

society, saying that if Palmer didn't believe Grosz's version of events he would show the Ambassador a film of the demonstrators' provocation of the police. He would save that film to show the world if the press made further comments about the repressive activities of the Hungarian police.

17. Returning to questions about the rule of law, he saw the need for legislation on minorities and the right of assembly. He had set up a working commission to write a new constitution by 1990; the present group is evaluating the historical experience of the last four decades. 11 committees are studying aspects of the economic reform. In short, Hungary has done more in the last year than in the previous ten. He saw full consistency and harmony between Hungarian internal programs and its external policies. Certain things should be understood, however, Hungary would not leave the Warsaw Pact. There could not be a qualitative change in the rules on ownership of property. There would be an increase in private enterprises from 6 percent of the total now to 25–30 percent in the future. The Hungarian reform program goes as far as possible and is appropriate for Hungary's part of the world. In carrying out the program, the assistance of others would make things easier, but if no assistance is forthcoming Hungary will still proceed nonetheless. He claimed to understand Hungary's current situation and did not fear the future.

18. The Secretary replied that there is no reason for Grosz to fear the future, which belongs to people willing to confront the facts and to allow the achievements of the information age to work for them. Hungary seemed to position itself correctly. He was impressed that the Soviets showed that sense also, as was evident in his conversation with them. But their task was more difficult than Hungary's due in part to the USSR's large, entrenched bureaucracy.

19. Grosz denied that bureaucracy is the Soviet Union's greatest enemy. The Russian people themselves are obsessed with old ideas and practices, citing as an example a story told by Gorbachev about two Russian villages only one of which was willing to experiment with more flexible rules on milk production quotas. Grosz said you can replace bureaucrats, but you can't replace workers or peasants who lack vision. That is Hungary's problem as well.

20. On the question of U.S.-Soviet relations, Grosz counseled patience. The Soviet leadership is moving in the right direction despite the obstacles; the change is historic in nature. If Gorbachev fails, all of mankind will live in a tougher world. In his personal view, the U.S. needs the Soviet Union as a dynamic cooperative partner. The U.S. has a 50-year edge over the USSR in the economic sphere and can only gain as competition moves from the military to the economic realm.

He disputed the merits of COCOM controls which he claimed do little to halt progress. The U.S. gains more through competitiveness and openness than trade restrictions. The Soviet Union has the potential for being America's greatest market.

21. The Secretary said that it had been our experience that the more successful our economic partner the more successful we are. It is not a zero sum game. John Whitehead always says in a negotiation you should leave something on the table for the other guy. To be successful in a negotiation, both sides must benefit. In talking to Gorbachev, the President had said that one-sided arms deals will not hold up. The President's place on the political spectrum in the U.S. ensures that any deal he makes will stick.

22. Grosz said that what President Reagan has done is of historic importance; he took that position publicly. He saw two points on which the U.S. might not agree. (1) New things are possible with the new leadership in the USSR. This is indeed a historic opportunity; and (2) The U.S. and USSR are not the only powers responsible for world developments. Others must have a say too. The second point is as important as the first.

23. The Secretary concluded by urging Grosz to share with the President some of the fine jokes he had heard on his own visit to Budapest.

24. FYI. Hungarian National Bank President Bartha told EUR DAS Simons July 27 that Grosz had been pleased with Secretary's positive response concerning continued development of Hungarian relations with South Korea, and had told Bartha he had in fact raised Korea and Israel with the Secretary precisely in order to elicit such a response. End FYI.

Whitehead

360. Memorandum of Conversation¹

Washington, July 27, 1988, 11 a.m.–1:40 p.m.

SUBJECT

The President's Meeting with *General Secretary Karoly Grosz of Hungary*

PARTICIPANTS

U.S.

The President

Secretary of State George P. Shultz

Secretary of Treasury James A. Baker, III

Secretary of Commerce C. William Verity

Kenneth M. Duberstein, Chief of Staff

M. B. Oglesby, Deputy Chief of Staff

Marlin Fitzwater, Assistant to the President for Press Relations

Colin L. Powell, Assistant to the President for National Security Affairs

John C. Whitehead, Deputy Secretary of State

Charles Z. Wick, Director, USIA

Ambassador Mark Palmer

Rozanne L. Ridgway, Assistant Secretary of State for European/Canadian Affairs

Nelson C. Ledsky (Notetaker)

Rudolf V. Perina (Notetaker)

Laszlo Szimonisz (Interpreter)

Hungary

General Secretary Karoly Grosz

Ilona Tatai, Member, Politburo, Hungarian Socialist Workers' Party

Laszlo Kapolyi, Government Commissioner, Ministry of Industry

Ferenc Bartha, President, Hungarian National Bank

Laszlo Kovacs, Deputy Minister of Foreign Affairs

Vencel Hazi, Ambassador to the U.S.

Istvan Pataki, Counselor, Hungarian Embassy

Victor Polgar, First Secretary, Hungary Embassy (Interpreter)

After three waves of press passed through the Oval Office, *the President* said he wished to make a few remarks in the minute or two that the two men had privately before joining others in the Cabinet Room. He said that the General Secretary's visit marked a decade of progress in U.S.-Hungarian relations. The international climate was favorable to further progress in relations and to implementation of the reforms under discussion in Hungary. The President said that General Secretary Grosz had the opportunity to become a great leader by making Hungary prosperous. Other Eastern and Central European countries were ready to follow in Hungary's footsteps.

The President went on to say that one point which he wished to stress privately was the importance of human rights. Failure to pursue

¹ Source: Reagan Library, Rudolf Perina Files, Presidential Meeting with PM Grosz Hungary 7/27/1988 (6). Secret. The meeting took place in the Oval Office, the Cabinet Room, and the Residence.

reform in this area would restrain progress which could be achieved in bilateral relations. The United States was ready to work with Hungary to improve relations and hoped this would be possible.

General Secretary Grosz responded that he was gratified by the President's words. He said he wished to assure the President privately that an organic part of the Hungarian reform program was to expand human rights to the maximum extent possible. This issue will not disturb bilateral cooperation. General Secretary Grosz asked the President to support Hungary's goals in this spirit.

The President said we shall be supporting Hungary's goals.

General Secretary Grosz went on to say that the President had performed a deed of historic importance by recognizing the great opportunity of the times. Hungary wished to make best use of this opportunity which the President and General Secretary Gorbachev had created. Hungary had taken it upon itself to cooperate on all matters of interest.

The President said that we appreciated that and would cooperate and be helpful also.

The General Secretary said that those words meant a lot to Hungary. The gestures which the United States had shown to Hungary went beyond Hungary's borders in significance.

The President then suggested that he and the General Secretary join others in the Cabinet Room.

After greeting other members of the party in the Cabinet Room, *the President* said that the recent Hungarian Party Conference and reforms had received much attention in the West. We were impressed by Hungary's willingness to accept new ideas and its commitment to implementing major reforms. Measures to open the Hungarian economy to private sector activity should provide a sound basis for economic growth. We also welcomed Hungary's decision to implement an IMF stabilization and reform program.

The President went on to say that, to be successful, economic reform must be coupled with political reform. A greater role for Parliament and increased freedom of travel were positive first steps. We hoped Hungary would continue to move forward toward greater economic and political freedoms. The President said he would be interested in hearing how Hungary planned to develop reform and what the next major steps would be.

General Secretary Grosz responded that he was grateful for the opportunity of this visit and of meeting the President. The last similar visit had been 42 years ago, and at that time the U.S. and Hungary had discussed a World War II peace treaty. Hungary wanted to develop relations further. The General Secretary said he wished in particular to thank the President for the congratulatory message which he received after becoming General Secretary. It was clearly more than just a

personal gesture. It was an endorsement of the policies on which he (Grosz) was working.

General Secretary Grosz said he wished to use the visit to get acquainted with how America saw the world and what America's plans were. He wished to see the achievements of the American people and learn the methods used to achieve such results. He felt Hungary could learn a lot from the United States.

The General Secretary went on to say that, on behalf of all the people of Hungary, he wished to express appreciation to the President for his policies of peace and progress. These were of historic importance. Even the first handshake with General Secretary Gorbachev had significance. Hungary also appreciated the approach of the United States which took into account the interests of small and medium-sized nations. This was a modern approach which served the interests of all humanity. Hungary was happy to join this effort and would participate to make dialogue more effective and productive.

The General Secretary then turned to the Hungarian reform program, noting that even a few days in the United States had convinced him that Hungary had taken the right approach in reforming its economy. He said that economic reform had to include reform of political organs. This would include reform in the area of human rights. The government would do everything possible to allow Hungarians to become acquainted with the world, and it would welcome to Hungary all those who wished to become acquainted with Hungary. Freedom of travel for Hungarians was being implemented, and last year the country had twice as many tourists as its population.

General Secretary Grosz went on to say that Hungary wished to modernize its economy, to strengthen free market forces. Economic cooperation with the West was important to helping put this into effect. Hungary was counting on cooperation with American business and financial organizations. It realized that this was only possible on the basis of mutual interest, but it wished to learn how best to proceed. Some things had been started. A management institute was being developed in Hungary at which American business experts would be teaching. The General Secretary said he wished to see more Hungarian people receive education in the United States. These were long-term efforts to help Hungary reach its goal and make progress.

The General Secretary said he was aware of the responsibility that Hungary's success or failure would have implications beyond its borders. These would not be decisive, but they would influence Eastern Europe. Hungary was thus dedicated to seeing its reform program through. It appreciated the support up to now extended by the United States. The support was greater than in the past, but not as great as Hungary would like to see in the future.

The General Secretary concluded by thanking the President for sending to Budapest such a marvelous Ambassador who was doing so much to strengthen cooperation between the two countries. He thanked the President for patience in listening to his remarks.

The President said he had listened with enjoyment. What the General Secretary had said was also what Americans believed. The President said that the United States was a unique country because it had in its population members of almost every nationality and every country in the world. It was truly a melting pot. This had helped us to recognize that there was no need for hostility among peoples. People did not start wars; governments did. He had told General Secretary Gorbachev in their first meeting that the United States and the Soviet Union did not mistrust each other because they were armed; rather, they were armed because they mistrusted each other. The main purpose of our countries should be to eliminate such mistrust.

The President said he had met a group of young people before going to Moscow. Half had been Americans and half Soviets, and it was not possible to tell the difference. He had told them that if all the young people in the world could get to know each other, there would be no more wars. They all applauded. Those of us who are older, the President continued, should try for the same goal. The United States was ready to cooperate in this.

Turning to bilateral relations, *the President* said that both the United States and Hungary could be pleased with how far they have come and with the prospects for the future. Experts from both sides had had two good meetings on counter-terrorism, and there was a solid record of cooperation in this area. Hungary hosted the first regional training program on narcotics interdiction, which the President said he had heard was quite successful. The President said he was impressed by the number of visitors and students we had exchanged, but he hoped even more could be done in people-to-people exchanges.

Turning to economic cooperation, *the President* said that this was good, though we would certainly like to expand our exports to Hungary and were also interested in increasing joint ventures and investments. He noted that a great man had once said that countries become great by importing people and money. The President said he was pleased to say that the U.S. had approved the export to Hungary of American passenger and cargo aircraft to help modernize the Hungarian fleet. Other economic issues had already been discussed in the General Secretary's other meetings. The U.S. would try to be helpful, but not everything could be done at once.

The General Secretary said this was true. With regard to the President's comments about human contacts, General Secretary Grosz said that Hungary was counting very much on expatriate Hungarians

who had become American citizens. He had met many of these during his visit; many had reached great heights in American business and scientific life. These were people who had good ideas and thoughts about increasing contacts and could be helpful in many areas. One of Hungary's problems was not knowing all the opportunities which existed in America, and many Americans did not know much about Hungary and opportunities there. Hungarian-Americans could be very helpful in overcoming these barriers.

The General Secretary said that U.S.-Hungarian trade had increased, and it was becoming apparent that the only limits to it would be "our own limits." The U.S. market was very demanding, but this was good because it provided incentive to Hungarian firms for better output. The discussion with Secretary Verity had shown the willingness of the U.S. side to increase cooperation. The General Secretary said he was also grateful for the President's words. Still, greater opportunities could be opened up. There were things which still hindered economic cooperation. They could not be eliminated overnight but, in the spirit of Secretary Baker's support of free trade, more could be done to dismantle artificial obstacles.

The President said that the U.S. had taken the lead in trying to bring about free and fair trade in the world. Hungary would find us cooperative in this regard.

The General Secretary thanked the President for these words, which he said were of great significance to Hungary.

Turning to General Secretary Grosz's remarks about Hungarian-Americans, *the President* said that one of the first things which many Americans do when meeting new acquaintances was to describe their national or ethnic background. If they aren't first generation, some Americans have many diverse countries in their background. The President said he himself had three nationalities to mention in his background.

The General Secretary said he had had an opportunity during his visit to meet Governor Dukakis, whom he had invited to visit Hungary. The Governor had mentioned that his wife was one quarter Hungarian.

The President quipped that this would not persuade him to vote for the Governor.

The General Secretary responded that he did not wish to interfere in internal American affairs.

Secretary Shultz said he hoped the Governor would have plenty of time after the election for a trip to Hungary.

The President said that, with reference to the Soviet Union, his meetings with General Secretary Gorbachev had indeed helped to improve the East-West climate. He had been personally impressed by the friendliness of the Soviet people and of the crowds in the street. This had shown that our two peoples can get along. We still have differences,

but progress had been made in human rights, arms control, resolution of regional conflicts, and on bilateral issues. The INF Treaty marked the first time that the Soviets had been willing to destroy weapons which they already possessed.² The President noted that he had perhaps irritated General Secretary Gorbachev by repeating to him a number of times the one Russian phrase which he knew: *Doveriyai no proveryai* (Trust but verify). In the human rights field, we recognized that there were changes in Soviet practices but more needed to be done. As progress is made, this will strengthen feelings of friendship among American people toward the Soviet Union.

The President said that now the two sides were working to reduce their arsenals of intercontinental ballistic missiles. He had stated a number of times that a nuclear war cannot be won and must never be fought. He had been pleased to hear Foreign Minister Shevardnadze say the same thing during the Washington Summit. The President concluded by saying that in the Vienna CSCE meeting, we hoped agreement could be reached as soon as possible, but we were willing to stay in Vienna as long as necessary to obtain a balanced agreement, including a satisfactory outcome on human rights.

At this point, *the President* noted that it was time to proceed to lunch, and the *General Secretary* thanked the President for the opportunity of the discussion.

The luncheon opened with an exchange of anecdotes about Margaret Thatcher. *The President* began with a Mrs. Thatcher quip from a recent Economic Summit, followed by stories from *General Secretary Grosz* and *Secretary Shultz* about Mrs. Thatcher's recent visit to Hungary.

The President then asked about Romania, inquiring whether the Hungarian government was having difficulty with its neighbor. *General Secretary Grosz* acknowledged that there were difficulties between the two countries. He fell silent at this point, however, and did not to continue on this topic.

The President then told a story he said came from his days in Hollywood. The director of one of his pictures had been an American of Hungarian origin, who inquired one day whether anyone knew the recipe for a Romanian omelette. The recipe was easy, said the director, one begins by stealing 12 eggs.

This led to a story told by *Mr. Kopolvi*. He said that several years ago at a CEMA meeting, General Secretary Kadar had given a speech, during which he said that when the Hungarians arrived in central Europe and took up residence in an area settled by Romanians, their Romanian neighbors had stolen 50 horses. After the speech, Ceausescu

² December 8, 1987.

rose and asked if Kadar really wanted to have that story recorded in the official minutes. Kadar answered that, no, he did not insist that his remarks be officially recorded. Later in the the same meeting, Kadar told another story about a Romanian theft of Hungarian property, and again Ceausescu rose and asked to have the remarks expunged from the official record. Kadar quickly agreed. Finally, during Kadar's concluding statement, there was yet a third reference to a Romanian theft of Hungarian property at the time the Hungarians settled in Europe. Ceausescu demanded the floor again and said angrily that, when the Hungarians came to eastern Europe, there were no Romanians present. Kadar rose immediately and insisted that Ceausescu's remarks be recorded in the official records.

The President said this was a remarkable story on several counts, and historical anecdotes of this kind would be hard for any American to tell. We were still a young nation, with a very short history. Recently, a group of veterans had come to the White House. One member of the group was a General van Fleet, who is 96 years old. General van Fleet recalled to the President that both his father and grandfather had been military men, and that his grandfather's military service had occurred during the American Revolution, or 200 year ago. In other words, three generations of van Fleets had spanned the entire length of American history.

General Secretary Grosz said that one could not find such a family in Hungary. Part of the reason was that there had been so much inter-marriage and mixing of populations in central and Eastern Europe. The Hungarians lived on a plain, and armies marched back and forth across the country. It was almost impossible to tell who was a Hungarian. There were still many who carried true Hungarian names, but one could question how these names had been acquired.

General Secretary Grosz continued that the only people in Europe, with whom the Hungarians had ethnic ties, were the Finns. The story goes that as the tribes crossed central Asia into Europe, they came to a fork in the road. There were two arrows: one said north, the other said middle. Those who could not read marched north and became Finns. The others became the Hungarians. General Secretary Grosz said he had recently visited Finland, and he could attest to the fact that all Finns could now read and write very well. Indeed, this was an extremely prosperous people, who had been able to restructure their entire economy in a period of just over eight years.

Secretary Shultz agreed. Income per capita in Finland was near the top of the pile. The Finns were also an extremely flexible people, who adapted well to changing circumstances. Secretary Shultz recalled that he had been in Helsinki last year³ and needed to get to Moscow the next

³ April 12–13, 1987.

day. When his party received word that the Moscow airport was closed because of snow, his Finnish hosts produced a train within a half hour, and he and his party boarded the train and traveled to Moscow in time to meet their scheduled appointments.

General Secretary Grosz acknowledged the flexibility of the Finns, a people he looked up to with great respect. Finland proves that a country need not be large in order to be successful.

Secretary Shultz agreed. All a country needed, to be successful, is to get itself integrated into the world economy. The Finns have done an exceedingly good job of achieving this in the post-war period.

General Secretary Grosz said that one of the keys to Finland's success was that English and German were taught in all Finnish schools. No one could graduate from a Finnish high school without speaking one of these two languages. This in turn was the kind of intellectual capital which enabled Finland to integrate itself so well into the world's economy.

At the same time, language skills were a major problem for Hungary. Only five percent of all Hungarians spoke a second language. *General Secretary Grosz* said that legislation would go into effect in 1990, which would specify that no one could enter a Hungarian university without having mastered at least one foreign language. This desire to expand language skills explained why the Hungarian government supported language camps and other summer language activities for young people. Hungary also wanted an expanded US-Hungarian university exchange program. It wanted to invite professors from the United States to teach in Hungary, and to have Hungarian teachers travel to the United States to learn English. *General Secretary Grosz* said he was pursuing such programs through direct contact with the Association of American Universities.

Director Wick said that USIA worked on a regular basis with this Association and would be pleased to assist the Hungarian government in developing exchange programs.

Secretary of Commerce Verity noted that an important management training institute had been organized in Hungary along American lines. *Ambassador Palmer* added that university exchange programs of all types existed in Hungary. There are now some 21 American universities in the country, and about 4000 students travel yearly to Hungary to study.

The President said this was all extremely impressive. He himself was constantly amazed by how quickly refugee groups were absorbed in this country, and how swiftly children prosper in the US educational environment. He then told several stories of how specific Vietnamese refugee children had performed brilliantly in America, winning scholarships and top honors in just a few years.

General Secretary Grosz acknowledged that this was true. In his own country, Chinese students, who had come to study, had done extremely well. They lived modestly and studied very hard.

President Reagan said that all this proved how much smaller and smaller the world was becoming, and how much more important it was for us all to live together cooperatively.

This led *General Secretary Grosz* to suggest that the US Government lend support to an idea which he was developing. The Hungarian government hoped to arrange for camps in Hungary where US Jewish children, Hungarian and Israeli young people could come together and become friendly over the course of a summer.

The President said he thought this a wonderful idea, to which we would lend whatever support we could.

General Secretary Grosz then said that perhaps we could spend a few moments talking seriously about Romania. He said, the situation in that country made all Hungarians nervous. There were two and a half million Hungarians living in Romania under a government whose behavior is more and more erratic. It is difficult to understand the logic of the Romanian decision to destroy some 8000 villages and relocate their inhabitants.

The President said that policies of this kind stem from governments, not ordinary people. In this regard, a book by a Romanian defector had left a deep impression. *General Secretary Grosz* noted he had heard about this book, which is about to be translated into Hungarian. *President Reagan* continued that the book described the Romanian dictatorship and the repression and terror under which most people in that country must live.

Director Wick asked the General Secretary if he had ever heard what the Romanian people had used for light before they had candles. After a second of silence, the Director said the answer was simple, "the Romanians had used electricity."

General Secretary Grosz acknowledged that it was difficult to understand Ceausescu. He said that at the recent Warsaw Pact meeting he had tried to talk to Ceausescu, but the conversation got nowhere. He had also written an official letter asking about the internal situation in Romania. Ceausescu had not responded.

The President then asked if one could explain why Ceausescu wanted to destroy existing villages. *General Secretary Grosz* said that, as far as he knew, some 13,000 villages were involved. The stated objective of this program is to free up some 700,000 acres of land for additional agriculture, while moving the population of these villages into the cities to work in industry. The actual result of this program was the creation of some 6,500 refugees, most of whom have crossed from Romania to Hungary. The Hungarian government believes there are some 12,000 more potential refugees. The problems seem endless.

Many Hungarians and some Romanians leave without their families. Most come with only a few essentials. The burden for Hungary is very great, and, Grosz said, he saw no way out of the situation.

The conversation then moved on to the Soviet Union, with *the President* recalling that both he and the Hungarian General Secretary had recently met with Gorbachev. The President asked if the Hungarian leader would be willing to give his appraisal of the Soviet leader and his policies.

General Secretary Grosz said he would be pleased to make some general comments, but asked that his remarks be treated as confidential. First, he said, he could not be objective, because he had known the Soviet leader for a long time. Indeed, he had known him well before he became a national leader. Over the years as the two men had maintained contact with one another, Gorbachev had always been courageous and resolute. He was a man determined to see his ideas put into use. Thus far, over the past three years, Gorbachev has been successful in communicating his ideas and energy to the Soviet people. Gorbachev is a man who wants to move ahead quickly. At the same time, he is well aware of the dangers and of the opposition he faces. His task is to manage progress, and not lose his balance. The recent Party Conference was a victory for Gorbachev, and the leadership in Moscow seems more united than before.

General Secretary Grosz continued by saying that he had spoken to General Secretary Gorbachev this month in Warsaw, and Gorbachev seemed optimistic that he will have his long-term strategy in place by 1990. Gorbachev also readily admitted that when he came into office three years ago, he did not realize the depth of the problems he faced. What he saw at that time was only the tip of the iceberg.

General Secretary Grosz suggested that Gorbachev wants to work with the United States toward a new detente relationship. Grosz said that Gorbachev was happy that he (Grosz) had been invited to Washington and had decided to travel across the United States.

The task ahead for both superpowers, *General Secretary Grosz* said, was to eliminate miscalculations, so that the two parts of the world no longer entertained foolish thoughts about one another. Grosz added that he had had talked with Gorbachev on this subject, and he was certain Gorbachev was sincere in his desire to lower prejudices within his own country toward the United States.

General Secretary Grosz said he had also talked to Gorbachev at great length about Hungarian foreign policy and its domestic reform program. Gorbachev had encouraged Grosz to proceed with reforms and promised to do what he could to assist, though acknowledging the limited Soviet resources available at present. Grosz commented in this connection that the socialist system today was not capable of

functioning effectively. It needed new political thinking. It needed a new economic system. It was much more difficult for the Soviet Union to make adjustments, given its size, than for Hungary. Hungary was also closer to Western Europe and to other societies undergoing rapid change. Moreover, it was more imperative for small countries to adapt to what is going on around them. They are forced to remain open to other intellectual tendencies and schools.

General Secretary Grosz insisted that what happens in the Soviet Union is important for Hungary, for the United States and for all other countries in the world. Grosz said he was familiar with the debate in the United States as to whether it was better to have a stronger or a weaker Soviet Union. Grosz said he subscribed to the view that a stronger Soviet Union was in the interest of every country. Such a Soviet Union would be a better partner for the United States and a more productive member of the world community.

The President expressed agreement with the analysis General Secretary Grosz had presented. He said he shared the same feelings about General Secretary Gorbachev, who was a man clearly different from previous Soviet leaders. There was no question about his sincerity in trying to bring about change. His problem was that the structure of the Soviet Union simply did not work. In every government, the bureaucracy can get out of hand. There is no question that in the Soviet Union Gorbachev is faced with a bureaucracy which opposes efforts at reform.

General Secretary Grosz interrupted at this point to say that he had a slightly different view of the problem, and asked the President's permission to explain. In *Grosz'* opinion, the Soviet bureaucracy did not fear or oppose Gorbachev, but simply did not understand what the Soviet leader was trying to achieve. Grosz indicated that he had many personal friends inside the Soviet bureaucracy. He had asked many of these friends why they were not helping their leader. The answer he invariably received was that the bureaucrats did not understand how to help. The gap between leaders and bureaucrats is enormous, and it will take a great deal of time before the ideas which Gorbachev has can spread downward through the bureaucracy. In a sense, the Soviet leader has to become a traveling preacher, explaining his way of thinking to the people. One could not forget that things had been moving in the Soviet Union in a swift direction for more than 70 years. Change will take time. The Soviets claim, for example, that they wish to organize joint ventures. The Hungarians have tried several such ventures with the Soviets, but have had great difficulty in making them succeed. There are huge problems—exchange rates, pricing, organizational structure. The Soviets have simply not instituted processes that will allow joint ventures to work.

General Secretary Grosz said that the Hungarians would keep trying. Together with the West Germans, several new joint projects with the Soviet Union were under consideration. At the same time, Grosz insisted, Hungary wanted to work more closely with the United States. Hungary wanted American corporations to come to Hungary. They can sell shares of stock to Hungarians for their Hungarian operations and give us either a majority or a minority share. For our part of the world, this would be a near revolution. But this is what we are prepared to do with the United States, and this quite frankly, said Grosz, is what the Soviet Union needs to do as well.

The President said he would like to call on Secretary Baker, who could perhaps pose questions in somewhat greater detail about General Secretary Grosz' economic ideas. *Secretary Baker* pointed to the references the General Secretary had made to administrative problems of various kinds, and wondered whether the Hungarian leader could explain more clearly what was involved.

General Secretary Grosz said he had nothing terribly specific in mind. There was a variety of administrative problems in dealing with the United States. There were, for example, quota systems with respect to textiles and other products. There were also COCOM restrictions. Grosz said he could understand the problem with respect to the transfer of strategic goods, but the United States was controlling products that were available, admittedly at higher prices, from other sources on the world market. There was also the OPIC decision which we wonder why Congress took.

Secretary Baker said we were sometimes equally puzzled as to why the Congress takes the actions it does.

General Secretary Grosz said that he did not wish to complain. He was very grateful, especially to Secretary Verity, for what he had done for US-Hungarian trade. He had also just been on the West Coast, where he had talked to many people about trade. Real trade possibilities seemed to exist, and the Hungarians hoped to set up a trade representative on the West Coast, who might also provide some consular services. Some time ago, Grosz continued, we were told that this kind of a combination office was not possible. Now I have been told that perhaps it is feasible. Hungary certainly hopes it is, because this is the kind of West Coast office the Hungarians need.

Secretary Verity said this matter would be given our immediate attention. He noted that the General Secretary had made such a good impression in the United States that his policies were being referred to in the US press as "Glasgrosz".

The luncheon concluded at this point, after an exchange of Soviet jokes, and *the President* wishing the General Secretary a successful visit and a safe return to Budapest.

361. Memorandum of Conversation¹

Washington, July 27, 1988, 1:45–2:25 p.m.

SUBJECT

Hungarian Prime Minister Grosz' Call on the Vice President

PARTICIPANTS

U.S.

The Vice President

John C. Whitehead, Deputy Secretary of State

Donald P. Gregg, Assistant to the Vice President for National Security Affairs

Thomas W. Simons, EUR/DAS (notetaker)

Laszlo Szimonisz, Interpreter

Rudolf Perina, Director for European and Soviet Affairs, NSC

Col. Samuel J. Watson, Deputy Assistant to the Vice President for National Security Affairs

Hungary

Prime Minister Karoly Grosz

Laszlo Kovacs, Deputy Minister of Foreign Affairs

Dr. Vencel Hazi, Ambassador of Hungary to the United States

Mr. Viktor Polgar, Counselor, Embassy of the Hungarian People's Republic,
(Interpreter)

After greeting Grosz, *the Vice President* said he had watched Grosz' activities since he had taken office. His vigorous approach to his job was inspiring so far.

Grosz thanked the Vice President. Too much had been happening over the past year. *The Vice President* remarked that he had not had much chance to travel. Grosz said that was true. He had been working to put together a new government, and in the process he had become General Secretary. He knew a little bit about what was required, because he had spent all his life in the party. But he was also determined to establish the most favorable international conditions possible for Hungary's economic and political program.

Grosz continued that his scenario was to explain what he wished to do first to Hungary's friends in the socialist world, then to Western Europe, and then, if they would have him, to overseas countries. He did believe that it had been a fruitful year from this point of view. He had heard ideas and advice, and also gotten a lot of understanding. He did not wish to overestimate the results of his efforts, but he was aware of the responsibilities that rested on his shoulders. Success or failure of his program would have implications beyond Hungary's

¹Source: Department of State, Records from Ambassador Thomas W. Simons, Jr., Lot 03 D 256, Chron, July 1988. Confidential. Drafted on July 30 by Simons. The meeting took place in the Vice President's West Wing office. Copies were sent to Ridgway and Palmer.

borders. The Vice President probably understood that, having visited Hungary.

The Vice President said it had been a wonderful visit, which had made a big impression on him. He asked about the health of Grosz' predecessor Janos Kadar. *Grosz* replied that Kadar was in very good health, but his wife had lost a lot of weight, and was down to 90 lb. This weighed heavily on Kadar. *The Vice President* asked if a malignancy were involved. *Grosz* said this was possibility. She was 75, and there were biological laws whether you liked it or not. He did not want to meddle in family affairs, but he could say that the Kadar family had been very closely knit, and for a long time Mrs. Kadar had provided Kadar with the sense of security that every man needs. So of course her illness had taken its toll.

Kadar had very much wanted the changeover, *Grosz* continued. *Grosz* had talked him into staying on as President of the party: they needed his political and human wisdom and experience. But he was not up to being part of the day-to-day management.

The Vice President said that everyone deserves to have some time to himself. When he had been there he had been impressed with the genuine affection people had for Kadar. Before going he had not known what to expect, since in this country years ago there had been some controversy about Kadar.

Grosz said Kadar was a terribly warm-hearted person. He really respects the opinion of others; he is open to opinions. And, as the Vice President knew as a political person, one has to have principles. He himself had a philosophy—it was personal, and he did not spread it widely—that a person needs to be not loved but respected for his efforts. One could have respect for Kadar. You could agree with him or disagree with him, but he was very clean, and has a lot of human sense. He had a lot to thank Kadar for. He had worked with him for many years, and he could say of their cooperation that it was not without clouds. They often had different points of view. He did not consider this a shortcoming, but natural. But that was a separate thing. If there were different viewpoints and no debate, there could be no respect.

The Vice President said he appreciated hearing that. Reading the newspapers one often hears of differences, but they don't discuss the common ground. *Grosz* said that is the way it is.

The Vice President said he wished to make a political comment. The next President would be either he or Dukakis. *Grosz* had just began a big new job. There would be a lot of rhetoric in our election campaign, arguments about foreign policy objectives. So he wanted *Grosz* to hear from him directly that he firmly supported the policy undertaken by the Reagan Administration toward Hungary, the Soviet Union and indeed Eastern Europe as a whole. If his campaign proved successful

he would continue that policy of working toward improved relations with Eastern Europe.

The Vice President went on to say that if you asked him to predict where we would be with the Soviet Union two years from now, he would find it hard to answer. We knew where we wanted to be. We would like to achieve a strategic arms agreement, following on the INF agreement Secretary Ridgway and others had worked so hard on, and which he had been proud to support. We would like to achieve a conventional arms agreement by that time, although that would probably be harder to resolve. But he did not know, and was not sure anyone could predict, where the Soviets will be.

He had been very impressed with Mr. Gorbachev, the Vice President continued. He was very open, easy to talk to, and he had his neck way out, compared to his predecessors. But events can change things. So he did not predict. He wanted to see better relations, but he did not know enough about what was going on inside the Soviet Union to predict whether this would be possible. But this Administration and, if he succeeded, his would do all they could to facilitate Gorbachev's success. He was very hopeful that Gorbachev would succeed, would solidify his support, would accomplish the reforms he had set out to achieve. But the point he wished to make was that on a personal basis he was cautious.

The Vice President said he wished to make a last point. He and Grosz were talking about bilateral relations between the United States and Hungary. Regardless of what happened with the Soviet Union, we wanted to facilitate improvement in our bilateral relationship.

Grosz replied that what the Vice President had said could be a major election program. He himself was quite convinced—and had said in public—that the policies the President represented and had developed with the Vice President's participation were of immense importance to the world. There was a historic opportunity, and the President had recognized that this was the moment to begin a dialogue with this Soviet leadership. This had changed the entire situation compared with before. It had shown great wisdom to extend the hand at a time when Gorbachev was just coming in with his program. If the U.S. continued, this could influence *their* way of thinking, their approaches to things. He also could not predict where the Soviet Union or the U.S. would be two or even five years from now, but he was convinced that they should continue down this road.

Great restructuring was going on in the Soviet Union, Grosz continued. He was convinced that it was in the interest of the U.S. and the whole of humanity to see Gorbachev succeed, for the Soviet Union to become a dynamic economy. He was not getting a percentage from Gorbachev for saying that, although they were good personal friends from a period long before Gorbachev had become General Secretary,

when he was a regional secretary in the Soviet Union and Grosz had been one party secretary in one of Hungary's smaller counties.

He knew the Gorbachevian approach, Grosz continued. Gorbachev wanted a stronger economy, and had a modernizing policy to get it. And the U.S., which had such a dynamic economy, had a historic opportunity to expand its economic relations with the Soviet Union. It was a rich country, and provided an enormous market opportunity. The U.S. should be interested in its developing economically, rather than militarily.

The Soviet Union welcomed any positive development concerning its neighbors, Grosz went on. Its relationship with China was not the best, but the Soviet Union was paying close attention to what was happening in China in the economic sphere. There were political developments in Poland. And the Soviets were encouraging Hungary to develop economic solutions. He had visited with Gorbachev on July 5; counting meals, they had been together eight hours. He had told Gorbachev how the Hungarians saw things. He had given Gorbachev some details that did not correspond to earlier thinking, and even ideology. For instance, they were going to permit foreign capital participation in Hungarian enterprises above 50 percent. He had prepared himself to hear doubts from Gorbachev, and had already been ordering his arguments to respond. The opposite had happened: Gorbachev had been encouraging.

The Vice President asked Grosz whether there were elements in the bureaucracy and the hierarchy that were resisting, or whether Gorbachev had a total mandate to go forward with his reform. Grosz replied that he had an absolute mandate. As to the rate, however, the problem was not the resistance of the bureaucracy, but the rate at which the population understood what was required. As he had told the President at lunch, he had friends in the Soviet apparatus, and he asked them why they were not helping Gorbachev to go faster. They had said they wanted to, but did not understand what he wanted. His thinking has not penetrated the country yet.

Try to imagine the conservatism of such a country, Grosz urged the Vice President. His friends told him extensive discussion was taking place, into the wee hours of the morning, over a single sentence of Gorbachev's. There had not been such spiritual liveliness for decades. So we are in a period where it seems for a long time that nothing happens, and then things accelerate suddenly.

Moreover, Grosz continued, the final lineup of Gorbachev's team is just being put in place. He had put together a team three years ago, but it had not really been prepared for this changeover. It turns out that not every player fit exactly. In the next year or two there will be qualitative changes.

Ligachev was one of Gorbachev's closest collaborators, Grosz said. One read a lot about their differences. It was true there are debates. But

they were debates in a good sense. The two personalities were entirely different. Gorbachev was explosive, full of dynamism. If you talked to him for two hours he would get up five times to go to the telephone, to give directions. Ligachev on the other hand was cool, reserved, meditative. But there was no real difference in their politics. So the leadership would be put together and formed through discussion, through debate; the process would not be a straight line.

The Vice President commented that things often went two steps forward, one step back. Grosz said that was right. Gorbachev and company really won at the party conference. The planning had been to have the next congress in 1991; Gorbachev had said it should be advanced by a year. Probably he would concentrate there on personnel matters. That was the next major battle he wanted to win. But by then he would have many more allies.

The Vice President asked if Grosz thought there would be a major Soviet push to improve relations with the PRC. Grosz said he was convinced there would be. *The Vice President* said that ten years ago many in the U.S. would have been concerned about such a prospect. But now China had changed so much that it could not revert to what it was under Mao Tse Tung. What they do is of course their business, but he did not see Sino-Soviet rapprochement as being against the interests of the U.S. Grosz said it could only be of benefit.

But, Grosz went on to say, he thought that before that happened, the Soviet Union would wish to settle with Western Europe, and particularly the FRG. *The Vice President* asked why. He asked how Grosz saw the FRG-GDR relationship. Grosz replied that a lot had happened in that relationship recently, and a lot was happening today. The rigidity of the GDR was beginning to ease a little. One-and-a-half or two million people from the GDR were visiting the FRG annually; this would have been inconceivable five years ago. Economic cooperation was going forward; it was unprecedented for them to be tied together as they were.

Kohl had asked him to help get better terms from Gorbachev, Grosz continued, and he had talked to Gorbachev about it. Gorbachev had felt that the GDR would not be too happy to see the Soviet-FRG relationship improve, but now it was his experience as well that there ought to be cooperation, and the Kohl visit will take place in that spirit.

The Gorbachev approach was to normalize relations with the U.S., with Western Europe, and then, if conditions were right, with China, Grosz went on. Only with regard to Africa was he uncertain; he did not know what to do with it. He did not have enough energy, and the processes underway there were impossible to deal with. Grosz said he had spoken to Gorbachev about subjects related to Israel, but Soviet views—and Gorbachev's views—on the Arab world had not jelled yet. The U.S. approach promised to produce some headway; it was the best road for the U.S. to travel.

Grosz said that in Hungary they were beginning to formulate policies for these matters. They had opened their borders, and were organizing social relations with the outside world. Others had had reservations about this, or did not know what to make of it. Journalists did not know what he (Grosz) was, or what he stood for. They would find out through his actions whether he was conservative or not. They still had the feeling that Eastern Europe was monolithic, all dressed in the same clothes, eating the same way, marching in step. They were not looking for the differences that provide the real colors. It was Hungary's fault too: they did not tell the world enough about themselves.

The Vice President said it was true that the area used to appear monolithic. But now the U.S. was more sophisticated. It was looking for differentiation in the Soviet Union, in Eastern Europe. The point now was to reach out, to understand, to accommodate real change.

Grosz concluded that he did not know if it were appropriate to wish the Vice President success. Pointing to a picture of his family, *the Vice President* said Grosz should not worry. Grosz said that whatever happened, he would like the Vice President to honor Hungary with a visit, and bring his family; his last visit had been too short. *The Vice President* wished Grosz good luck in his awesome responsibilities.

362. Report From the Central Intelligence Agency to Multiple Agencies¹

Washington, August 3, 1988, 1948Z

[*number not declassified*] Subject: Hungarian Leader Grosz on Government Restructuring, Relationship with Kadar, Political Liberalization, Ethnic Hungarian Community in Romania

[*1 line not declassified*]

[*less than 3 lines not declassified*]

[*less than 3 lines not declassified*]

Text: 1. [*less than 1 line not declassified*] Hungarian Communist Party Leader Karoly (Grosz) said he planned to retain the post of Prime

¹ Source: Reagan Library, Rudolf Perina Files, Presidential Meeting with PM Grosz Hungary 7/27/1988 (7). Secret; Specat; [*handling restriction not declassified*]. Sent to the White House Situation Room, the CIA Office of Current Affairs, and the Department of State.

Minister only until he finished restructuring the government. Grosz said that among other things, he planned to “collapse” two ministries into one. (*[less than 1 line not declassified]* Comment: Grosz did not, however, specify which ministries.) Grosz emphasized that restructuring could not be done through the Communist Party but must be done through the Hungarian Parliament to establish the fact that the government was the supreme functioning political body in Hungary. Thus, Grosz said, he is the only one who can effect the restructuring. Queried on who might become the next Prime Minister, Grosz said merely, “You know him well.” (*[less than 1 line not declassified]* Comment: Grosz may have been referring either to Pal (Ivaniy) or to Miklos (Nemeth), both of whom have been suggested as possible Prime Ministers. Nemeth, who speaks perfect English, is very much pro-reform unlike Grosz, who, though he favors improving economic performance, is not a true proponent of reform.) As for other personnel changes, Hungarian Ambassador to the U.S. Vencel (Hazi) noted that he would remain in his post one more year, and that he would be replaced by the current Hungarian Consul General in New York, Gyorgy (Banlaki). (*[less than 1 line not declassified]* Comment: *[less than 3 lines not declassified]* Government Commissioner for Restructuring of the Coal Industry Lazlo (Kapolyi) had decided to accept Grosz’s offer to assume the position as the new Hungarian Ambassador to the U.S. beginning in early 1989.)

2. With regard to this relationship with former Communist Party leader Janos (Kadar), whom he replaced, Grosz commented that Kadar was getting used to his ceremonial post. Grosz added that he was trying to persuade Kadar to write a book detailing all the decisions made between 1956 and 1988, since he was the only one with that knowledge, and that he was also trying to convince Soviet General Secretary Mikhail (Gorbachev) to work on Kadar to write the book. Grosz added that Kadar’s memory is “phenomenal” and that the book, even if it was for private consumption only, would prove invaluable in pointing out “where we went wrong.” As an aside, Grosz commented that he was on good terms with Kadar, who liked him.

3. *[less than 1 line not declassified]* regarding possible political liberalization, Grosz noted that unlike the Czechs, the Hungarians knew how to deal with the church; Grosz added that he was on good terms with church representative FNU (Pozsgoy), who is a member of Parliament, as is the Chief Rabbi. Grosz said that conscientious objectors would henceforth be treated the same as others: Everyone in Hungary must do compulsory military service as there is no such thing as a deferment. However, Grosz stated that “We will work something out.”

4. On the subject of ethnic Hungarians in Romania, Grosz stated that if not for the serious economic decisions facing him, there would have been a "serious" conflict with Romania over its treatment of ethnic Hungarians in Transylvania. Grosz said that he would not agree to transfer the ethnic Hungarian population out of Transylvania and into Hungary for two reasons: One, he does not have the money to pay off the Romanians, as the West Germans are doing for ethnic Germans by paying Romania DM50,000 per head, according to Grosz; and two, because the land these people live on belongs to Hungary. In an aside, Grosz commented that at the recent meeting in Poland of the Warsaw Pact Political Consultative Committee, Romanian President Nicolae (Ceaucescu) complained that he only got a four day visit to the U.S.² while Grosz managed to stay for eight days. ([less than 1 line not declassified] Comment: Grosz was clearly pleased by this comparison.)

² Ceaucescu visited the United States most recently April 11–14, 1978.

363. Telegram From the Embassy in Hungary to the Department of State¹

Budapest, August 25, 1988, 0841Z

8734. Subject: Romanian Refugees in Hungary. Ref: State 274171² and Previous.

1. Embassy appreciates Department's response on the Romanian refugee situation here. This subject is attracting increasing attention, both here and in the U.S. especially by Americans willing to "sponsor"

¹ Source: Reagan Library, Rudolf Perina Files, Romania—Substance 1988 (2); NLR-422-3-36-5-5. Confidential; Immediate. Sent Priority for information to Geneva; Sent for information to Vienna, Bucharest, and Bonn.

² Telegram 274171 to Budapest, August 23, noted that the Department was reviewing the Embassy's "request to devise a means of allowing Romanian refugees in Hungary to apply for refugee resettlement" and requested additional information on the treatment of Romanian refugees once they reached Hungary. (Department of State, Central Foreign Policy File, D880739-0257) For the Embassy's request sent in telegram 6672, see Document 352.

Romanians for resettlement in the U.S. Embassy has found it increasingly difficult to respond to inquiries with the information that there is no/no avenue available to those refugees who cannot or do not want to settle in Hungary.

2. Following information is provided in reference to questions posed reftel:

A) The FRG Embassy according to confidential information provided by Consul (please protect), has been authorized to issue travel documents to Romanian citizens of ethnic German origin who may have a claim (under the very generous terms of FRG citizenship law) to German citizenship. Such citizenship documentation is normally issued only when a refugee arrives on German soil, but in the special circumstances now prevailing here the Embassy has received permission to issue them here. The GOH allows people with these documents to leave freely. So far this procedure has been used to move approximately 120 Romanian passport-holders to the FRG. The FRG reports no ethnic German able to prove his German background has been refused under this procedure, in effect since April 1988.

B) It is impossible to say with any certainty how many Romanian citizens want to move on or to where. We have seen very few ethnic Germans, indicating perhaps that they prefer the FRG. However, we, as well as the Canadians and Australians, see many ethnic Romanians and Hungarians. Almost all have either gone to the trouble of obtaining affidavits of support from U.S. friends or relatives or say they can obtain such affidavits.

C) GOH is providing substantial support to the Romanian refugees, as is the Hungarian Red Cross (HRC). According to recent newspaper accounts, the HRC has received eleven million forints (approximately 200,000 USD) in donations from Hungarian citizens and from abroad. So far eight million has been disbursed. In addition, the GOH helps refugees find jobs and housing (a considerable effort in this housing-poor country). The official and Red Cross assistance does not distinguish between ethnic Hungarians and other Romanian citizens, but we have had many reports of the more serious difficulties non-ethnic Hungarians face. First is the very considerable language barrier, since virtually no non-Hungarians speak this language, which is essentially unrelated to any other in Europe, including Romanian. Another serious problem is the historical animosity many ordinary Hungarians feel toward their southern neighbors.

D) Most of the refugees we see are ethnic Hungarians. A very rough estimate would be that perhaps 10 percent of them would be interested in going to the U.S. or another refugee-accepting country. This would be based on a refugee population estimated at 10,000 or more.

E) Most Romanian refugees have Romanian passports, though some have crossed the border without documents, or having arrived here in group tours on group passports, have no passports now.

F) GOH response to the refugee inflow has been to support them generously (given Hungary's difficult economic situation) and try to integrate the ethnic Hungarians into this society. However, they have not as yet decided to give any refugees permanent permission to remain or citizenship. (The fact that staying permits must be renewed every month or two makes the life of a refugee here very uncertain, since he knows he can be sent back at any time to Romania to face a long prison term.) The GOH has publicly made a distinction between ethnic Hungarian and other Romanian citizens by saying that non-Hungarians would be allowed to leave if they have a "statement of acceptance" from another country. So far we have not seen ethnic Hungarians receiving permission to depart on the same basis. (This policy has been confirmed with the GOH. If addressee posts have been seeing such refugees we would appreciate being informed of how they say they departed Hungary. See Budapest 6672. Repeated to Bonn as Budapest 8677.) It is clear to all concerned that Hungary cannot absorb many non-Hungarians, nor do we think the GOH wants to. They appear to feel considerable responsibility toward the Hungarian ethnic minority in Romania (as evidenced by the extraordinary public criticism the GOH has levelled at the GOH over the plans to raze villages in Transylvania), but we have seen no such concern over the plight of Romanians in general. We do not anticipate that the latter will have any success in building new lives here.

3. In the Embassy's view, this is a problem that will not go away but that will be very difficult for the USG to help resolve. At the present time, because the GOH treats differently the ethnic Hungarians and the others as regards permitting them to depart, it appears that the potential refugee population who would be able to travel to the West should we or others accept them for resettlement is relatively small—probably no more than one thousand. Of this population, perhaps twenty percent will want and be able to go to West Germany. We hope that a means can be found to assist the others, at least as far as having their cases heard.

Palmer

364. Letter From Hungarian General Secretary Grosz to President Reagan¹

Budapest, August 31, 1988

Dear Mr. President,

Returning to Hungary, I take this opportunity to express my thanks for the invitation as well as for the attention and hospitality I and my party have enjoyed throughout our stay in the United States. I hope that I can reciprocate your kindness in Hungary.

The discussions I have had with you and with members of the US Government have strengthened my conviction that we are following the right track when seeking opportunities to develop our relations with the United States. In my meetings with members of the American political, social and business community I have experienced understanding for the situation of the Hungarian People's Republic, sympathy for our reform endeavours and a will to cooperate in our efforts to revive our economy.

I was particularly pleased to meet many representatives of people of Hungarian descent living in the United States and to establish contact also with the American people through the media and a few personal moments. I can assure you that the Hungarian people has also followed the events of my visit with interest and sympathy for the American people. The message you have sent to Hungarians through the television has also been well received.

Mr. President,

I would like to reaffirm that we wish to build on the sympathy and the willingness to cooperate we have encountered in the United States in determining our tasks for the coming period and in developing our relations with your country.

Please accept my best wishes for the remaining part of your presidential term and may I wish you happiness and good health in your personal life.

Károly Grósz

¹ Source: Reagan Library, Rudolf Perina Files, Subject File, Hungary Bilateral, 1988 RP (1). No classification marking. Printed from a translation.

365. Telegram From the Embassy in Hungary to the Department of State¹

Budapest, October 18, 1988, 1424Z

10660/Depto 4065. Subject: Deputy Secretary Whitehead's Meeting With General Secretary Karoly Grosz, October 17, 1988.

1. Confidential—Entire text

2. Summary. In an October 17 meeting with Deputy Secretary Whitehead, General Secretary Grosz noted Hungary's interest in obtaining U.S. assistance in encouraging businessmen to come to Hungary because of the country's need to obtain the expertise necessary to transform an outdated economy into a modern one. Grosz argued that there was no danger of the reform process slowing down although there was no unanimity in the country about the correct pace of reform. He supported a clash of opinion, arguing that it would result in a new point of view. Nonetheless, economic relations were not sufficiently dynamic and there was a shortage of time. Grosz also reviewed Hungary's establishment of relations with Israel and South Korea and participation in the Iran-Iraq peacekeeping force. He argued that Hungary would withstand all criticism of these acts because it believes in what it is doing. In response to the Deputy Secretary's question regarding Hungarian voting practices in the UN, Grosz responded that in determining its vote, Hungary looks to its national interest and not how other countries will vote.

3. Participating in the meeting were Ambassador Palmer, EUR DAS Thomas Simons, NSC Senior Assistant Nelson Ledsky and EconOff (notetaker). Hungarian participants were Deputy Minister Laszlo Kovacs and US Desk Officer Gabor Horvath. End summary.

4. Deputy Secretary Whitehead opened the meeting by noting that he had talked to much of the GOH top leadership and had heard a variety of views. Some observers, however, believe that there is a danger that the reform process may be in danger of slowing down. Nonetheless, the economy was doing better and he hoped that the GOH would move forward aggressively. Here Gorbachev was a good model. As the Hungarian economy becomes more market-oriented, there are many ways in which the U.S. can help. For example, an IBM manager would be coming to Hungary to encourage U.S. investment

¹ Source: Department of State, Records from Ambassador Thomas W. Simons, Jr., Lot 03 D 256, Chron, October 1988. Confidential; Immediate; Exdis. Sent for information to Eastern European posts and the Mission to the United Nations.

in Hungary and the International Executive Service Corps could help bring American management skills to Hungary.

5. General Secretary Grosz [garble] that his visit to the U.S. was viewed as successful by both the party and the government. This had been publicly proclaimed, and, as a result, there was [garble] the United States on the part of Hungarian businessmen. There was, however, a mild lack of confidence in the Hungarian economy by others although it was difficult to tell how much was related to Hungary and how much to the socialist world. This would not disappear overnight, but as businessmen come to Hungary, the dialogue will improve. Such events as the meeting of the American Society of Travel Agents in Budapest will help give a human face to events in Hungary. The U.S. could further help by encouraging businessmen to come to Hungary. Money was available, thus, intellectual help is the most important because it is difficult to get the expertise necessary to transform an outdated economy to a modern one. Grosz noted that he was grateful for U.S. support.

6. Grosz stated that while the Deputy Secretary had noted the danger of reform slowing down, he did not believe that this would occur. Nonetheless the country was split. Half believes that reform is moving too fast, half believes that it is moving too slowly. Half of the party believes that socialism is being sold out, while half believes that the current policies are not up-to-date. This is natural, however, because the country is in a transitional stage. The danger is not one of the reform slowing down, but rather of not managing issues properly. For example, prices do not reflect values, and the wage system does not work. The problem is how to manage these issues. Grosz argued that Hungary is not following Gorbachev's style which is based on a certain tradition and is suitable to a large country. In Hungary, he wants a new style in which those closer to the truth will prevail. Thus, there should be a clash of opinion. Already the government was getting more petitions than the paperwork it generated. There should be an intellectual result of this spiritual happening. Grosz noted that while he was not nervous about political relations in Hungary, he was nervous about economic relations because production was insufficiently dynamic. All want to distribute what no one has produced. This must change.

7. Grosz stated that in its international policies, Hungary adheres to the Helsinki Final Act and stands up for human and ethnic rights. Hungary had resumed relations with Israel out of conviction, and not because of profit. Hungary had also sent 15 officers to participate in the Iraq-Iran peacekeeping force out of moral obligation. It had also resumed relations with South Korea. In these issues, Hungary would withstand all criticism because it believes in what it is doing. Now the socialist world is dividing into two camps and Hungary is in the group that wants reform and good relations with all.

8. The Deputy Secretary noted that it was the U.S. hope that, with Hungary leading the way, the other countries would follow. He asked Grosz to review Hungarian practices in one area—its voting practices in the UN where Hungary votes with the Soviet Union. Grosz responded that there was no case in which Hungary had voted against its principles. Deputy Minister Laszlo Kovacs noted that Hungary had abstained on certain occasions. Grosz noted that in deciding issues, the Council of Ministers often has serious debates and arguments, but that the question of how the Soviet Union will vote does not come up. Grosz stressed that Hungary looks to its interests and not how others will vote. As an example, Kovacs noted that Hungary had decided that if the Arabs attempt to obtain the withdrawal of a member of the Israeli delegation, Hungary would not participate. Grosz added that in Vienna, there are also serious quarrels, but in regard to conventional arms reduction, Hungary wants to be first because it is in its national interest. He noted that for him, “even two soldiers are too many.”

9. DAS Simons noted that in an earlier meeting, one Politburo member had noted that the situation today was the reverse of the situation in the sixties. Then there was more bread, but less freedom. Today, there will be more freedom, less bread. Grosz responded that the economic situation today was worse than in the sixties because of the new demands and expectations for goods like cars and color televisions. As a slogan, he would prefer more freedom and greater economic potential. But economic freedom must be coupled with intellectual freedom. For ten years, no incentives had been set to encourage higher performance and it was difficult to set an immobile crowd into motion. He noted that there was a positive reciprocity between “more bread and more freedom.” While the leadership has patience, there is a shortage of time. Grosz then noted, as he frequently does, that it is only twenty months before he retires. Then he will be able to meditate.

Palmer

Bulgaria

366. Telegram From the Embassy in Bulgaria to the Department of State¹

Sofia, October 23, 1981, 1100Z

2958. Subject: Assistant Secretary Eagleburger's Visit to Bulgaria. Ref: (A) Belgrade 8490² (B) Belgrade 8492³ (C) Sofia 2916.⁴

1. (C—Entire text)

2. Summary. Assistant Secretary Eagleburger's October 19–22 visit to Bulgaria, the first at this level under the Reagan administration, included frank exchanges with GOB policy-makers on a wide range of international and bilateral questions, and provided the GOB with an authoritative restatement of US desire to continue improving bilateral relations within current limitations imposed by East-West differences.

3. High-Level Meetings. Eagleburger met for two and one-half hours with Foreign Minister Petur Mladenov (who reportedly left the hospital, where he was under treatment for back problems, for the occasion). While the meeting focussed on contentious international issues, particularly European and strategic arms matters, the atmosphere was cordial (ref A). Eagleburger discussed economic relations and the economic situation in Bulgaria with Deputy Prime Minister Andrei Lukanov (ref B), candidly outlining present constraints on any dramatic improvements such as MFN. At same time, he stressed US support for expanding economic ties within possibilities now available. Lukanov concurred in this approach, also presenting an optimistic picture of Bulgarian economic development.

4. Foreign Ministry Consultations. Bilateral relations were reviewed in detail with First Deputy Foreign Minister Marii Ivanov in a one-and-a-half hour session including working-level experts (ref C). The Bulgarian side downplayed differences and stressed hopes for intensified higher-level contacts, also asking for more congressional

¹ Source: Department of State, Central Foreign Policy File, D810501–0253. Confidential; Priority. Sent Priority for information to Belgrade.

² Not found.

³ Telegram 8492 from Belgrade, October 22, reported on Eagleburger's meeting with Bulgarian Deputy Prime Minister Lukanov. (Department of State, Central Foreign Policy File, D810499–0349)

⁴ Telegram 2916 from Sofia, October 21, reported on Eagleburger's meetings with officials at the Bulgarian Ministry of Foreign Affairs. (Department of State, Central Foreign Policy File, D810496–0322)

visitors to Bulgaria. Both sides agreed to work for steady improvement within current constraints. Further consultations in Washington, probably in January 1982, were contemplated. In additional informal talks with Ivanov, Eagleburger urged prompt Bulgarian action to apply true reciprocity in social security payments to avert a cut-off of US payments to Bulgarian recipients in the near future. Ivanov promised to give this matter urgent attention.

5. Atmospherics. Bulgarian hosts were most cordial throughout, stressing repeatedly their government's policy of seeking improved relations but also acknowledging current limitations. The Bulgarian side strenuously avoided contentious bilateral issues, such as MFN. The GOB's desire to make the visit a success was probably reflected in the absence in President Zhivkov's 1300th anniversary speech (septel)⁵ of any pointed criticisms of the US or the Reagan administration, even though such attacks have become daily fare in the Bulgarian press and other high-level pronouncements.

6. In contrast to the evident Bulgarian desire to stress the positive in bilateral matters, the Assistant Secretary's Bulgarian interlocutors were prepared to exchange views frankly on international and East-West issues, such as the Middle East, theater nuclear forces, the strategic balance, and the neutron weapon. This was particularly true of the session with FonMin Mladenov, who obviously had a number of points he wished to get across, including Bulgarian preoccupation over the arms race, support for arms negotiations, and concern over US Middle East policy and America's demonstrations of support for Egypt. At the same time, Bulgarian positions on international issues predictably hewed close to the Soviet line.

7. In addition to the scheduled meetings with high Bulgarian officials, Eagleburger had an opportunity to exchange views in a more informal atmosphere with MFA and foreign trade officials at a reception hosted by Charge. The event was noteworthy both for the unusually large number of Bulgarians attending and the unprecedented and free-wheeling (for Sofia) give-and-take discussion.

8. 1300th Anniversary. Eagleburger attended celebrations of the 1300th anniversary of the founding of the Bulgarian state, including a formal commemoration at the Palace of Culture marked by a speech by President Zhivkov and Zhivkov's evening reception at his residence at Boyana. Eagleburger also presented the official US gift—a china bowl with portraits of US patriots—to FonMin Mladenov.

⁵ Telegram 2960 from Sofia, October 23, summarized Zhivkov's speech marking the 1300th anniversary of Bulgaria. (Department of State, Central Foreign Policy File, D810501-0711)

9. Press Coverage/Private Reactions. A brief factual report outlining the meetings held and their basic subject matter appeared in *Rabotnichesko Delo* on October 23. Despite limited press coverage, the visit aroused considerable interest on the part of Bulgarian contacts of the Embassy, as well as the local diplomatic corps. In subsequent comments to Embassy officers, Bulgarian officials involved in the visit have stressed their satisfaction with the discussions and their view that the visit represented a highly positive step in our dialogue and in continuing efforts to improve relations.

10. Comment: Both the substance and tone of the talks during the visit struck a good balance between the mutual desire for better bilateral relations and a realistic appraisal of the limitations imposed by broader differences. The visit thus made a valuable contribution to furthering the gradual process of developing a greater network of ties, and our relations seem to be on a realistic track, with neither side overly pessimistic about the obstacles to further limited cooperation nor excessively sanguine about any “break-throughs.”

Anderson

367. Telegram From the Embassy in Bulgaria to the Department of State¹

Sofia, January 27, 1982, 1012Z

220. Subject: Call on Bulgarian Prime Minister Grisha Filipov; U.S.-Bulgarian Relations. Ref: A) State 8674,² B) Sofia 0209,³ C) Sofia 0085.⁴

1. C—Entire text.

2. Summary: I had a tough exchange on the prospects for U.S.-Bulgarian relations with Prime Minister Grisha Filipov, putting him

¹ Source: Reagan Library, Executive Secretariat, NSC Country File: Bulgaria 1/22/1981–7/15/1983. Confidential; Priority; Exdis. Sent for information to Belgrade, Berlin, Bucharest, Budapest, Moscow, Prague, and Warsaw. Printed from a copy that was received in the White House Situation Room.

² Reference telegram number is incorrect.

³ Telegram 209 from Sofia, January 26, reported that Zhivkov claimed in an interview that the United States was not seeking peace and détente. (Department of State, Central Foreign Policy File, D820043–0814)

⁴ Telegram 85 from Sofia, January 12, reported to the Department the Embassy's goals for 1982. (Department of State, Central Foreign Policy File, D820018–0195)

on notice that tendentious treatment of U.S. policies by Bulgarian officials and media, Polish situation and failure to resolve divided family cases were obstacles to significant improvements in bilateral relations during the year ahead. I described Zhivkov's reference to need for a U.S.-Bulgarian trade agreement as unrealistic in light of Bulgarian refusal to comply with provision of U.S. law and anti-American media campaign. Filipov bristled at my presentation and initially excluded any U.S.-Bulgarian cooperation or improvement in relations if U.S. insisted on raising such issues. Once he got over the influence of his own rhetoric, he agreed that modest progress in relations within existing framework was possible and desirable and that joint efforts in this direction were required. While accepting that MFN was out, he emphasized Bulgaria's particular interest in expanding trade. Filipov struck me as a dynamic ideologue, whose explanations of Bulgaria's new economic measures focused more on Marxist-Leninist jargon than pragmatism. End summary.

3. My January 26 courtesy call on newly-named Prime Minister Grisha Filipov lasted one hour and 40 minutes. With him were Deputy Foreign Minister Lyuben Gotsev and interpreter Elena Poptodorova, who interpreted my formal presentation but not his response.

4. I used Zhivkov's published remarks on U.S.-Bulgarian relations (ref B) as a springboard for making the points in ref A. I said that while my government shared Zhivkov's expressed interest in improved relations, we could not accept implication in his remarks that it was up to us to prove our good will by taking the initiative. I pointed to three issues which represented obstacles to substantial improvement in U.S.-Bulgarian relations: public treatment of U.S. policies by Bulgarian media and officials; failure to resolve divided family cases; and Poland, which cast a cloud over East-West relations. Zhivkov's statement that the U.S. should sign a trade agreement with Bulgaria as an earnest of its intentions was unrealistic in view of GOB's refusal to comply with provisions of U.S. law (Jackson-Vanik)⁵ and Bulgarian media attacks on U.S. which affect climate in Congress. We could, however, work for modest improvements in relations and try to consolidate progress in areas where agreements had been signed (I cited examples from para 5-C and -D of ref C).

5. Filipov responded with a 40-minute harangue during which he seemed to talk himself into a state of high dudgeon. Stripped to essentials, his response contained following points.

—Zhivkov's public and private statements about wanting improved and expanded relations with the U.S. are principled, not protocolary or

⁵ See footnote 4, Document 2.

short-term. There are great possibilities for improvements which would contribute to the cause of peace. Initiatives from both sides are required for progress. GOB appreciates assurances of Reagan administration that it desires better bilateral relations, but sees little evidence of any practical consequence.

—U.S. complaints about Bulgarian media treatment of U.S. are inconsistent with Bulgarian democratization and American protestations about freedom of the press. Bulgarian journalists are free to have their own opinions and Bulgarian authorities would not interfere with this process to please U.S. (Returning to media issue later, I said I could not imagine that party Ideological Commission could not alter tone of media treatment of U.S. if it wished to do so.)

—Concerning Poland, Filipov could not understand my raising the question. What was going on there before December 13⁶ was counter-revolution and chaos. U.S. also used “state measures” against strikers and had no right to dictate to Poles or interfere in their internal affairs. There was no possibility of returning to the pre-December 13 situation in Poland. Bulgaria would not tolerate any attempt to pressure it on Polish question or condition improvement of relations on its outcome. (In return to Polish question later, I stressed our view that the situation there was deteriorating which could lead to outside military intervention with incalculable consequences for East-West relations. Filipov heatedly denied any such possibility, stressing that the Poles were able to restore order themselves.)

—On divided families, both Gotsev and Filipov denied that any such question existed. Filipov claimed that my very raising of the question put me in a delicate position since it was insulting to the Bulgarian people. No kind of compromise on such issues was possible, since it represented an effort to pressure a small country. (I later pointed out that I had been assured that in principle Bulgaria was prepared to solve divided family questions, that Bulgaria discussed such matters with countries such as the FRG and Turkey and that I had presented a list of cases to the MFA.)⁷

—On the issue of a trade agreement and MFN, Filipov remarked heatedly that Bulgaria was not prepared to accept any conditions on the expansion of trade and would not come to the U.S. on its knees to comply with discriminatory U.S. legislation. Bulgaria was interested in expanding trade with the U.S. on the basis of mutual benefit but would not tolerate interference in its internal affairs.

⁶ See footnote 3, Document 6.

⁷ Not found.

—Summing up, Filipov said that if I were to succeed in my tour as Ambassador here, I should put all the questions I had raised aside and not bring them up again. Bulgaria wanted cooperation with the U.S., but would not accept any conditions imposed by the U.S. side.

6. In response, I said I was not setting pre-conditions for continued cooperation, but pointing out serious U.S. concerns which affected the climate of our relations and specifically limited the possibility of significant improvements. In carrying out my task of improving U.S.-Bulgarian relations, it was my duty to bring these concerns to the attention of senior Bulgarian officials. It would be stupid to attempt to set pre-conditions for continuation of bilateral cooperation. I again went over the points I had raised (see above), stressing the point that these were concerns and not pre-conditions. Filipov welcomed these “clarifications” and while continuing to be inflexible on substance, agreed on the need to build further on the progress already made in bilateral relations and improve implementation of bilateral agreements. He again stressed Bulgarian interest in bilateral trade and particularly increased sales of Bulgarian goods on U.S. market. Conversation concluded with a discussion of Bulgaria’s new economic mechanism (septel).⁸

7. Biographic: Filipov struck me as far more combative and ideological than Zhivkov or the ex-Prime Minister Stanko Todorov. During his responses he worked himself up into something of a rhetorical frenzy with gestures more appropriate to an auditorium than an audience of two. He seemed to enjoy talking about economic matters, but even here his points were more ideological than pragmatic. Evidently his rough edges are not saved for Americans alone, since Deputy Prime Minister Lukanov commented to me at a chance meeting later in the day that Filipov was known for his “lack of concern for protocol.”

Barry

⁸ Telegram 229 from Sofia, January 28, reported on Bulgaria’s new economic policy, which was much like the Soviet model. (Department of State, Central Foreign Policy File, D820048-0205)

368. Paper Prepared in the Bureau of Intelligence and Research¹

Washington, December 10, 1982

GLOBAL ISSUES REVIEW

International Terrorism

Papal Assailant and Bulgarian Smuggling Make Bizarre Mix

Mehmet Ali Agca's claim this week that the plot to assassinate Pope John Paul II on May 14, 1981 was planned by Bulgarian agents has not been confirmed.²

Nonetheless, Agca's apparent connections with three Bulgarians [*less than 1 line not declassified*] is significant. The head of the Balkan airlines office in Rome, Sergei Antonov, was arrested in late November in connection with the plot. Agca reportedly described Antonov's office to Italian investigators. And according to the press, he had a list with the Bulgarian's phone number, as well as that of the Bulgarian Embassy in Rome and the home number of another Bulgarian who worked at the Embassy whose arrest warrant was issued this week. An arrest warrant also is out for a Bulgarian who worked as a secretary to the Bulgarian military attache in Rome.

Bulgarian police have arrested Bekir Celenk, a Turkish smuggler whom Agca claimed arranged meetings for him with Bulgarian agents and offered him \$1.2 million to shoot the Pope.

Since his arrest on the day of the shooting, Agca has been caught in several lies about his activities to throw the investigation of the papal assassination attempt off the track. We thus view his current "confession" as reported in the Italian press with some caution until further confirming evidence comes to light.

The 18-month investigation has at least made it clear that Agca was deeply involved with Turkish and possibly Bulgarian nationals who are part of major smuggling operations run out of Sofia. Agca stayed in Sofia in July–August 1980, then travelled throughout Western Europe before going on to Rome to shoot the Pope. He stayed at the Vitosha hotel in Sofia, which has been identified as a center for business deals

¹ Source: Central Intelligence Agency, Office of the Director of Central Intelligence, Job 84B00049R: Subject Files (1981–1982), Box 12, Folder 287:DCI Meeting with Judge Clark Re: MX/Dense Pack, Central America, Counterintelligence, Suriname, & INF/NSC Meeting. Secret; Noform; Nocontract; Orcon; Wnintel; Exdis. Drafted by Kathleen Fitzpatrick (INR/GIS); approved by Natalie Bellocchi (INR/AR).

² Agca shot Pope John Paul II on May 13, 1981, in St. Peter's Square in Vatican City.

involving smuggling of arms, narcotics and other contraband. Yugoslav diplomats in Sofia, for example, recently told our Embassy there that Yugoslav smugglers "hang out" at the Vitosha and conduct much of their business there. Moreover, Agca's Turkish contacts in Sofia, who reportedly assisted him in the assassination attempt, are well-known smugglers who cooperate with Bulgarian operatives in transporting illicit goods to Western Europe and the Middle East.

[1 paragraph (5 lines) not declassified]

Agca's known contacts in the milieu of right-wing terrorism in Turkey and his claimed relations with leftist extremists would easily have provided access to the smuggling underworld, including those Turkish operatives who did business with Bulgaria.

Corruption connected with Bulgarian smuggling operations apparently reaches high levels in the Bulgarian government, *[1 line not declassified]* It remains unclear, however, whether the smuggling and official corruption that facilitate such activities reflect traditional "Balkan corruption" or a conscious official Bulgarian policy. It is also unclear to what extent, if any, smuggling operations may be used to facilitate official Bulgarian covert activities, including, at least hypothetically, a political murder. There are, however, also economic incentives for official Bulgarian involvement in smuggling, particularly the need for hard currency.

Bulgaria's hard currency debt of approximately \$2.2 billion is not large. But like other East European countries, it is experiencing a hard currency squeeze that is exacerbated by falling prices of Soviet crude oil and oil products, which the Bulgarians re-export as one of the country's major means of earning hard currency.

Although Bulgaria remains one of the most credit-worthy countries in CEMA, it has in 1982 developed its first hard currency deficit since 1978. Bulgaria's deficit vis-a-vis Western Europe amounts to an unusually high (for Bulgaria) \$895 million. Soviet subsidies buffer Bulgaria's hard currency problems, and Bulgarian smuggling operations were observed well before the current credit crunch. Nonetheless, Bulgarian officials undoubtedly view large-scale illicit trafficking as an easy means to offset hard currency difficulties.

There is no information on whether the three Bulgarians cited by Italian investigative magistrate Ilario Martella—and now by Agca himself—as deeply involved in the assassination plot, were connected with smuggling operations. But Antonov, *[less than 2 lines not declassified]* would have been in a position to support—and benefit from—Bulgarian-connected drug trafficking.

Although most of the smuggling of contraband occurs overland or by ship, Bulgarian airlines may play a role in narcotics trafficking. The US Embassy in Malta, for example, citing British, Vatican and other diplomats in Valletta, hypothesizes that increasingly visible

Maltese-Bulgarian friendship may reflect an official or unofficial agreement in which Balkan airways would be given favorable treatment and Bulgarian companies special advantages in Malta if Bulgarian government officials look the other way when narcotics—a big business in Malta which is facilitated by Maltese officials—are loaded onto Bulgarian planes for transport to Western Europe.

**369. Telegram From the Embassy in Bulgaria to the
Department of State¹**

Sofia, December 16, 1982, 1335Z

3771. Subject: Speculating on the Bulgarian Connection in the Agca Case.

1. Many of the allegations or suspicions concerning Bulgarian involvement in the Scricciolo, Dozier,² Arsan and other cases involving smuggling and the like are believable if unproven. While no great admirers of the Bulgarians, we find much of what they are accused of in the Agca case difficult to believe of the Bulgarians (even less the KGB) because it would have been so stupid. So we have tried to find other possible explanations for Bulgarian footprints in St. Peter's Square. Clearly it is too early to draw any conclusions, especially since the case is before the Italian courts. But we thought it worthwhile to share our speculations in hopes that they might open new lines of inquiry.

Turkish Mafia Out of Control?

2. One possible theory is that Bulgaria's apparent policy of providing sanctuary and limited support for underworld figures may have simply gotten away from them. Shadowy figures such as Celenk³ evidently have lots of irons in the fire, not all of them known to the Bulgarian state security. Some of them may have provided Agca with support (with or without knowledge of his intended attempt on the Pope) without bringing the Bulgarians in. Certainly enough forged

¹ Source: Department of State, Central Foreign Policy File, D820653–0297. Confidential; Priority; Limdis. Sent for information to Ankara, Rome, and Vienna.

² James Dozier was kidnapped by the Italian Red Brigades in December 1981.

³ Bekir Celenk, a Turk.

passports and “black” money are available in Sofia to make such a scenario feasible. And the local security forces may follow an intentional policy of not inquiring too deeply into the activities of the people whose presence they tolerate here. Under such a scenario, the local “Mafia” could have supplied Agca with ways of contacting Bulgarians in Rome, counting on Bulgarian cooperation in an emergency (perhaps on the basis of past experience).

Indiscriminate Destabilization

3. A related theory is that the Bulgarians saw Agca as a potential asset in their efforts to destabilize the West and sent him on his way to Italy without ever realizing what he was really up to. It is hard to imagine, however, that they would have set up contacts for Agca with their Embassy or with Antonov under such circumstances. Conceivably, Agca could have received this information from people in Sofia’s shadowy underworld who had had dealings with Bulgarians in Rome themselves. In several weeks at Sofia’s Vitosha Hotel he could have hardly avoided contact with these characters.

Other Tasks for Agca?

4. It is also possible that Agca was sent to Rome by the Bulgarians and/or the Turkish mafia on other business—such as arms or drug smuggling—and provided with Bulgarian contacts to facilitate this activity. He would not have revealed his interest to assassinate the Pope to any of these contacts, realizing that they would have nothing to do with such a scheme.

A Final Caution

5. None of the above alternatives would excuse the Bulgarians for whatever connection they—or their proteges—may have had with Agca. But it is equally clear that one cannot draw any conclusions concerning these connections on the basis of information available to us now. We may never be able to.

Barry

**370. Memorandum From Director of Central Intelligence
Casey to Secretary of State Shultz, Secretary of Defense
Weinberger, the President's Assistant for National Security
Affairs (Clark), and the Deputy Secretary of State (Dam)¹**

Washington, December 20, 1982

SUBJECT

Bulgarian Complicity in the Papal Assassination Attempt (S)

1. Attached is a memorandum requested by Ken Dam reviewing all information available to the Agency on Bulgarian involvement in the attempt to assassinate the Pope.² As you will see in the memorandum, [*less than 6 lines not declassified*].

2. While the memorandum is very careful in its review of the reporting, [*less than 12 lines not declassified*].

William J. Casey

Attachment

Memorandum Prepared in the Central Intelligence Agency³

Washington, undated

Bulgarian Complicity in the Papal Assassination Attempt

1. *Introduction.* We are unable at this juncture to develop a clear-cut, conclusive picture of Bulgarian involvement with would-be papal assassin Mehmet Ali Agca. [*less than 8 lines not declassified*].

2. [*1 paragraph (12 lines) not declassified*]

3. [*1 line not declassified*] the Italian magistrate system, which gives investigators and prosecutors independence and wide latitude and prohibits public disclosure until trial. This system also protects magistrates

¹Source: Central Intelligence Agency, Office of the Director of Central Intelligence, Job 87M00539R: Policy Files, Box19, Folder 298: I-111 Attempted Assassination of Pope Paul II. Secret; [*handling restriction not declassified*].

²A December 10 note to the Deputy Directors for Operations and Intelligence from the Deputy Director indicated that Dam "would like to know any and all information" on Bulgarian involvement. (Ibid.)

³Secret; [*handling restriction not declassified*].

from public scrutiny and has in the past led to selective press leaks for political purposes, particularly in cases that capture public attention. *[less than 2 lines not declassified]*

4. *[6 paragraphs (93 lines) not declassified]*

10. *[less than 1 line not declassified]* Agca maintained that he had no confederates in his attempt against the Pope.

Subsequently, arrest warrants have been issued *[less than 1 line not declassified]* for three Bulgarian nationals and four Turkish nationals on grounds that they assisted in Agca's attempted assassination. The Bulgarians are:

—Sergey Ivanov Antonov, a Bulgarian airlines representative in Rome, arrested on 25 November and now in Italian custody *[less than 5 lines not declassified]*.

—Zhelyo Kolev Vasilev, a former secretary to the Bulgarian military attache in Rome who returned to Bulgaria in July, 1982.

—Todor Stoyanov Ayvazov, the chief Bulgarian embassy accountant, who returned to Bulgaria in November, 1982.

11. *[1 paragraph (11 lines) not declassified]*

12. *[1 paragraph (11 lines) not declassified]*

13. *[less than 4 lines not declassified]* According to the US Embassy in Rome, the alleged Bulgarian connection, currently a cause celebre in Italy, has prompted political maneuvering within the newly formed four party coalition. The Socialists, Social Democrats, and Liberals charge that the Christian Democrats, who control the Foreign and Interior ministries, have been reluctant to pursue the Bulgarian angle. While sensitive to the criticism leveled by their coalition partners, the Christian Democrats insist that the government must proceed cautiously until Martella's evidence has been completely aired. Foreign Minister Colombo told Secretary Shultz on 13 December that his government was not certain whether Agca's statements *[less than 1 line not declassified]* were true, or were designed to secure for Agca a reduced sentence.

14. *[1 paragraph (8 lines) not declassified]*

15. The assassination attempt has been described, from the point of view of the tradecraft demonstrated, as shoddy and therefore, antithetical to the sound practices expected of a professional intelligence organization. The US Embassy in Sofia offers the view that it is difficult to believe that the Bulgarian security services were directly involved in Agca's assassination plot "because it would have been so stupid." Neither of these two considerations, however, necessarily exclude the possibility of official Bulgarian involvement.

16. *[1 paragraph (5 lines) not declassified]*

371. Memorandum From Walter Raymond of the National Security Council Staff to the President's Assistant for National Security Affairs (Clark)¹

Washington, January 5, 1983

SUBJECT

Assassination Attempt Against the Pope

Attached is the memorandum that Bill Casey forwarded to you on December 20² which reviews all the information available to the Agency on Bulgarian involvement in the attempt to assassinate the Pope. I am concerned about the depth of effort undertaken by the Intelligence Community on this issue. I confess that my concern is fueled by the fact that several private investigators produced material as long as a year ago which developed substantial evidence pointing to Bulgarian complicity. As best I can judge (from long distance) the Intelligence Community did not make an all court press to seek to verify aspects of this circumstantial evidence [*less than 4 lines not declassified*].

It strikes me that an issue of this magnitude requires a very serious commitment of time and effort by the Intelligence Community. We need to know if the Bulgarians and subsequently the Soviets were behind the plot. I realize that if we do develop this solid evidence it will create a major political issue. I further recognize that if we allow the "Italians to stay out front" it gives us greater flexibility on how we wish to handle the case. Nevertheless, I think we have to pose the question to ourselves and subsequently to Bill Casey:³ Do we want to know? Do we want to deploy increased resources so as to make an all out effort? Have we increased our capability and our efforts in this area?

You will have seen the press reports which indicate that Brzezinski believes that the Bulgarians (and the Soviets) are behind the plot.⁴ Brzezinski's source may well be Paul Henze, a former NSC staffer who produced papers suggesting a Bulgarian connection as early as October

¹ Source: Reagan Library, System IV Intelligence Files, 1983, 400405. Secret; Sensitive. Sent for information. A copy was sent to deGraffenreid. "WPC has seen" is stamped at the top of the memorandum.

² Attached but not printed. See Document 370.

³ An unknown hand highlighted this sentence and the subsequent questions by drawing a line adjacent to them in the right-hand margin.

⁴ In an interview with an Italian newspaper on January 3, Brzezinski stated his belief that the KGB was behind the assassination plot. ("Brzezinski Believes KGB Plotted to Kill the Pope." *Washington Post*, January 4, 1983, p. A9)

and December 1981.⁵ But more probably, Brzezinski's confidence in his analysis is based on his excellent access to the Vatican. Has the Intelligence Community debriefed Brzezinski? Henze? Mike Ledeen? Claire Sterling? *[less than 4 lines not declassified]*

I realize the profound issues raised by this whole subject, but I believe in the quiet of the 5 p.m. meeting with the DCI⁶ in your office we should ask and answer some of the hard questions.

⁵ Not found.

⁶ No memorandum of conversation of this meeting was found.

372. Memorandum From Acting Director of Central Intelligence McMahon to President Reagan, Vice President Bush, Secretary of State Shultz, Secretary of Defense Weinburger, and the President's Assistant for National Security Affairs (Clark)¹

Washington, April 5, 1983

SUBJECT

Sensitive Information on Bulgarian State Security Reaction to Allegations of Bulgarian Involvement in the Attempt to Assassinate the Pope

1. This memorandum is extremely sensitive. *[less than 9 lines not declassified]*.

2. Summary: *[less than 1 line not declassified]* the "Antonov affair" and the alleged Bulgarian connection to the attempted assassination of the Pope, the Bulgarian intelligence services did not conceive, fund, or carry out the attempt on the Pope's life. Bulgarian State Security (DS) and the KGB are absolutely convinced that the allegations are a CIA-inspired provocation, and the whole affair has created a strain between the Soviets and the Bulgarians. The DS was in contact with Mehmet Ali Agca during his stay in Sofia in early 1981, but Agca was using false

¹ Source: Department of State, Executive Secretariat, S/S Special Handling Restrictions Memos, 1979–1983, Lot 96 D 262, 1983 Super Sensitive, April 1–17. Secret; *[handling restriction not declassified]*. A notation in the bottom right-hand corner of the memorandum in an unknown hand indicates that it was received in the Department of State on April 8 at 3:30 p.m.

papers and the DS did not know his true identity. As a result of the scandal, the DS has tightened up its regulations concerning contacts with known criminals, drug addicts, and the like. End summary.

3. Bulgarian State Security (DS) and the KGB are absolutely convinced that the Antonov affair is a CIA-inspired provocation, and the KGB is very upset that the DS has become involved in this unsavory mess. In mid-December 1982, Bulgarian head of state Todor Zhivkov met with Ivan Savchenko, the three-star general who is the chief KGB adviser to the DS, and with the Bulgarian Minister of Interior. The meeting was held because Soviet Party chief Yuriy Andropov had sent a personal inquiry to Zhivkov asking for an explanation. Savchenko apparently was furious and derided the DS for becoming embroiled in continuing scandal. Zhivkov, who was embarrassed, immediately requested, and received, a full briefing on the matter.

4. In early January 1983, Grigor Shopov, First Deputy Minister of Internal Affairs and responsible for DS activities, called a meeting of senior DS officers. Those present were told about the meeting between Zhivkov and Savchenko. Shopov said that the KGB had serious doubts about DS professionalism, and told the assembled officers that they must eliminate the kinds of errors that had been committed in the past. The DS had recruited foreigners with criminal records, drug addicts, and persons with sexual or mental problems. Shopov pointed out that these people could be used by “others” against Bulgaria, and the DS should stay away from them.

5. Speaking specifically about Agca, Shopov wondered out loud why the DS had not been able, despite all the assets at its disposal, to learn Agca’s identity. After all, he was being sought worldwide, lived in Sofia for two months with a false passport, and was known to all his Turkish contacts as a killer. Shopov also wondered how a DS operations officer could establish repeated contact with Agca yet not run traces on him or collect information on him from the DS agent network among the Turks in Sofia. [Comment: For further information on Agca, see paragraph 10 below.]²

6. Shopov continued his speech by instructing that the entire DS agent apparatus be tasked to determine the exact nature of Western intelligence operations designed to discredit Bulgaria and the “entire world socialist system.” He ordered DS officers to use all available means worldwide to convince both foreigners and Bulgarians of Bulgaria’s innocence, and to stop all rumors implicating Bulgaria in the assassination attempt. Officers were to stress that “as a socialist country,

² Brackets are in the original.

Bulgaria cannot and did not have anything to do with the attempted assassination of the Pope.”

7. The tone of Shopov’s speech was serious and somber. DS officers were particularly struck by two points in his speech: his statements about Agca and his instructions to find out about the campaign by Western intelligence services against Bulgaria. DS officers view these points as clear indications that Bulgaria had nothing to do with the attempt on the Pope’s life. Until the speech took place, DS officers had been discussing among themselves whether or not the DS could have been involved in the attempt. Some officers thought that it was possible. After the speech, most DS officers believed that there was no Bulgarian involvement, [1 line not declassified].

8. In accordance with Shopov’s instruction, DS assets, particularly those returning from trips to the West, were debriefed extensively. All of those who had been in the West reported that their Western contacts were of the opinion that Bulgaria has been directly involved in assistance to terrorists such as Agca, and may also have been involved in the attempt on the Pope’s life. Some of them indicated that the scandal is having a negative effect on Bulgaria’s trade and cultural relations with the West. At the same time, the DS obtained reporting from its internal network of agents that dissidents were saying that Bulgaria had been “used” by the Soviets against the Pope and now was receiving worldwide negative publicity, when in fact the Soviets were the real culprits.

9. The DS adopted tighter measures for dealing with foreigners as a result of the Shopov meeting. Aggressive pursuit and quick recruitments have been prohibited. Also, steps have been taken to prevent Turks and Arabs and any “suspicious” persons from registering in the leading Sofia hotels. DS officers have indicated that this measure was carried out to the letter and even legitimate Turkish businessmen were not permitted to register. In addition, about fifty “privileged” Turks and Arabs who had been living in large hotels in Sofia and assisting the DS in drug and arms trafficking, as well as in propaganda and intelligence work in their native countries, were moved to private villas on the outskirts of Sofia.

10. When Agca visited Bulgaria in 1980, he entered the country in alias, documented as a Syrian, Iranian or Iraqi [less than 1 line not declassified] Agca spoke Turkish, from which the DS officer in contact with him assumed he was a member of the Turkish or Kurdish minority in his [falsely documented]³ native country. The DS obtained information

³ Brackets are in the original.

that Agca was making contacts with Bulgarian “underworld figures” in Sofia. Therefore, a DS operations officer approached Agca at his hotel in Sofia and had many meetings with him; however, the DS officer never actually recruited him. Also, the DS officer never ran traces on Agca, and never got official permission for his contacts with him [*less than 2 lines not declassified*].

11. [*less than 1 line not declassified*] does not know when the DS first learned that the person who had attempted to assassinate the Pope was the same individual that one of their officers had been in contact with in Sofia. [*less than 1 line not declassified*] this came to DS knowledge when photographs of Agca appeared in the press. [*less than 1 line not declassified*] in August or September 1982 [*less than 1 line not declassified*] a DS officer had been officially reprimanded and demoted from captain to lieutenant. The reason was not given. After the December 1982 speech by Shopov, [*less than 1 line not declassified*] this officer was the one who had been in contact with Agca, and that he had been demoted because of his negligent handling of the matter.

12. [*less than 1 line not declassified*] the DS would have shared with the KGB any information obtained on Agca, and details of its activities against him. The DS routinely provides the KGB with information on each of its external and internal operations, contacts, agents and other activities. Just because the DS is running an operation strictly inside Bulgaria does not exempt it from having to keep the KGB fully informed of the operation. Any information passed would be passed in Sofia. The information would be provided to the KGB advisers there, who probably would forward the information, at least in summary form, to Moscow.

13. Following is information on the three Bulgarians implicated by the Italians for involvement in the attempt on the Pope’s life:

a. Sergey Ivanov Antonov is a Bulgarian military intelligence service (RUMNO) officer, probably holding the rank of senior lieutenant. While stationed in Rome, Antonov was handling agents, and has information not only about his agent work, but also concerning Bulgarian intelligence involvement in drug and weapons smuggling. [*less than 1 line not declassified*] Antonov is under considerable mental stress and that the Italians are using drugs and various psychological techniques to break down his resistance. Also, Antonov’s relationship with his wife was strained for several months before his arrest. The Bulgarians are concerned that, if the Italians learned this, it could be another negative factor. What worries the Bulgarians most is that Antonov will begin to talk about his intelligence activities, and will identify RUMNO and DS officers in other countries. [*less than 1 line not declassified*] the DS is not concerned that Antonov can reveal anything about contacts between himself and Agca because the two had never met. [*less than 3 lines not*

declassified] Antonov “had never met Ali Agca” and that it was hard to understand what the Italians were making such a fuss about.

b. Todor Stoyanov Ayvazov is a RUMNO major who works mainly on Turkish operations. He is respected, and regarded as a capable officer.

c. Zhelyu Kolev Vasilev is a DS officer, probably with the rank of captain. He has a counterintelligence background and is not popular with his colleagues.

14. Both the DS and RUMNO have for years been very active and successful in running operations inside Italy. The Bulgarians have long considered Italy to be a relatively benign operational environment. The DS and the KGB cooperate closely in Rome against NATO targets. Because of the high level of Bulgarian intelligence activity in Italy, *[less than 1 line not declassified]* the DS has “a lot to lose” if the Italians are able to “break” Antonov and obtain details on his and his colleagues’ operations.

15. *[less than 1 line not declassified]* does not know of any concrete preparations for retaliation against the Italians. However, the Italian desk of the DS has been working overtime to collect incriminating data on an Italian diplomat in Sofia *[less than 1 line not declassified]* which could be used if necessary. The espionage trial of the two Italian nationals being held in Sofia has been suspended in order to have these individuals available for a possible prisoner exchange in return for Antonov. *[less than 1 line not declassified]* the photographs which the two took in Bulgaria are definitely not tourist shots; they are pictures of military objects and installations. The two Italians could be sentenced to fifteen to twenty years in prison, although the woman probably will get a reduced sentence because she is cooperating with the Bulgarian investigators.

16. *[less than 2 lines not declassified]* the “Antonov affair” and the alleged Bulgarian connection to the attempted assassination of the Pope, the Bulgarian intelligence services did not conceive, fund, or carry out the attempt on the Pope’s life. *[less than 1 line not declassified]* about the Shopov meeting described above, and asked if that might have been a scenario staged to whitewash the DS. *[less than 1 line not declassified]* top echelon officers attended the meeting, and that only accurate details would be discussed in such a forum. Had there been any real DS involvement, Shopov could have admitted it and instructed that measures be taken to correct the errors.

17. From the purely political/ideological point of view, it does not seem likely *[less than 1 line not declassified]* that the Soviet or Bulgarian Communist Parties or intelligence services would have attempted to stage a clumsy attack against the Pope when the basic politics of both parties in recent years has been to seek accommodation with their

respective churches. *[less than 1 line not declassified]* the Soviets would have looked for political solutions for a political problem and that elimination of the Pope does not fit into the pattern of Soviet political thinking. The Soviets definitely have the ability to carry out executions abroad but they have not recently used that ability. *[less than 1 line not declassified]* this restraint is the result of an awareness that such murders do not in the long run further Soviet, or communist, political objectives.

John N. McMahon

**373. Telegram From the Embassy in Bulgaria to the
Department of State¹**

Sofia, May 4, 1984, 1008Z

1642: Subject: BTA Declaration: Arms, Narcotics and Antonov.
Ref: *[less than 1 line not declassified]*²

1. (C) Action Requested: We would appreciate any information Department and appropriate Embassies can develop on the background of a May 3 BTA declaration.

2. (C) Summary: On May 3 BTA issued a declaration attacking recent Western media reports alleging Bulgarian involvement in the narcotics and arms trade and denying any involvement. BTA blames the United States for this campaign. As reported septel³ (Notal) Deputy Foreign Minister Gotsev also protested the reports. End summary.

3. (U) All local media evening of May 3 and morning of May 4 carried a BTA declaration on Western press reports of Bulgarian involvement in the international trade in narcotics and illegal arms. We assume the full text of declaration will be carried by FBIS but highlights include the following:

—CBS and Danish television have conducted an investigation which was reported in the British paper The Observer on April 29

¹ Source: Department of State, Central Foreign Policy File, D840290–0690. Confidential; Immediate. Sent for information to Ankara, Athens, Copenhagen, Istanbul, London, Pretoria, Rome, Vienna, DEA, and USIA.

² Not found.

³ Telegram 1647 from Sofia, May 4, reported Gotsev's protest of CBS coverage alleging a "Bulgarian connection" with arms and drugs smuggling. (Department of State, Central Foreign Policy File, D840291–0090)

alleging Bulgarian foreign trade organizations have been involved in the illegal trade.

—There is also an allegation that the Athanasios, a ship currently being held in Greece with an illegal shipment of arms is connected with Bulgaria (see reftel).

—A flat denial that Bulgarian foreign trade organizations are involved in illegal trade in arms, narcotics or other goods.

—These reports have appeared at the same time that the propaganda associated with the Antonov affair in Rome is “exhausted”.

—This “provocation” is an effort to “blacken” the name of Bulgaria and “real socialism”.

—The reports of arms shipments to South Africa were an effort to harm Bulgaria’s relations with the developing nations.

—The “staff” of the “psychological war” in the United States is the source of this effort which will fail.

3.⁴ (C) As reported septel (Notal), Bulgarian Deputy Foreign Minister Gotsev made a similar protest to Ambassador Barry May 3 and also called in the British and Danish Charges.

4. (C) We have not seen the April 28 CBS television show which Gotsev mentioned and which we assume is the basis for the BTA declaration, or the Danish television and Observer reports. The only report we have on the Athanasios is reftel which states that it was a Greek owned ship bound from Bulgaria to North Yemen and according to a Greek newspaper was carrying three trucks loaded with automatic weapons, machine guns, pistols and a large quantity of bullets. The ship is reportedly being detained in Chalkis. We assume the reference to South Africa is related to reports that a shipment of arms bound for South Africa from Bulgaria on a Danish vessel was detained several years ago.

5. (C) We would appreciate any information that Department or appropriate Embassies can develop on the recent news reports, the Athanasios, or recent information on the alleged shipment of arms to South Africa.⁵

Barry

⁴ Numbering is in the original.

⁵ No response was found.

374. Information Memorandum From the Assistant Secretary of State for European and Canadian Affairs (Burt) to Secretary of State Shultz¹

Washington, June 25, 1984

SUBJECT

Policy Implications of the Papal Assassination Case

I met with the CIA's Bob Gates last Friday² to exchange views on recent developments in the Papal assassination case. After an extensive analysis of the Italian State Prosecutor's 77-page report [*less than 1 line not declassified*],³ overall the CIA remains agnostic regarding the evidence of a Bulgarian-Soviet conspiracy to assassinate the Pope. However, I should point out two things that emerged from the briefing:

—As Hugh Montgomery's piece (attached) points out, a truck left the Bulgarian Embassy under customs seal in unusual circumstances several hours after the assassination attempt. This is a potentially damning piece of evidence. It may have carried one conspirator and could have held Agca, had he escaped.

—I asked Gates if his view had changed since he last briefed me some eight months ago. Gates said that while the evidence is still unclear, he thought there was a substantial shift at higher levels in the Agency toward a belief that the Bulgarians were involved. If that is true it seems inescapable that the Soviets were somehow aware and involved.

The Agency will, however, continue its quiet efforts to confirm the various elements of evidence presented in the report, as well as the facts which have merged from Judge Martella's investigation.

The defense must now present its case to Judge Martella, after which he will decide whether to go to trial. (By all accounts, he is determined to do so.) We understand the trial is unlikely to begin much before the end of the year—and that it will be lengthy, perhaps as long as a year. In the meantime, Antonov has again been released from prison

¹ Source: Reagan Library, George Shultz Papers, Executive Secretariat Sensitive (06/23/1984–06/25/1984). Secret; Sensitive. Sent through Armacost, who initialed the memorandum on June 26. Drafted by Robert Peck (EUR/WE) and Kuchel; cleared by Combs, Simons, Montgomery, and Palmer. Kuchel initialed for Combs. Covey also initialed and wrote "6/25" on the first page of the memorandum.

² June 22.

³ Not found.

and placed under house arrest ostensibly for health reasons. Whatever the merits of the conspiracy case, the Bulgarian defendants are all known intelligence agents, and the proceedings are certain to produce sensational stories of Bulgarian-Turkish drugs and arms smuggling, as well as intelligence activities. Despite recent Italian efforts to return to a more normal relationship with Bulgaria, this will probably be impossible in such a public atmosphere. Italian relations with the Soviet Union are also likely to suffer given Martella's willingness to establish a logical link through Bulgaria to the USSR.

We will therefore continue to need an approach to the issue which preserves our policy options whatever the evidentiary and judicial outcome. If Bulgarian/Soviet complicity is proven, we must be in a position to defend our record vis-a-vis the case and to adjust our policies to these countries accordingly, i.e., downward. If, on the other hand, the evidence does not support such complicity, it will be important not to have boxed ourselves into prior condemnation. The Agency is also of this view. Throughout, we need to keep the U.S. Government from needlessly becoming a player in this involved case; both the Bulgarians and the Soviets—and probably some Italians—would be only too happy to see us in this role.

Therefore, we recommend that we continue to pursue the balanced and careful approach now in place:

- That we make clear both by our actions and our public statements that we have confidence in the Italian judicial system;

- That we avoid pre-judging the case for or against Bulgarian and Soviet complicity. There will be plenty of damning evidence produced of illegal Bulgarian activities. We should let the facts speak for themselves, and not hand the Bulgarians (and Soviets) a "victory" in the event the specific case of conspiracy cannot be proven. In this regard, your line with the Congress was exactly right.

Attachment

Information Memorandum From the Director of the Bureau of Intelligence and Research (Montgomery) to Secretary of State Shultz⁴

Washington, June 21, 1984

SUBJECT

Newest Evidence on Bulgarian Connection to Papal Shooting—
Case Still Inconclusive

Last week we provided you a preliminary assessment⁵ of the June 10 *New York Times* article⁶ that summarized portions of Italian State Prosecutor Albano's 77-page report on the Papal assassination case. Having now reviewed a translation of the full text of the report, we believe that the evidence for direct Bulgarian complicity—with all its implications for Soviet involvement—is still not conclusive.

Based on the evidence in Albano's report, it seems reasonable to assert that:

—between July 1980 and May 1981, when he shot Pope John Paul II, Mehmet Ali Agca was in frequent contact with three Bulgarian security officers (Antonov, Vasilev, and Ayvazov) and several other Turkish criminals and right-wing extremists named in the indictment; and that,

—*one* plausible interpretation of the *circumstantial evidence* contained in the report is that Agca and those individuals established their relationship in a conspiracy to kill the Pope.

Nevertheless, we disagree with the Prosecutor's conclusion that there can be *absolutely no* other explanation for Agca's contacts with these men and their contacts with him. Aside from employing a highly polemic tone—unusual for this type of document—the Prosecutor has made several leaps in logic and engaged in *a priori* reasoning. For example, he concludes that Agca must be telling the truth concerning Bulgarian complicity in the assassination because Agca, a young man facing life in prison, surely realizes that honesty is the only route to a reduced sentence. We believe it equally plausible, however, that Agca's desperation could have driven him to construct a false scenario which he might believe would result in a reduced prison sentence.

⁴ Secret; Noform; Nocontract; Orcon. Drafted by Mark Steinitz (INR/GI); approved by Robert DuBose (INR/GI) and C. Thomas Thorne (INR/AR).

⁵ Not found.

⁶ See Claire Sterling, "Bulgaria Hired Agca to Kill Pope, Report of Italian Prosecutor Says," *New York Times*, June 10, 1984, p. 1.

Albano's thesis rests upon Agca's credibility, which he goes to great lengths to establish, both with verified facts and with assumptions. Some of the assumptions are weak. At one point, Albano asserts that Agca's credibility is enhanced because two of the Bulgarians (Ayvazov and Vasilev) deny Agca's claim that they know English. Albano then assumes, without any evidence, that the Bulgarians must know English because it is the language of diplomacy and commerce. Thus, they must be lying and Agca telling the truth.

Using Albano's own rules of logic, we believe it possible to read the same evidence and conclude that the Bulgarians and Turks established their relationship with Agca for black market smuggling activities in which his talent as a cold-blooded killer could be useful. Agca, of course, appears to have viewed the relationship quite differently—primarily as a vehicle to help him fulfill his November 1979 threat to kill the Pope. Thus, Agca is able to recount dates and places of actual meetings with the Bulgarians and Turks, but may be lying about the topics of discussion.

That the triangular relationship among Agca, the Bulgarians, and the Turks might have been for smuggling-related ventures is suggested by the following:

—Several of the Turks mentioned in the indictment are known drug and arms smugglers;

—Several other Turks named in Albano's report are members of the right-wing Idealist Federation, or "Grey Wolves," who are reliably reported to be engaged in lucrative narcotics smuggling activities in Europe.

—We have convincing evidence that the Bulgarian intelligence services assist the Turkish underworld in a host of smuggling and narcotics activities. In return, the smugglers apparently provide hard currency to the Bulgarians and also may undertake various low-level intelligence-related activities.

Based on evidence in Albano's report, it is possible to view Agca's many phone calls, trips, and meetings as part of his involvement in black marketeering, rather than a conspiracy to kill the Pope. A low-level intelligence collection function is suggested by Albano himself. Although glossing over it, he reports that shortly before the Papal shooting, Agca and an accomplice, Oral Celik, traveled to Switzerland where Celik obtained secret documents on military installations and other matters pertaining to Switzerland and Austria. Agca says he delivered these documents to Vasilev in Rome in April 1981.

Involvement in smuggling and/or intelligence activities with the Bulgarians could explain how Agca knew that a special customs-exempt truck was scheduled to leave the Bulgarian Embassy in Rome the very day of the Papal shooting, May 13. Agca claims that this truck was to provide his escape from Italy. The fact that the truck departed

that particular day is remarkable and there is no question that it is the strongest fact supporting Albano. Yet, we know from Agca's own records that he was considering several other days—May 17 and 20—as possible times for assassinating the Pope. He may have chosen May 13 because he was confident the Bulgarians would allow him on the truck without asking questions.

In our view, no single scenario adequately explains the available evidence surrounding the Papal assassination case. Albano's analysis was made by taking selected facts out of the approximately 25,000 pages of painstaking investigation by Italian Magistrate Martella over a period of almost two years. Defense counsel for the indicted conspirators are now working over the same material and are expected to present their report to the court around mid-July. The court will decide then whether to proceed to trial. For a final decision on Bulgarian complicity in the attempt on the Pope's life, it seems prudent to wait for the evidence produced in court.

375. Telegram From the Embassy in Bulgaria to the Department of State¹

Sofia, August 3, 1984, 1410Z

2925. Subject: Prospects for U.S.-Bulgarian Relations. Ref: Sofia 2606.²

1. Summary: In DepFonMin Gotsev's August 2 meeting with Charge Lake,³ the GOB finally responded to U.S. concerns on the issue which has loomed largest in our bilateral relations over the last two years. This action reflects another round in a continuing internal debate within Bulgaria. The GOB expects us to use the information provided to support the appointment of a new ambassador and to move the fragile bilateral relationship ahead.⁴ Bulgaria does not loom large in our interests, but its importance lies within the context of our overall policy of encouraging centrifugal forces in Eastern Europe to put pressure

¹ Source: Department of State, Ambassador Robie Mark Palmer's Files, 1972–1985, Lot 87 D 177, Bulgaria 1984. Secret; Immediate; Exdis.

² In telegram 2606 from Sofia, July 11, Barry reported his thoughts on bilateral U.S.-Bulgarian relations. (Department of State, Central Foreign Policy File, D840446–0846)

³ Telegram 2991 from Sofia, August 9, summarized the meeting between Lake and Gotsev. (Department of State, Central Foreign Policy File, D840508–0257)

⁴ No memorandum of conversation for this meeting was found.

on Moscow. Though our interests are minimal, we should move ahead to serve them. While emphasizing the limitations on our relationship, we should confirm dates for Gotsev's visit to Washington and invite the Bulgarians to put forward their own practical agenda for improving relations, responding with our own agenda. We should also seek through the intelligence community to ascertain whether Bulgaria continues to engage in the narcotics trade. End summary.

Why?

2. To understand the Bulgarians' unexpected August 2 response to two years of USG pressure on the narcotics issue requires an appreciation of what has been happening within Bulgaria over the last year. Despite Zhivkov's August 1, 1983 meeting with Ambassador Barry,⁴ which heralded a new approach to the U.S. and fitful attempts over the last year to improve the bilateral relationship, there remains a strong group within the power structure opposed to any such effort. This opposition coupled with the inefficiency, incompetence and inertia of a communist bureaucracy has defeated or delayed positive moves on the Bulgarian side. Yet the argument went on with Zhivkov himself the strongest supporter of the new line and those opposed reluctant to force any given issue up to his review. Thus we witnessed delayed responses to our request; with surprising last-minute decisions to respond positively.

3. Ambassador Barry's departure without a successor being named coincided with fresh publicity on the Antonov affair and a new element—congressional action—which, at a minimum has hurt Bulgaria's image, finally forced the most prominent issue to Zhivkov's attention. As we have reported, we believe that the GOB has conducted a review of its relations with the U.S. in recent weeks and sought signals from us during the present confused situation. When we came forward with our request for agreement for a new ambassador, the question of the U.S. relationship had to be faced with the narcotics issue as a key element. Zhivkov acted in the same decisive manner he recounted to Ambassador Barry on August 1 of last year. Agreement was granted in record time and we received the first concrete response to our main point of contention with the Bulgarians over the past three years.

4. The GOB has not given up anything important. Foreign smugglers engaged in an increasingly unprofitable enterprise, from the perspective of publicity if not finance, were clearly expendable. Kintex will make arms deals and attempt to acquire embargoed technology, but only time will tell whether Zhivkov's action will affect its involvement in the narcotics trade—the GOB will never admit it. In addition, those who oppose dealing with the U.S. are undoubtedly as strong as before—they only lost a battle.

5. What, then, is driving the Bulgarian desire for an opening to the United States? We cannot be sure, but the following factors are involved. As the dean of the Warsaw Pact leaders (in terms of service),

Zhivkov wants to be heard. He believes his “trumpet of doom” oratory, and as an aging leader, seeks to preserve his place in history and the gains of his tenure for future generations. Concomitantly, Bulgaria recognizes it needs an opening to the West to preserve the economic strides of the last 40 years, and move ahead during the last decades of the twentieth century. Less obvious are the subtle and mystifying problems in the evolving relationship with the Soviet Union—which we have seen reflected in increasing economic strains.

What Now?

6. In the end, for whatever reasons, Bulgaria is offering us an opportunity to build on the weak foundation in our relationship created over the last year. We can expect a continued dribble of resolutions to divided family cases (three during the last month), and a willingness to listen to our views on disarmament issues. Encouraging the GOB may contribute to the centrifugal forces at work within the NSWP. Bulgarian policy makers must be enviously eyeing the profitable economic relationships that its northern NSWP allies enjoy (GDR’s inner-German ties, Hungary’s IMF status, etc.). Lukanov recently observed to a senior foreign visitor that one of the fundamental issues not resolved at the Moscow CEMA summit was whether the East should turn inward or continue to develop economic ties with the West. He predicted that the issue must be resolved in the near future. By responding to Bulgaria now, we offer the prospect for improved economic access, reinforcing CEMA tendencies to look to the West. Finally, we may exercise pressure on Moscow with the spectacle and contradictions of its most loyal satellite settling differences with the U.S.

How Do We Respond?—Narcotics

7. If the above objectives meet our needs, where do we go from here?

—Respond to the GOB’s action with private acknowledgment that they have taken a significant step, and citing it in public when appropriate as a first step;

—With his arrival, our new ambassador should acknowledge what has transpired, but emphasize our continued concern about the issue;

—Focus our concern at the working level, keying it to factual information as it develops;

—Charge the intelligence community with ascertaining whether Bulgaria, and Kintex in particular, continues to engage in narcotics trade.

Other Issues

8. —Respond to Gotsev’s desire to have consultations in Washington in October, saying that we want the GOB to develop its agenda of issues which we can address to improve relations.

—Define our own agenda of what we want from Bulgaria;

—The new ambassador should after arriving, echo the theme that we are interested in the Bulgarian agenda and are prepared to present our agenda in discussions with Gotsev in October, emphasizing that there are fundamental disagreements limiting our relationship.

Realism

9. We must recognize that the relationship is at best fragile. Many within the government and party are opposed to moving ahead.

They will continue to seek ways to thwart its development. Events beyond our control will also affect the relationship—pressure from Moscow, developments in the Antonov case, opposition with the GOB, etc. Within the context of our overall interests in Eastern Europe, the effort appears worth it.

The next move is up to us.

Lake

376. Memorandum From Kenneth deGraffenreid of the National Security Council Staff to the President's Assistant for National Security Affairs (McFarlane)¹

Washington, August 28, 1984

SUBJECT

CIA Candidate Briefing Paper on Papal Assassination

I believe the CIA paper to be seriously misleading in its implications, particularly in its none too subtle questioning of the Bulgarian connection without benefit of contrary evidence. Moreover, I believe that this paper could be used to undercut any future statements the President might make concerning responsibility for the attempted Papal assassination.

The fact is that CIA has very little evidence *one way or the other*. The paper [*less than 1 line not declassified*] goes on to question the Italian Government case (without any real evidence) and to offer, again without evidence, alternative explanations (e.g. a drug smuggling connection

¹ Source: Reagan Library, System IV Intelligence Files, 1984, 400819. Secret. Sent for action.

rather than assassination). CIA has no more information on this possibility than on anything else.

I recommend that your briefing stick to the very basic facts (i.e. we don't know very much [*less than 1 line not declassified*] but the Italians may well have a case). I most strongly recommend that this paper not be given to the candidates.² However, if it is given, I recommend that we not attempt to undercut it since that would only invite a troubling issue.

RECOMMENDATION

That you not provide this paper to the candidates.³

Tab I

Memorandum Prepared in the Central Intelligence Agency⁴

Washington, August 28, 1984

SUBJECT

Assessment of Responsibility for Papal Assassination Attempt

1. The Italian Prosecutor General's report concerning the alleged Bulgarian plot to kill Pope John Paul II lays out a case for a conspiracy in which the convicted Turk, Mehmet Ali Agca, carried out the attack with the sponsorship, direction, and assistance of Bulgarian official personnel and members of the "Turkish mafia." [*6 lines not declassified*]

2. *Did Agca Act Alone?* Mehmet Ali Agca probably did not act alone in his attempt to assassinate the Pope in May 1981. One year after his arrest, Agca repudiated his initial testimony that he had acted alone, and began to claim that he was part of a wider conspiracy. Although the credibility of Agca's testimony has been weakened by numerous retractions and admitted lies, a number of witnesses have attested to the presence in St. Peter's Square on the afternoon of the shooting of another individual involved in the attack. Italian authorities possess a photograph of an individual running from the Square with a gun in his hand.

3. [*6 lines not declassified*] The Italian Prosecutor General—in his recommendation last spring that Agca and eight other persons be brought to trial on charges of conspiring to kill the Pope—contended

² Reference is to the Democratic Presidential and Vice Presidential candidates, Walter Mondale and Geraldine Ferraro, respectively.

³ McFarlane initialed the "Approve" option.

⁴ Secret; [*handling restriction not declassified*].

that Agca received funding and direction from a number of "Turkish mafia" members and Bulgarian diplomatic personnel. [*less than 2 lines not declassified*]

4. *The Turkish Connection.* When Agca recanted his early testimony and began to claim that he had not acted alone in the shooting, he reconstructed his travels and contacts during the two years before he turned up in St. Peter's Square. In so doing, he implicated a number of Turkish and Bulgarian nationals. Agca claimed to have met with three of the accused Turks in Zurich in late March 1981, at which time they allegedly perfected the final plan for the attack on the Pope and agreed upon a payment of three million German marks. [*less than 4 lines not declassified*]

5. *The Bulgarian Connection.* None of the three accused Bulgarians has ever admitted to having met Agca. According to the prosecutor's report, Agca has provided accurate and detailed descriptions of the various personal characteristics of the accused Bulgarians. Agca claimed that he had met one of the Bulgarians, Todor Ayvazov, in Sofia in 1980—at which time the plot allegedly was hatched—and that he met the others, Zhelyo Vassilev and Sergey Antonov, in Rome later that year. [*less than 2 lines not declassified*] Agca maintained that Antonov's automobile was to be used to transport him and his alleged Turkish co-conspirator Oral Celik to the Bulgarian Embassy.

6. Agca and Celik were then to leave Italy in a TIR (Transport International Routier) truck. The prosecution maintains that the Bulgarian Embassy made unprecedentedly urgent demands for the Italians to clear the TIR truck for departure from the Embassy, rather than at the customary inspection site, an hour after the shooting. [*less than 2 lines not declassified*]

7. *On Balance.* Much of the Italian Prosecutor General's case alleging East Bloc complicity in the Papal attack appears to be dependent solely on the testimony of Agca, and he has not always been truthful or consistent over the period of his incarceration. Further, Agca himself has stated that he had access to television and newspapers and even telephone directories since the end of 1981, which, while in conformity with rules of the Italian penal system, enabled him to obtain information relevant to the case. Even if Agca did have contacts with the accused Bulgarians, they may have involved narcotics or "grey arms" dealings rather than a Papal assassination conspiracy.

8. [*11 lines not declassified*]

9. The next move in the case rests with Magistrate Martella, who must decide whether the case should be tried. If it does go to court—and this seems likely—the trial of the alleged conspirators would probably begin late this year or in 1985.

377. Intelligence Assessment Prepared in the Central Intelligence Agency¹

EUR 84–10251C

Washington, December 1984

Bulgaria: Coping With the Papal Assassination
Scandal [*portion marking not declassified*]

Key Judgments

Bulgaria has been trying hard to minimize damage from Italian allegations of its complicity in the 1981 papal assassination attempt. To prevent further tarnishing of its already poor international image, now that indictments have been handed down against three Bulgarian officials, Sofia plans a strong legal defense and a propaganda campaign blaming the United States for creating the scandal. At the same time, the regime may also make limited new gestures to improve its image in the West. Even if the trial affirms Bulgarian complicity, Sofia probably expects to weather the ensuing, short-lived international condemnation. We suspect, however, the scandal will contribute to debates at home about the costs of maintaining Bulgaria's reputation as a blindly loyal Soviet surrogate—at a time when Moscow is already having trouble enforcing unity and discipline in Eastern Europe. [*portion marking not declassified*]

Key Judgments

The case initially threatened Bulgaria's efforts to expand international ties, complicated its relations with the USSR, and focused attention on its other illegal activities, such as narcotics smuggling:

- After the arrest of Sergey Antonov in Rome in November 1982, Italy recalled its Ambassador, and several other Western governments were reluctant to pursue high-level political contacts with Bulgaria.

- [*5 lines not declassified*]

As the investigation dragged on, however, tensions with European countries over the assassination attempt eased, Italy and Bulgaria returned their respective ambassadors, and most Western governments

¹ Source: Central Intelligence Agency, Office of Support Services, Job 8500316R: Production Case Files (1984), Box 3, Folder 15: EUR 84–10251C, December 1984, Bulgaria: Coping with the Papal Assassination Scandal. Top Secret; [*code word and handling restriction not declassified*]. Information available as of November 15 was used in the report, which was prepared in the Office of European Analysis and coordinated with the Directorate of Operations.

resumed active contacts with Sofia pending the outcome of the trial. *[portion marking not declassified]*

Sofia's current strategy is to highlight any contradictions in Agca's testimony, blame the United States for creating an "anti-Bulgarian campaign," and prepare a strong legal defense in anticipation of a trial. As the Italian trial approaches, we expect Bulgaria to be more assertive in arguing its case in a variety of forums and to rely more on active measures against Italy and the United States to establish a case for Bulgarian innocence. Sofia may also be prepared to make token gestures toward cooperation on issues such as international terrorism or narcotics smuggling to foster good will in the West. *[portion marking not declassified]*

In the worst case for Bulgaria—conviction of Antonov based on evidence corroborating Agca's claims or the revelation of sensitive intelligence matters by Antonov—Sofia is likely to remain adamant in protesting its innocence in hopes that the criticism will pass without coordinated Western sanctions. The regime would most likely concentrate its displeasure on the United States. In our opinion, Bulgaria would continue, however, to cultivate other Western countries such as Japan and West Germany that are important to its overall economic strategy. If the United States and other Western countries tried to isolate Bulgaria, we believe Sofia would try to exploit any divisions in the West over the imposition of sanctions and seek Soviet economic assistance to compensate for any losses in Western trade. *[portion marking not declassified]*

Whatever the outcome of the trial, the scandal is likely to sharpen divisions within the Bulgarian leadership between conservatives and moderates as they maneuver between the pursuit of national interests and the reality of Soviet dominance. Hardliners will argue that the West's "anti-Bulgarian campaign" illustrates the need for even greater vigilance and closer ties with the Bloc. Pragmatic nationalist elements, however, may question whether the benefits of subservience to Moscow are worth the costs of estrangement from the West. Although there are clear limitations on Bulgaria's autonomy from the USSR, there is sufficient room for maneuver to allow for a debate between hardliners and moderates as they prepare for Zhivkov's eventual departure. *[portion marking not declassified]*

[Omitted here is the table of contents.]

Chronology of Key Events

1979

- | | |
|-------------|--|
| 1 February | Mehmet Ali Agca assassinates Turkish journalist Abdi Ipekci. [<i>portion marking not declassified</i>] |
| June | Agca arrested and imprisoned for Ipekci assassination. [<i>portion marking not declassified</i>] |
| 25 November | Agca escapes from Turkish prison and two days later sends letter to Turkish newspaper threatening to kill the Pope during 28–30 November trip to Turkey. [<i>portion marking not declassified</i>] |

1980

- | | |
|--------------------|---|
| Mid-July–31 August | Agca in Bulgaria. [<i>portion marking not declassified</i>] |
|--------------------|---|

1981

- | | |
|--------|---|
| 13 May | Agca shoots Pope John Paul II in Rome. [<i>portion marking not declassified</i>] |
| July | Agca tried, convicted, and sentenced to life imprisonment in Italy. [<i>portion marking not declassified</i>] |

1982

- | | |
|--------------|---|
| May | Agca begins to provide information implicating others in the plot to kill the Pope. [<i>portion marking not declassified</i>] |
| 25 November | Bulgarian airline official Sergey Antonov arrested by Italian police based on statements from Agca. Subsequently, arrest warrants issued for two Bulgarian diplomats—Todor Ayvasov and Zhelyo Vasilov—who had returned to Bulgaria. [<i>portion marking not declassified</i>] |
| 1 December | Bulgarian press blames CIA for anti-Bulgarian campaign, and Bulgarian officials host press conference for foreign journalists. [<i>portion marking not declassified</i>] |
| Mid-December | Bulgarian and Italian ambassadors called home for consultations. [<i>portion marking not declassified</i>] |
| 17 December | Bulgarians host second press conference in Sofia. [<i>portion marking not declassified</i>] |

1984

- | | |
|------------|--|
| April | Bulgaria and Italy return new ambassadors. [<i>portion marking not declassified</i>] |
| June | The secret Italian prosecutor's report recommending trial for three Bulgarians and six Turks is leaked to Western press. [<i>portion marking not declassified</i>] |
| 26 October | Investigating Magistrate Martella officially indicts the three Bulgarians and four Turks. [<i>portion marking not declassified</i>] |

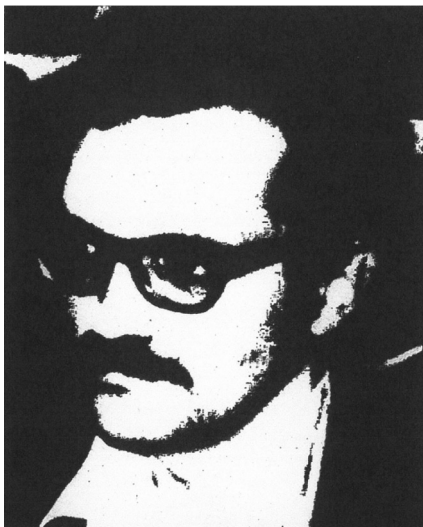


*Mehmet Ali Agca shoots Pope John Paul II on 13 May 1981 at St. Peter's Square in Rome.
[portion marking not declassified]*

Introduction

Bulgaria has been struggling for two years with the fallout from its alleged complicity in the 1981 papal assassination attempt, and it now faces renewed negative publicity as the trial date approaches. In November 1982 Italian authorities in Rome arrested the Balkan Airline manager, Sergey Antonov, after the papal assailant, Mehmet Ali Agca, identified him as one of several coconspirators in the attempt to take the life of Pope John Paul II. After a three-year investigation into allegations of an international conspiracy in the attack, investigating Magistrate Ilario Martella in late October 1984 formally indicted Antonov, two other Bulgarian officials currently in Sofia, and four Turks. The trial probably will begin sometime in 1985. [portion marking not declassified]

This Intelligence Assessment analyzes how Sofia has coped with allegations about its involvement in the assassination attempt and considers how it plans to contain any future damage resulting from the scandal. It also assesses some of the longer term implications for Bulgaria for its relations with the East and West and its involvement in other illicit activities, such as arms and narcotics smuggling and foreign intelligence operations. This paper does not treat the ultimate question of Bulgaria's guilt or innocence in the affair and does not weigh the voluminous and frequently contradictory information concerning this controversial case. This paper therefore focuses on



Sergey Ivanov Antonov [8 lines not declassified]

Bulgarian and—to some extent—Soviet policy reactions to the affair, on the key elements of Sofia's defense strategy, and on the broader policy implications of the scandal for Bulgaria. [portion marking not declassified]

Skirting Diplomatic Isolation

The arrest of Sergey Antonov seriously embarrassed the Zhivkov regime and threatened to undermine Bulgaria's push for improved relations with the West—a strategy intended in large part to offset waning Soviet economic support.² The ensuing international publicity further tarnished Bulgaria's already unsavory image and drew attention to its links to some terrorist groups and to arms and narcotics smuggling. Many journalists, for example, also cited the bizarre 1978 murder of emigre dissident Georgi Markov in London as corroborating evidence of the heavyhanded tactics used by the Bulgarian Intelligence Service (Durzhavna Sigurnost (DS)). [portion marking not declassified]

The "Turkish Mafia" Nexus

Mehmet Ali Agca, having escaped from a Turkish prison in 1979, spent six weeks in Sofia during the summer of 1980 in the company of Turkish smugglers known to be in collusion with Bulgarian intelligence officials.

² For more information, see DI Intelligence Assessment, EUR 84-10041 (Secret; [handling restriction not declassified]), March 1984, *Bulgaria: A Country In Transition*. [portion marking not declassified] [Footnote is in the original.]



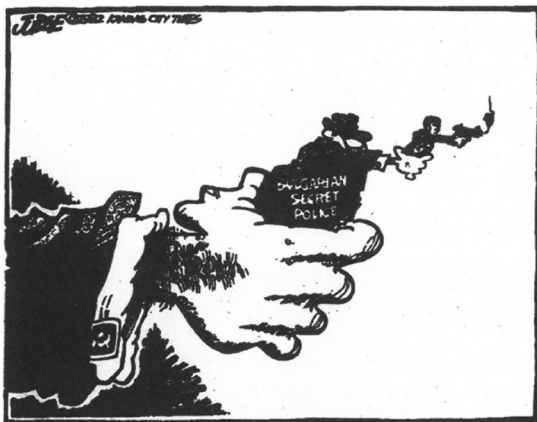
The Bulgarian Foreign Trade Organization "Kintex" is headquartered in Sofia. [less than 1 line not declassified]

It was apparently Agca's contacts with these underworld figures in Turkey that brought him to Sofia and ultimately led to the Italian allegations linking Bulgaria to the papal attack. Sofia, for all its propaganda assaults on Agca as a credible witness, has not satisfactorily answered Western accusations based on this fact. For the most part, Bulgaria tries to ignore it or deny they knew Agca's true identity while he was in Sofia. [portion marking not declassified]

Since at least the 1960s, the Bulgarian Intelligence Service (DS) has provided a safehaven and assistance to an international smuggling network dominated by the Turkish underworld. Some arms and narcotics traffickers openly settled in Sofia, while others freely transited Bulgaria to conduct business through their Sofia-based intermediaries. Because the DS maintains extensive surveillance throughout the country, we are confident high-level Bulgarian officials knew this network was at work. [portion marking not declassified]

[1 line not declassified] Bulgarian foreign trade organization, "Kintex," coordinates the smuggling activities to earn hard currency. Kintex, [less than 1 line not declassified] also brokers arms deals and acquires embargoed technology in the West [less than 5 lines not declassified]

There is evidence that the Bulgarians have tightened controls over the smuggling community over the past year, but we do not believe that the regime has eliminated the profitable smuggling operation altogether. According to [less than 1 line not declassified] US Embassy contacts, there was a noticeable crackdown in Bulgarian smuggling activities as a result of the international publicity and Soviet criticism in the wake of Agca's revelations. Bulgarian authorities ordered at least some of the traffickers out of Sofia to more remote locations, in some cases outside Bulgaria. [less than 5 lines not declassified]



Agca's allegations immediately became an international cause celebre, reinforcing Bulgaria's reputation as a Soviet puppet willing to carry out Moscow's destabilizing activities. [portion marking not declassified]

These disclosures temporarily set back Sofia's foreign policy objectives by:

- Reinforcing the Western perception of Bulgaria as a Soviet puppet willing to engage indiscriminately in efforts to destabilize democratic governments.
- Undermining Sofia's efforts to portray itself as a pragmatic, cooperative economic partner—much as the Kadar regime in Hungary.
- Making the leaders of some Third World countries, particularly those with large Catholic populations, more suspicious that subversive intentions dominate Bulgaria's political and economic initiatives.³ *[portion marking not declassified]*

Initially most Western governments reacted by resisting Bulgarian overtures for high-level political exchanges. The scandal badly strained relations with Italy, and both countries immediately recalled their ambassadors after Antonov's arrest. Major Western countries also responded coolly to Bulgarian requests for political dialogue, acting out of loyalty to Italy or a desire to postpone potentially embarrassing contacts with Sofia until the case was resolved. In addition, the European Parliament passed a resolution in January 1983 expressing concern at Bulgaria's alleged involvement in the attempted assassination and urging closer cooperation against terrorism. *[portion marking not declassified]*

³ In Colombia, for example, press coverage of a Bulgarian trade delegation in early 1983 focused largely on the scandal, and a journalist for the most influential newspaper pointedly asked why the Bulgarians wanted to assassinate the Pope. *[portion marking not declassified]* [Footnote is in the original.]

Despite the initial burst of bad publicity, diplomatic setbacks, and potential economic threats, Bulgaria to date has not experienced any durable sanctions imposed as a result of the papal affair. As the Italian investigation progressed, West European governments gradually resumed a relations-as-usual attitude toward Bulgaria. Most refrained from official comments or actions on the case pending the findings of Italy's judicial proceedings. Beyond this circumspect approach, we also suspect that Western leaders view the case as a messy and unwelcome complication in already strained East-West relations. We believe key West European governments, such as West Germany and France, are eager to encourage Bulgaria to tilt toward the West, and they welcome opportunities for expanded economic ties. *[portion marking not declassified]*

A series of conciliatory gestures in Bulgarian-Italian relations over the past year—including papal audiences with Bulgarian cultural delegations and the exchange of new Bulgarian and Italian ambassadors to their respective posts in April 1984—also have encouraged other Western governments to resume active contacts with Bulgaria. *[4 lines not declassified]* despite the unresolved Italian charges against Bulgaria, Chancellor Helmut Kohl was planning to host Bulgarian General Secretary Todor Zhivkov in Bonn last September until Moscow—in the view of the US Embassy—forced a postponement of the visit. Austrian Chancellor Sinowatz did visit Bulgaria in September. In early 1985, Zhivkov is scheduled to visit Japan, and, according to French Embassy officials in Sofia, President Mitterrand has accepted an invitation to visit the Bulgarian capital. *[portion marking not declassified]*

Frequent high-level political and economic exchanges with Third World countries suggest Bulgaria has not suffered significant setbacks in this area. The level of commercial activities—especially arms sales and construction projects—continues to rise, particularly in the Middle East and Africa. Bulgaria's major Third World trading partners—Libya, Iraq, and Iran—maintain a high demand for arms and, in any case, are not likely to be concerned about Bulgarian guilt or innocence in the papal assassination attempt. Trade with the Third World is important to Sofia's overall economic strategy as a source of hard currency to finance Western technology imports and an alternative source of energy and raw material. *[portion marking not declassified]*

The Bulgarian Response

Bulgaria immediately responded to the Italian allegations with sharp denials and diplomatic protests, and Sofia put its massive propaganda machine into high gear at home and abroad to profess its innocence. Bulgaria's defensive strategy has been to maintain consistently that Agca is lying about his alleged contacts with Bulgarian officials, and that he was "fed" information about them as part of a US-led campaign to destabilize Bulgaria and socialism. *[portion marking not declassified]*

From the outset, Bulgaria stridently denied any connection to Agca's attempt against the Pope and, by asserting numerous inconsistencies in Agca's story, has attacked his credibility as the sole witness against them. With this goal in mind, Sofia's unrelenting propaganda has tried to prove that the "Bulgarian connection" is part of a US-inspired campaign against Communism. Sofia's "offensive defense" has included:

- A flood of newspaper articles, pamphlets, and books that declare Antonov's innocence.
- Mobilization of Bulgarian officials abroad to discredit the allegations in their contacts with foreigners.
- Two carefully managed press conferences in Sofia in December 1982 where Western journalists were allowed to question some of Agca's alleged accomplices who are not likely to return for the trial in Rome.⁴
- Cooperation with the Italian investigation by hosting investigating Magistrate Martella in June 1983 and allowing him to interview key witnesses. [*portion marking not declassified*]

Sofia also has taken pains to make sure that Bulgarian officials abroad hew to the "official line" on the case. [*15 lines not declassified*] In addition to influencing Western opinion, we believe that the Bulgarian leadership was also extremely concerned that some of its diplomats stationed abroad might wonder about Bulgarian involvement in the affair. [*3 lines not declassified*]

Sofia also has lobbied its case in meetings with Western officials and politicians. On several occasions Bulgarian officials have argued their innocence with their US counterparts and stressed that bilateral relations could improve if the United States used its influence to pressure Italy to drop the case. [*8 lines not declassified*]

While Sofia's propaganda barrage, in our view, did little by itself to convince most Western observers of Bulgaria's innocence, many of the points raised by the Bulgarians found resonance in a variety of Western publications. On some points the Western press identified weaknesses in the case even before the Bulgarian press. We have no evidence of Bulgarian collusion in planting these articles, but it cannot be ruled out, especially since Sofia has cited several Western articles in its own press to bolster its position. [*portion marking not declassified*]

The Bulgarian regime also has tried to avoid any new embarrassments by reducing—but not eliminating—its active involvement in other sensitive operations. [*6 lines not declassified*]

⁴ These included Antonov's wife, the two Bulgarian diplomats Todor Ayvazov and Zheylo Vasilev, and Turkish smuggling mandate—and Agca's alleged paymaster—Belkirk Celenk. [*portion marking not declassified*] [Footnote is in the original.]

This prudence, however, has not extended to Bulgaria's aggressive approach to illicit acquisitions of COCOM-embargoed technology or to its smuggling activities altogether. The arrest in September 1983 of a Bulgarian trade representative in the United States, the expulsion of a Bulgarian official in Japan—both for espionage—and the seizure last May by Greek officials of a secret arms shipment from Bulgaria indicate that Sofia is still very active in such operations. [*portion marking not declassified*]

Bulgaria also has continued overt support for Soviet international policies and may even be adopting a larger role in politically sensitive areas as part of the role assigned Bulgaria in the Warsaw Pact:

- Sofia's arms sales in the Third World are up sharply, including six major shipments to Nicaragua since 1982.⁵ Bulgarian officials have stated that, they will not discontinue this policy because it represents legitimate government-to-government arms sales.

- Bulgaria has hosted an array of radical Palestinian leaders in support of Soviet policies in the Middle East (for example, George Habbash of the Popular Front for the Liberation of Palestine—PFLP) and maintains friendly relations with Libya, Syria, Iraq, and Iran, all known supporters of international terrorism.

Thus, Sofia's concern with restoring its image to date has not induced it to make any significant foreign policy adjustments in order to mollify Western critics. [*portion marking not declassified*]

Soviet Support and Criticism

Immediately after Antonov's arrest, Moscow took an active hand in assisting Sofia. In December 1982 the Soviet Charge in Rome officially threatened to freeze high-level bilateral contacts if the Italian campaign continued. At the same time, the Soviet Charge in Washington delivered an unusually harsh protest, charging that the allegations were part of a slanderous US campaign against Bulgaria and the USSR. According to the US Embassy in Paris, Moscow apparently also enlisted the support of the French Communist Party to offset the negative international publicity. In separate but coordinated attacks in late 1982, the French Communist Party and the Soviet Embassy in Paris harshly criticized the French media for "slandering" the USSR and its allies. [*portion marking not declassified*]

The KGB apparently also used active measures to help its ally. For example, in mid-1983 a leftwing Italian magazine published two forged US Embassy cables—similar in pattern to other KGB forgeries. They alleged that a US "operation" existed even before Antonov's arrest to link the Bulgarians to the papal attack. [*portion marking not declassified*]

⁵[2 lines not declassified] [Footnote is in the original.]

While Moscow was publicly defending “Bulgaria’s honor,” however, there were hints that the scandal may have created new strains in Bulgarian-Soviet relations:

- Zhivkov’s first meeting with Yuriy Andropov as the new General Secretary at the celebration of the 60th anniversary of the USSR in Moscow in December 1982—a month after Antonov’s arrest—drew considerably lower billing in the Soviet media than those of other East European leaders on the same day.⁶ While Andropov may simply have wanted to convey this message in light of global headlines about Bulgaria’s role, the snub was no less real to the Bulgarians.

- Eight months after that apparent snub, Zhivkov implied to the US Ambassador in Sofia that Western allegations of Bulgarian complicity in the papal attack had complicated his relations with the new Soviet leader.

Andropov probably was especially sensitive on this point because he had been head of the KGB at the time of the attack, and was directly implicated in press speculation as the prime sponsor of the assassination attempt. The massive publicity surrounding Antonov’s arrest roughly coincided with Andropov’s election to General Secretary. Moreover, given his intelligence experience, Andropov probably had little tolerance for the slipshod security procedures—especially regarding the Turkish mafia—that put Bulgaria in the international spotlight. [*portion marking not declassified*]

Soviet diplomatic pressure in support of Bulgaria appeared to decline somewhat as the international publicity waned. In addition, Moscow’s other international priorities, in some instances, apparently prevented the USSR from giving Bulgaria as much support as it wanted. Sofia reportedly appealed to Moscow in the spring of 1984 to use its influence to press Rome to resolve the Antonov affair. Moscow, although sympathetic, was reportedly reluctant to become overly involved because it assigned higher priority to getting Prime Minister Craxi to break the NATO consensus on INF deployment. Soviet Foreign Minister Gromyko did raise the issue with Italian Foreign Minister Andreotti during the latter’s visit to Moscow last spring. Gromyko apparently applied relatively low-key pressure and repeated charges that the accusations were baseless and should be dropped. There is no

⁶ *Pravda* gave front page coverage to Andropov’s meeting with the leaders from Hungary, Czechoslovakia, East Germany, and Bulgaria. While the names of the other three leaders were featured prominently in the headline, Zhikov’s was conspicuously absent. In addition, the Soviet army newspaper used noticeably smaller print for the Bulgarian headline. As Dean of the Warsaw Pact and a loyal Soviet ally, Zhikov should have received at least equal treatment. We view the press coverage as a deliberate slight by the protocol conscious Soviet press. [*portion marking not declassified*] [Footnote is in the original.]



International media speculation directly implicated the then new Soviet General Secretary Yuriy Andropov as the ultimate sponsor of the attack, adding new strains to Bulgarian-Soviet relations. [portion marking not declassified]

firm evidence that the Bulgarians took serious umbrage at the extent of Soviet support, but we suspect that some Bulgarian officials privately believed Moscow should have adopted a more active role in pressuring the Italians. *[portion marking not declassified]*

Any friction over the fallout from the Papal assassination issue and priorities and tactics to deal with it has added to the broader strains in Soviet-Bulgarian relations, which have become increasingly evident in the past year. *[less than 4 lines not declassified]*

Moscow's decision to force Zhivkov to postpone his visit to Bonn a few days later—part of an overall tougher Soviet line on high-level East European contacts with West Germany—undoubtedly aggravated Zhivkov's frustration. We believe he placed high personal importance on the trip, calculating that a meeting with a major Western leader would help refurbish his regime's tarnished international image. *[portion marking not declassified]*

[5 paragraphs (72 lines) not declassified]

Pretrial Concerns and Strategy

Now that the Italian magistrate has confirmed that the case will go to trial, Sofia appears to be preparing a comprehensive legal defense and an intensified propaganda blitz to attack Agca's credibility. In its propaganda campaign, Bulgaria has stressed the following:

- Allegations that US officials, identified in the Bulgarian press by name in several cases, were directly involved in creating the anti-Bulgarian campaign.

- The contradictions, retractions, and inconsistencies in Agca's testimony.

- Failure by Italian authorities to keep Agca in isolation which, Sofia argues, allowed him to be "coached" in his testimony.

- Compromises of the judicial process due to leaks of the prosecutor's secret report to the press. [*portion marking not declassified*]

In addition to undermining Agca's credibility, the Bulgarian defense probably will concentrate sharply on "proving" its contention that Agca was "coached" by Italian Intelligence officials. Sofia, for example, has challenged Agca's claim that he learned some details about Antonov's apartment from the press. In its own press Sofia argues the Italian media did not report such information until after Agca disclosed it to Italian investigators. Sofia maintains this is the "Achilles heel" of the Italian case and will undoubtedly attempt to show that Agca is not only a liar but that he could only have obtained this information through coaching. [*portion marking not declassified*]

Bulgaria is also intensifying propaganda and diplomatic pressure on Italy to drop the case against Antonov. We suspect that the Bulgarians are frustrated about their inability to influence the Italian legal process, especially as Rome has already proved unresponsive to their efforts to halt the trial. Since September the Bulgarians have taken a number of new initiatives:

- [*5 lines not declassified*]

- [*6 lines not declassified*]

- Two books were published by a French lawyer and a Greek journalist supporting Bulgarian innocence and blaming the case on the West. We believe Sofia had an active hand in these publications to give the impression of international support.

- According to the Bulgarian press, an October 1984 conference of the International Association of Democratic Lawyers in Athens agreed to organize an international commission to investigate the Antonov case—no doubt at Sofia's behest. [*portion marking not declassified*]

In this pretrial period, Sofia probably is also counting on Soviet support. Because the USSR is closely linked to the accusations against Bulgaria, Moscow probably will closely monitor the planning and execution of Bulgarian defensive tactics, provide support through private diplomatic channels, and continue the propaganda campaign. At the same time, however, Bulgaria's concern over the case is more acute, and potential differences with Moscow over how to handle the trial and the international attention it will draw may further strain bilateral relations—especially if Moscow's other international priorities prevent it from meeting Bulgarian requests. For example, Moscow's recently expressed interest in improving East-West ties may conflict with Sofia's

desire for strong Soviet public and diplomatic support. [*portion marking not declassified*]

Another aspect of Sofia's strategy is the preparation of its own "countertrial" of Agca for slander against Bulgaria and its citizens. These quasi-legal proceedings would publicize Sofia's defense and attempt to counter the expected resurgence of negative publicity prior to and during the trial. [*13 lines not declassified*]

[*less than 1 line not declassified*] Sofia is making inquiries that might give the Bulgarian countertrial and its defense in Rome a gloss of international participation. Bulgaria has asked for assistance from the United Kingdom, West Germany, France, Turkey, and Austria in interviewing persons that Agca has identified as associates. Sofia's precise expectations in these requests are murky but it apparently hopes it can gain some useful information to be used to discredit Agca, and—if it is denied access to witnesses—it can claim the West refused to cooperate.⁷ [*portion marking not declassified*]

While [*less than 1 line not declassified*] Bulgarian officials are optimistic that the evidence established so far will not prove Antonov guilty, Sofia is extremely worried over the numerous uncertainties associated with the possible fallout from the trial. Sofia probably is deeply concerned that the judicial process will take a longer time than projected, bring more bad publicity, and perhaps reveal new, embarrassing information. Its leaders undoubtedly feel particularly vulnerable because the Italian judicial process could convict Antonov based solely on Agca's testimony. In addition, they are worried that Antonov might not stand up well to the stress of the trial. [*1 line not declassified*] some Bulgarian officials feared that Antonov might be persuaded to confess to "trumped up" charges. The effects of two years in custody, the drain of a long and uncertain trial, an impending divorce, and poor career prospects in Bulgaria—even if released—make Antonov an especially vulnerable defendant. [*portion making not declassified*]

We have also detected signs of nervousness in Bulgaria that Antonov's revelations of his other activities as an intelligence officer might cause a new scandal. [*less than 12 lines not declassified*] Sofia

⁷ In one strange approach, Sofia requested that London grant Bulgarian investigators an interview with Vladimir Kuzichkin—a KGB officer who defected to the United Kingdom in 1982—according to British diplomats in Sofia. Agca told Bulgarian investigators in Rome in 1983 that in Iran in 1979–80 Kuzichkin put him in contact with Bulgarian intelligence officials to plan the assassination. London has informed Sofia that Kuzichkin denied any knowledge of the assassination attempt or meeting Agca and that he would not meet with the Bulgarians. Bulgarian officials have since used Kuichkin's assertion that he never met Agca to further weaken Agca's credibility. [*portion marking not declassified*] [Footnote is in the original.]

undoubtedly fears he might be inclined to trade information for clemency. Guilty or innocent, Antonov might even confess. [*portion marking not declassified*]

Outlook: The Trial and Its Aftermath

From now until the end of the trial, we believe Sofia will be more assertive behind the scenes than at any time since Antonov's arrest. Within its limited ability to influence developments, it will use a mixture of diplomatic pressure, disinformation, and conciliatory gestures to shape developments in Rome and influence world public opinion. [*portion marking not declassified*]

[*less than 3 lines not declassified*] Sofia's current vulnerability over the Antonov affair might also induce it to make unexpected gestures of cooperation in areas of special concern to the West. The regime, for example, could share sensitive information with Western governments on narcotics smugglers or some terrorist activities. Such gestures would be crafted for maximum propaganda value, and verification would be a key problem for the West. Sofia would have to ensure that it did not make gestures that conflict with overall Soviet objectives. Within its limited maneuvering room, Sofia's need to improve its image could serve Western interests.⁸ In our view, however, it can not go so far as to alter the basic thrust of its pro-Soviet foreign policy. [*portion marking not declassified*]

At the trial itself, we believe Sofia might react to various possible outcomes in the following ways:

- *If, in the outcome most preferred by Bulgaria, Antonov is acquitted,* Sofia would quickly and firmly press Italy officially to terminate the case lest loose ends perpetuate the scandal. We would also expect a strong blast at the United States, with Sofia reaffirming that the United States was the main instigator behind the scandal. The anti-US rhetoric, however, probably would ease relatively soon because Bulgaria's interests would better be served by resuming normal diplomatic relations and especially its pursuit of expanded economic relations with the United States. [*portion marking not declassified*]

- *If the court convicts Antonov based solely on Agca's largely uncorroborated testimony,* Sofia probably would begin a lengthy appeals process, increase diplomatic pressure on Italy, and continue its propaganda efforts. In addition to the probable staging of a "countertrial," we would expect the Bulgarians to:

- Argue that the West should maintain relations on a normal basis pending decisions on its appeal.

⁸ For example, in 1978 Zhivkov extradited four Baader Meinhof terrorists to West Germany in a move designed to improve bilateral ties. [*portion marking not declassified*] [Footnote is in the original.]

—Seek Soviet pressure on those Western governments most concerned about East-West tensions. [*portion marking not declassified*]

We believe that Bulgaria would expect such offensive measures to increase Western divisions on the case and Sofia, with Soviet help, probably would try to isolate the United States from others in the West by placing Washington at the center of a deliberate “anti-Bulgarian provocation.” [*portion marking not declassified*]

- If the court convicts Antonov based on decisive new documentary evidence or testimony of surprise witnesses, we would expect considerably sharper reprisals from Sofia, including:

- Breaking diplomatic relations with Rome and reducing diplomatic contacts with Washington.

- Asking Moscow to apply concerted pressure abroad to raise the case as a major, US-instigated effort to destroy East-West relations.

Sofia would be extremely concerned that the United States would urge coordinated Western trade sanctions against Bulgaria and would intensify efforts to cultivate important Western partners—like Japan and West Germany. [*less than 3 lines not declassified*]

Domestic Implications

The papal assassination scandal is unlikely to have much impact on the normally passive, non-Catholic Bulgarian population and will not weaken the regime’s grip on the instruments of power. At the same time, we believe that it will deepen cynicism about Bulgaria’s subservience to the USSR and undermine the legitimacy of the party leadership. [*portion marking not declassified*]

The secretive, conspiratorial nature of the system in Bulgaria assures that only a few officials would know if Sofia did actually have a role in the assassination attempt. The rest, we believe, may calculate that either Bulgaria:

- May have had a role, but only because Moscow ordered the operation for its own separate reasons.

- Had no role, but its unfailing loyalty to Moscow buttressed the general assumption of its guilt.

- Was simply a pawn of the Soviets who directed Agca, perhaps even using Bulgarian agents or assets without informing Sofia. [*portion marking not declassified*]

The cumulative impact of the scandal may provide additional ammunition to those in the leadership who already question the costs of unswerving loyalty to the USSR. If so, the incident could add to existing strains between pragmatists, who advocate economic reform and closer ties to the West, and old-guard pro-Soviets as they prepare for the succession struggle to the 73-year-old Zhivkov. [*portion marking not declassified*]

The traditional pro-Soviet forces in the leadership—epitomized by Prime Minister Grisha Filipov—are likely to argue that the scandal proves that Sofia should not gamble on cooperation with a basically hostile West. They are likely to press for even closer Bloc integration, loyalty to Moscow, and resistance to Western influence, while using the regime's anti-US propaganda as a lever to seek favor in Moscow and to compromise the pragmatist program at home. These forces would use the possible isolation of Bulgaria and Western economic sanctions to bolster its argument. [*portion marking not declassified*]

Pragmatists—like the younger technocrats exemplified by Ognyan Doynov—might argue that Bulgaria needs closer ties with the West and reduced economic dependence on the USSR in order to improve economic growth prospects. Some may press to reassess and reduce activities that are most offensive to the West and bring little long-term benefit to Bulgaria—like arms deliveries to Nicaragua. This debate will influence the balance of power between the conservatives and pragmatists as individual leaders try to strengthen their own positions and policies in preparation for Zhivkov's eventual departure. [*portion marking not declassified*]

Zhivkov may personally endorse continued efforts to expand ties with the West—including the United States—and may grow more impatient with the demands of his subservient role in Moscow. At the same time, he is not likely to challenge the USSR directly. We think that his heirs, however, will eventually strike their own balance between the costs and benefits of close ties to Moscow. The next generation is likely to be more aware than its predecessors of the costs and less appreciative of what Soviet support has meant in the past. As a result of experiences like the papal assassination scandal, they may be inclined to carve a more autonomous, international niche for their country, one that could from time to time conflict with Soviet priorities. [*portion marking not declassified*]

378. Telegram From the Embassy in Bulgaria to the Department of State¹

Sofia, December 21, 1984, 1425Z

4793. Subject: Bulgarians To Cease Arms Shipments to Nicaragua.
Ref: Sofia 4738.²

1. Summary: Foreign Minister Mladenov informed me Dec 20 that Bulgaria will stop all arms shipments to Nicaragua, including L-39 jet trainers. GOB wishes to receive an official USG reaction. End summary.

2. Mladenov, who had been with Head of State Todor Zhivkov for two days in Bucharest until an hour before our meeting, called me in December 20 and said that he had passed the information from our demarche Dec 17 (reftel) to "the highest level," and that a political decision had been made not to deliver "destabilizing weapons," i.e., L-39 jet trainers to Nicaragua, as well as to cease delivering arms of any kind to that country. He added that any ships in Bulgarian harbors with arms aboard for Nicaragua would be unloaded.

3. The Foreign Minister concluded that the GOB expects this exchange on arms to be kept confidential, and that the GOB would like a reaction from the U.S. I thanked the Foreign Minister for this information and said I was sure the USG would be pleased with the GOB position. I promised to obtain further reaction or comment from Washington.

4. In same meeting Mladenov told me GOB had approved "at highest level" DEA meeting with Interior Ministry officials (septel).³

5. Comment: There are several points that can be made about this rather remarkable GOB "decision":

—I believe it is unlikely that we would be told officially that arms shipments would cease if GOB planned to continue to ship arms. GOB certainly knows that we have the means to check up on them.

—Clearly only Zhivkov could have made such a "decision." It is equally clear that the impetus for it would have had to come from the USSR or, at a minimum, that Soviet approval would have had to be obtained.

¹ Source: Reagan Library, Executive Secretariat, NSC Cable File, Europe (State) NODIS IN (12/01/1984-03/02/1985). Secret; Immediate; Nodis.

² Telegram 4738 from Sofia, December 18, reported the U.S. demarche to Bulgaria regarding its arms shipment to Nicaragua. (Department of State, Central Foreign Policy File, D840014-0588)

³ Telegram 4792 from Sofia, sent December 21, reported on the Bulgarians' agreement to meet with the DEA. (Department of State, Central Foreign Policy File, D840817-0579)

—It is, of course, quite possible that the Bulgarian position could be part of a previous Soviet decision to restructure the provision of military assistance to Nicaragua. We cannot determine the full significance of the GOB statement as we do not know the current extent of Bulgarian arms shipments to Nicaragua, nor whether some realignment of arms shipments to that country has already been taking place. Mladenov's calm reaction when I raised this issue with him Dec 17, and the short time he took to respond, seem to bolster this line of analysis.

—Further, the GOB has been pursuing a campaign to demonstrate they want to improve relations with the U.S. (inter alia greater accessibility to GOB officials, extraordinary treatment of Codel Edwards,⁴ agreement to DEA-Interior Ministry contacts), or at least to try to put the onus on us for non-improvement. With the focus on them for narcotics and arms trafficking, and the Antonov trial, pulling them out of the Nicaragua arms pipeline may be designed to moderate their image as the Soviet frontman. The Soviets certainly have means other than via Bulgaria for getting military equipment to Nicaragua and may have agreed to such a realignment for the sake of their closest ally. Our demarche and their response may have been fortuitous.

6. We would appreciate receiving from the Department the following:

—Any further thoughts on the significance of the GOB's response or the reasons for it.

—Information on current status of GOB arms shipments to Nicaragua.

—Points for an official USG reaction to the GOB response as requested by Mladenov.

7. Please repeat as appropriate to Moscow, Prague and Managua.

Levitsky

⁴ A Congressional delegation led by Representative Don Edwards (D-CA) visited Bulgaria December 12–15.

379. Memorandum From the President's Assistant for National Security Affairs (McFarlane) to President Reagan¹

Washington, February 27, 1985

SUBJECT

[less than 1 line not declassified] Information on the Soviet and Bulgarian Involvement in the 1981 Attempt to Murder Pope John Paul II

[less than 3 lines not declassified] compelling evidence of Soviet sponsorship and Bulgarian operational control of the failed plot to kill Pope John Paul II in 1981.

[less than 1 line not declassified] the Soviet military intelligence (GRU) tasked Bulgarian military intelligence to kill Pope John Paul II after the Soviets apparently considered, and then rejected, a plan to do the assassination themselves. The Bulgarians employed one of their long time agents, Bekir Celenk, because he had a public identification as a "right wing fanatic." Celenk in turn employed one of his agents, Mehmet Ali Agca, to carry out the actual assassination. Agca has testified to Italian authorities on Celenk's role as well as the direct involvement of two Bulgarian military intelligence officers who met with Agca in Rome. *[less than 1 line not declassified]* the Bulgarians now plan to kill Celenk, who remains under guard in Sofia, as well as the Bulgarian airline official Sergey Antonov, who is being held by Italian authorities for trial in fall of 1985. The Bulgarian government, *[less than 1 line not declassified]* is concerned that Antonov might confirm that Bulgarian connection publicly during the trial. The Bulgarians, however, do not believe that the US has specific evidence of the Bulgarian involvement.

Bulgarian intelligence plans to administer a toxic substance to Antonov over a series of months to cause a slow, apparently "natural" death. We have discreetly alerted Italian Prime Minister Bettino Craxi to the Bulgarian plot. *[less than 2 lines not declassified]*

[1 paragraph (8 lines) not declassified]

¹ Source: Reagan Library, System IV Intelligence Files, 1985, 400165. Top Secret; Sensitive. Sent for information. Drafted by deGraffenreid and Cannistraro. A copy was sent to Bush. Reagan initialed the right-hand corner of the memorandum; an unknown hand wrote "2/27/85" beneath Reagan's initials.

**380. Telegram From the Embassy in Bulgaria to the
Department of State¹**

Sofia, May 28, 1985, 0829Z

1985. Subject: The Antonov Trial in Rome: Bulgarian Response.
Ref: Sofia 1962.²

1. Confidential—Entire text.

2. Bulgaria greeted the opening day of the Antonov trial in Rome, Monday May 27, with BTA (Bulgarian press agency) declaration and a flood of articles declaring his innocence.

3. We assume FBIS will carry the full text of the BTA declaration³ which broke no new ground, but did say that world public opinion recognized the “campaign” against Bulgaria and that many publications rejected the “Bulgarian connection”, pointing instead towards the involvement of “intelligence centers of NATO.”

4. A report from Rome⁴ also noted that the interest of the United States in the trial was shown by the presence of four observers from the US Embassy in Rome.

5. Local press coverage of the trial May 27 was massive—lengthy radio commentaries and a special program on prime time television.

Lake

¹ Source: Department of State, Central Foreign Policy File, D850372–0084. Confidential; Priority. Sent for information to Ankara, Istanbul, Munich, Rome, and the mission to NATO.

² Telegram 1962 from Sofia, May 23, reported on Bulgarian counter-propaganda on the eve of the Antonov trial. (Department of State, Central Foreign Policy File, D850366–0971)

³ Not found.

⁴ Telegram 13428 from Rome, May 28. (Department of State, Central Foreign Policy File, D850372–0717)

381. Memorandum From the Director of the Office of Eastern European and Yugoslavia Affairs (Kuchel) to the Assistant Secretary of State for European and Canadian Affairs (Ridgway)¹

Washington, undated

SUBJECT

Advancing U.S. Interests in Bulgaria

ISSUE FOR DECISION

Whether to probe with Bulgaria to see whether we can get some movement in areas of interest to us.

ESSENTIAL FACTORS

Our policy of differentiation among East European countries properly assigns a bottom rank to Bulgaria. In recent years, Bulgaria's involvement in illicit arms and narcotics traffic, domestic human rights violations, and possible complicity in the Papal assassination plot have curtailed our ability and willingness to advance our interests with this strongly pro-Soviet regime.

Although the Bulgarians predictably have attributed their pariah status in the West to a U.S. propaganda campaign, they have been stung by our criticism. They have taken several steps to improve bilateral relations, including resolution of most divided family cases, cessation of VOA jamming, and establishment of a new mechanism for bilateral consultations on illicit narcotics traffic in and through Bulgaria. They also welcomed briefings by U.S. arms control teams both before and after the Geneva meetings.

At the same time, Bulgarian relations with the Soviet Union have not been entirely smooth. With Gorbachev's accession, Soviet criticism of Bulgarian economic performance has become more frequent and public. Deliveries of Soviet oil and other essential raw materials have been reduced and made more expensive in terms of the quality and quantity of Bulgarian goods bartered for them. In political relations, Gorbachev intervened personally to prevent Bulgarian leader Zhivkov from traveling to West Germany. Zhivkov, the oldest party leader in Eastern Europe, has long been viewed with some suspicion

¹Source: Reagan Library, Paula J. Dobriansky Files, Bulgaria (4). Secret. Sent through Palmer. Drafted on January 3, 1986, by Lang; cleared by Kuchel, William Courtney (P), and Palmer. Neither Kuchel nor Palmer initialed the memorandum.

in Moscow both for his inefficient leadership and espousal of Bulgarian nationalism.

Our Objectives in Bulgaria

Our immediate goal in Bulgaria should be creation of an improved environment for solutions to bilateral problems and encouragement of Bulgarian interest in increased contact with the West. We want:

—An accelerated and more productive dialogue with the Bulgarians on illicit narcotics traffic;

—Increased U.S. cultural presence in Bulgaria;

—An expanded political dialogue on arms control, regional, and bilateral issues;

—Increased access at all levels for our personnel in Sofia to government, party, and media figures.

How to Pursue Our Agenda

As an initial step, we propose resumption of regularly scheduled political consultations, but at the Deputy Assistant Secretary rather than Assistant Secretary level. Regular exchanges would provide an effective channel to press our entire agenda of foreign policy and bilateral issues. Second, we might suggest continued expert level consultations on arms control and establishment of similar consultations on regional issues, terrorism, and other problems. Third, we recommend an intensified effort to upgrade exchanges of cultural exhibits and to expand other educational and cultural exchanges.

The trial in Rome of several Bulgarians accused of complicity in the Papal assassination plot is likely to end within the next few months. If, and only if, the Bulgarian defendants are not convicted, we might consider several small steps such as facilitating parliamentary exchanges and promoting expanded business, agricultural, and scientific contacts.

RECOMMENDATION

That you approve the foregoing scenario for U.S. policy towards Bulgaria in the medium term.²

²Neither the “Approve” nor “Disapprove” option was selected.

382. Telegram From the Embassy in Bulgaria to the Department of State, the Embassy in Italy, and the Consulate in Munich¹

Sofia, March 13, 1986, 1111Z

1053. Subject: Sofia Perspectives on the Antonov Trial; GOB Relations With Rome and the Vatican.

1. Confidential—Entire text.

Summary

2. An Italian Embassy source told EmbOffs that he expects Sergei Antonov to be freed for a return to Sofia following a verdict of not guilty due to insufficient evidence. However, he said the Italian Embassy had received a letter from a Bulgarian source claiming Antonov was guilty and also implicating an interpreter in the Bulgarian Embassy at Rome in the papal assassination case. Our Italian source cited strong Italian political pressure to put the case in the past, so as to clear the air in Italian-Bulgarian relations. Source noted a recently resolved divided family case as an instance of Bulgarian eagerness for improved ties. However, GOB relations with the Vatican have not advanced, and a request made by Cardinal Poggi here in late 1985 for official recognition of the Roman Catholic Church's status was denied by MFA. The Vatican acceded to a GOB request made then to forego early beatification for a cleric martyred by the GOB in 1952. Bulgarian media have claimed Prosecutor Marini's request for a not guilty verdict as a victory, and have attacked RFE coverage of the case. End summary.

3. Italian Political Counselor here (strictly protect) predicts Bulgarian-Italian relations are likely to improve following the expected release of Sergei Antonov and his return to Bulgaria. Source cited GOB's resolution of a high-profile divided family case as tangible evidence that bilateral relations were already on the upswing. In the case, Bulgarian authorities in mid-February permitted exit for the two young daughters of a Bulgarian couple living as refugees in Italy. Source realistically envisioned no other trial verdict than not guilty for lack of evidence, in accordance with prosecutor Marini's request. However, source made clear his own belief in Antonov's connections with GOB state security (Durzhavna Sigurnost).

4. According to source, in December 1985 the Italian Embassy here received three letters written in Bulgarian from an anonymous person claiming to be a former employee of GOB state security. The writer demonstrated a detailed knowledge of facts in the papal assassination

¹ Source: Department of State, Central Foreign Policy File, D860201-0026. Confidential.

case and stated that the Bulgarian defendants had cooperated with Turkish accomplices as charged. The letters also supposedly named as a co-conspirator the Bulgarian Embassy at Rome's Italian language interpreter, a Bulgarian citizen. Italian Embassy source did not give this man's name, but said the interpreter had returned to Sofia to perform translation work during the Italian rogatory commission hearings here in December. The source said the letters conveyed no information on indicted defendants Antonov, Vasilev, and Aivazov other than what had already appeared in the public media. He added that the letters had been forward to Judge Santiapicci and Prosecutor Marini, but that their contents did not influence the conduct of the trial.

5. Source noted that strong political pressure had developed in Italy for wrapping up the conspiracy case against the Bulgarians. Nevertheless, he said there had already been Italian requests for judicial assistance from GOB in connection with the post-Martella, post-Antonov trial so-called "third investigation". The Italians asked for information relating to Agca's presence in Bulgaria at various times prior to May 1981. Source said he expects a GOB appeal should the Italian court deliver a verdict of not guilty on grounds of insufficient evidence. The appeal would proceed in Antonov's absence, assuming he returns to Bulgaria. Source did not venture any guess on either the outcome of the appeal proceedings or on how they and the third Italian investigation would color bilateral relations.

6. Bulgarian media treated Prosecutor Marini's request for the not guilty verdict as a major, albeit not total, victory. Media depiction of Marini as a villain has eased somewhat. Television newscasts lately have given Marini almost flattering coverage, with visual footage from the courtroom and selective Marini quotes acknowledging the weakness of the case against the Bulgarians. Television broadcast Bulgarian language dubbing of witnesses' testimony has from time to time resorted to melodramatic excess, affecting a sneering or dissembling tone when content was unfavorable to Bulgarian defendants. BTV has spared Marini this indignity, however. BTV courtroom footage of defendant Antonov has been sparse in comparison to the time allotted Marini and even Agca. When on camera, Antonov has been impassive. In place of Antonov, BTV offered viewers an interview with defense lawyer Consolo, who made no new points as he attacked Agca for unreliability.

7. A local Bulgarian contact speculates that Antonov will likely enter a hospital shortly after his expected return to Sofia. This move would reinforce defense claims of his poor health, and provide an excuse for removing him from the limelight should GOB deem this desirable. Bulgarian media have spotlighted Antonov's mother Ivanka in anticipation of his return, but wife Rositsa has disappeared from the

public eye and is widely rumored to have filed for divorce or even to have remarried already.

8. Bulgarian media vitriol is again directed at Radio Free Europe's Rome trial commentary. An article in "Otechestven front" on March 7 hits RFE's Bulgarian section, singling out Velichko Peitchev by name for "slanders" offensive to "Bulgarian patriots."

9. Despite the winding down of the papal shooting case, GOB relations with the Roman Catholic Church have not shown signs of improvement. Italian Embassy source said that Cardinal Poggi, in Sofia during late 1985, had met with GOB MFA Deputy Foreign Minister (and concurrent Commissioner of Religious Affairs) Lyubomir Popov. Poggi requested formal GOB recognition of the church's status in Bulgaria, which would put it on an official par with the Bulgarian Orthodox Church, certain other Christian denominations, Judaism, and Islam as a recognized religion. Hitherto the church has belonged only to the officially "tolerated" category. GOB denied Poggi's request, source said, but also demanded that the Vatican put a halt to beatification process underway for a Bulgarian Catholic martyr, Monsignor Eugenio Bossilkov of Sofia, who was executed by GOB in 1952 for alleged espionage. Source said the Vatican had acceded to the GOB request to shelve the move toward Bossilkov's beatification.

Comment

10. Italian Embassy source took for granted a linkage in GOB policy toward the Antonov trial, Italian-GOB relations, and the status of the Roman Catholic Church in Bulgaria.² End comment.

Levitsky

² Antonov was acquitted in March 1986. See John Tagliabue, "Verdict on Papal Plot, but No Answer," *New York Times*, March 31, 1986, p. A3.

383. Memorandum Produced in the Central Intelligence Agency¹

EURM–86–20124

Washington, October 24, 1986

*Bulgaria: Prospects for Improved US Relations**Summary*

Bulgaria is signalling increased interest in improving relations with the US following several years of unusually severe strains. It has worked to resolve several outstanding bilateral issues in recent months and has taken other steps to show its desire for more active dialogue. We believe Sofia is now susceptible to making further concessions to upgrade political, economic, cultural, and scientific ties to at least the levels of the late 1970's. But, in the broader sense, we believe that Bulgaria's fealty to Moscow, dismal human rights record, and international policies that regularly conflict with US interests will continue to prevent any major breakthrough. [*portion marking not declassified*]

Bulgaria's relations with the US have long been among the coolest of any of Moscow's East European allies. As one of the most loyal Soviet bloc members, Bulgaria has based its policies toward Washington largely on the Soviet line, echoing Moscow's stances and rarely taking steps that the Kremlin might view with disapproval. Moreover, Bulgaria's repressive human rights policies—symbolized during the past two years by its harsh treatment of its Turkish minority—its continued efforts to steal high technology from the West, and its close ties to radical Third World regimes have further exacerbated relations. Even the interest in closer ties expressed more recently by top Bulgarian officials frequently has not been matched by a willingness to cooperate at the working level. [*portion marking not declassified*]

Bilateral ties have undergone some fluctuations in recent years in response to international and other developments. Following an easing in tensions in the 1970's, as Soviet-US atmospherics improved, they worsened again in the early 1980's as a result of increased strains between Washington and Moscow and allegations of Bulgarian involvement in drug trafficking and the assassination attempt on the Pope. Relations grew so strained between 1982 and 1984, that Bulgarian officials routinely charged Washington with singling out Bulgaria for harsher treatment than the other hardline Soviet bloc countries. [*portion marking not declassified*]

¹ Source: Reagan Library, Paula J. Dobriansky Files, Bulgaria (5). [*classification marking and handling restriction not declassified*]. Prepared in the East European Division, Office of European Analysis.

Signs of Thaw

Since late 1984, the Bulgarians have taken increasingly obvious steps to signal interest in improved relations. The steps so far have been limited and in some cases designed to address problems of Sofia's own making. The most notable have been:

- **Narcotics Control.** On 3 October, after almost two years of US efforts, Bulgaria formally agreed to cooperate with a US Drug Enforcement Agency signature program under which it would notify the US Embassy of heroin seizures exceeding 1 kilogram and turn over to the USDEA samples of intercepted contraband. Eleven days later, Sofia turned over its first sample from a seizure. It also has signalled its willingness to take part in international conferences on narcotics control, such as one in Vienna next year.

- **Embassy Access.** On 26 September, following repeated US complaints, the Bulgarian government removed portable metal barriers that it had placed in front of the US Embassy in Sofia ten months earlier on the pretext of protecting the Embassy from an unspecified terrorist threat. The removal has allowed several hundred Bulgarians a day access to a USIS window display.

- **Economic Ties.** Sofia recently has shown greater willingness to turn to the US for trade and credits. Bilateral trade during the first six months of 1986 was double that of the same period last year—up from \$50 million to \$99 million. Most of the increase came from a tripling of imports—primarily of US corn, fertilizer, and wheat—to compensate for poor domestic agricultural performance. Last year, after a six-year lull in borrowing from the West, Sofia negotiated \$570 million in new loans from a syndicate which included US and other banks. Bulgaria also stressed its desire for improved economic ties—particularly with individual US firms—during visits this year by a deputy trade minister and a parliamentary delegation.

- **Arms Shipments.** Bulgaria this year appears to be adhering to a promise, made by Foreign Minister Mladenov in December 1984, to halt arms shipments to Nicaragua's Sandinista government. Before that pledge, Sofia regularly shipped arms to Managua, and its record last year is ambiguous.

- **Divided Families.** The Bulgarian Foreign Ministry has resolved pending divided family cases in most instances, allowing Bulgarian citizens to join their relatives in the US. [*portion marking not declassified*]

Bulgarian officials have accompanied these actions with increased rhetorical and symbolic support for improved relations. Most recently, Bulgarian leader Zhivkov urged expanded scientific ties at a meeting with US scientists in Sofia. Ambassador Zhulev in recent months has called repeatedly for establishing more normal relations. Official Bulgarian attendance at the Embassy's 4 July reception was the highest

in recent years. Moreover, Foreign Minister Mladenov chose a Texas clinic for his recent successful heart surgery. The choice, unusual for a high Warsaw Pact official, presumably was made largely on medical grounds, although Sofia probably gauged that it would convey a useful political message. [*portion marking not declassified*]

Bulgarian Motivations

Several factors seem to be prompting Sofia's increased show of interest in better US ties. Chief among them, in our view, is economic necessity. As this year's increased agricultural imports demonstrate, Sofia looks to the West to cover specific shortfalls in performance. But even more importantly, the US and other Western countries are prime sources of the high technology Bulgaria needs to generate long-term growth. This technology is unavailable from Bulgaria's partners in the Soviet Bloc and is, we believe, essential to implementing Sofia's program of economic modernization. Bulgaria also would like to enjoy the benefits of accession to GATT, both as a mouthpiece for Moscow and for its own economic interests. [*portion marking not declassified*]

Political and national image factors also are important. To achieve better ties with the US would appeal to Bulgaria's elevated sense of its own importance and at the same time ease its innate insecurity about its role on the world stage. Bulgarian leader Zhivkov, at age 75 the senior party chief of a Warsaw Pact country, has long believed that small nations such as Bulgaria have an important role to play in international relations. Sofia may also believe that the Soviet-American climate is now more conducive to Bulgarian overtures to the US as long as they do not produce results counter to Soviet interests. Indeed, Moscow may be encouraging such overtures. [*portion marking not declassified*]

Outlook

We believe that Bulgaria will probably carry forward with diplomatic and other initiatives to improve US ties in the coming months, barring a major downturn in Soviet-US relations. We do not expect, however, any change in its close orientation to the Soviet Union and Soviet policies. Nor do we believe it will substantially improve its record on key domestic or foreign policy issues. [*portion marking not declassified*]

Nonetheless, we believe that Sofia is probably more susceptible than it has been at any time during the past several years to making at least marginal improvements in some areas. These areas could include human rights—especially better treatment of Catholic and Protestant religious sects and ending jamming of Western radio broadcasts—further movement on narcotics control, improved commercial climate for US firms, nuclear safety cooperation, and at least discussions on compliance with US technology controls. [*portion marking not declassified*]

Sofia is probably most likely to respond positively in areas that can be discussed on an issue-by-issue basis. The Bulgarians probably would be most responsive to a judicious mixture of pressure and incentives. The following are some incentives that could induce movement:

- **Economic Ties.** Sofia is interested in intensifying official fora for economic exchanges—such as the US-Bulgarian Economic Council, scientific and trade seminars, and business roundtables. The Bulgarian leadership seems to respect and listen to American business leaders and is eager to bring more American expertise, in the form of joint ventures and consultations, to Bulgarian soil.

- **Technology Sharing.** Bulgaria is highly interested in increased access to US technology, even if slightly outmoded. Nuclear safety technology in particular is of increased interest in the wake of the Chernobyl accident. Sofia may be willing in return to improve controls on legal acquisition of advanced technology. In a conversation with the US Ambassador in early October,² Deputy Prime Minister Markov expressed interest in a technology control verification system, possibly including end-user checks and plant visits, to determine Bulgaria's compliance with US laws. Nonetheless, Sofia is continuing its illegal diversion of advanced technology from the West, much of which destined for Moscow.

- **Official Contacts.** The Bulgarians would welcome assurances of an increase in the number and level of official bilateral contacts. Sofia especially values exchanges—such as past briefings by US officials on arms control issues—that help it project the image of an important and autonomous player in European political affairs.

- **Other Exchanges.** Sofia remains highly interested in stepping up exchanges in culture, science and technology, and other fields. Bulgarian officials recently expressed a willingness to discuss CSCE Basket III human rights issues including information, education, and tourism.³ [*portion marking not declassified*]

Regardless of any new agreements, Bulgaria will probably do little more than the minimum to meet US interests and will avoid actions that would interfere with its other policy objectives. Particularly in economic areas, numerous bureaucratic obstacles will continue to exist to hinder even those improvements approved by top Bulgarian officials. [*portion marking not declassified*]

[Omitted here are two graphics: "Bulgaria: Imports from U.S.: 1st 6 Months of the Year" and "Bulgaria: Total U.S. Trade with CEMA 6, 1985."]

² No memorandum of conversation for this meeting was found.

³ See footnote 6, Document 21.

384. Telegram From the Department of State to the Embassy in Bulgaria¹

Washington, November 29, 1986, 0352Z

371528. Subject: Ambassadors Letters From President.

1. At the President's meeting with ambassadors on November 13,² it was requested that the President send a letter to each head of government of countries represented at the Ambassadors Conference. The following is the text of the President's letter for transmittal to Chairman Zhivkov. No signed original to follow.

2. Text follows:

Dear Mr. Chairman:

Recently I invited twenty-one U.S. Ambassadors to the White House to discuss an issue which I consider one of the most important challenges of our modern world—eliminating narcotics abuse and trafficking. The Ambassadors Conference on Narcotics gave me an opportunity to share with them my concerns about reducing the demand for drugs in the United States and furthering international cooperation in this effort, while hearing from our Ambassadors about the progress being made overseas in the fight against drugs.

Ambassador Levitsky told me of the steps you and your government are taking to cooperate in the struggle against international narcotics trafficking. All governments, despite ideological differences, can agree that drugs are a menace to mankind, and I want to assure you personally that the United States Government will work closely with you to eliminate illicit narcotics from our world.

We are encouraged by those steps taken recently by the Government of Bulgaria to improve the working arrangements between our two countries in order to interdict the illicit narcotics trade. Specifically, I refer to your government's recent decision to share heroin seizure information with the U.S. Drug Enforcement Administration, as well as creating a focal point for U.S. narcotics law enforcement contacts within the Procurator General's office and the Bulgarian customs service. Our government hopes that these steps presage further progress in the sharing of criminal background information relating to narcotics

¹ Source: Department of State, Central Foreign Policy File, D860909–0612. Limited Official Use; Immediate. Drafted by Eric Rosenquist (INM); Cleared by John Caswell (EUR/EEY), Catherine Shaw (INM), Joann Alba (S/S–S), Laurie Tracy (S/S–O), Kenneth Quinn (S/S), and in the NSC; approved by Ann Wroblewski (INM).

² Reagan met with U.S. Ambassadors to countries with significant narcotics production, trafficking, or consumption as part of the Ambassadors Conference on Narcotics.

traffickers and their organizations, the suppression of which is within our countries' mutual interests, as well as that of the international community.

International organizations, such as the United Nations, have become leaders in the fight against narcotics. The U.S. is enthusiastic about the upcoming international conference on drug abuse and illicit trafficking, scheduled for June 17–26 in Vienna, Austria, and we are vigorously supporting the draft convention on narcotics trafficking, currently under consideration by the U.N. Both initiatives present opportunities for our governments to work together closely to raise public awareness about the narcotics issue, and to provide the necessary legal tools to disable those who traffic in human misery.

I look forward to working with you in the spirit of international cooperation towards our mutual goal of creating a drug-free future for our societies. We cannot fail in this mission which demands our immediate and unwavering commitment.

Sincerely,

Ronald Reagan

3. White House does not intend to release the text of letter to press, but has no objections if GOB wishes to release it.

Shultz

385. Telegram From the Department of State to the Embassy in Bulgaria¹

Washington, December 24, 1986, 0735Z

396855. Subject: Letter From President Zhivkov to President Reagan on Bilateral Cooperation Against Narcotics Trafficking.

1. C—Entire text.

2. Following is the text of President Zhivkov's reply to the President's letter on bilateral cooperation in the field of narcotics control,² delivered to the Department by Bulgarian Ambassador Zhulev during a December 23 call on A/S Ridgway (report septel).³

¹ Source: Department of State, Central Foreign Policy File, D860979–0427. Confidential. Drafted by Lang; approved by Wenick.

² See Document 384.

³ See Document 386.

3. Begin text. Esteemed Mr. President:

I would like, first of all, to thank you for your letter forwarded to me through your Ambassador in Sofia. In the letter you address an alarming problem—both for the United States and a number of other countries—a problem that concerns the health of the young generation which is the future of every nation. This is what makes it particularly important and requires every sincere effort on the part of all of us. Fortunately, the problem of narcotics abuse does not exist in my country. Due to its geographic situation however, the People's Republic of Bulgaria is directly engaged in the efforts against drug trafficking, mainly by Turkish traffickants, as well as by citizens of some other countries. As a member of the United Nations and the Customs Cooperation Board and in accordance with the principles of its foreign policy, as well as guided by deeply humanitarian concerns, Bulgaria has always taken and continues to take today most decisive measures without sparing financial and moral means in carrying a permanent and uncompromising fight against drug trafficking.

I would like to bring to your attention, Mr. President, that in its anti-drug efforts, the People's Republic of Bulgaria has made a substantial contribution, that has been recognized and appreciated by many, including the United States customs. Bulgaria was one of the first countries that responded to the United Nations appeal in the 70-ties for enforcing the measures against the illicit drug traffic, as well as to the request of the US Government for cooperation.

Throughout the years, between the Bulgarian and the US customs offices there has been cooperation, which contributes also for the strengthening and improvement of the efforts of customs worldwide. In 1978 and 1960 the Bulgarian city of Varna hosted two international customs conferences of mutual assistance against drug trafficking.

We note with satisfaction the achievements in our fights against the illicit drug trafficking and we are ready to energetically join in the efforts both in improving large scale international cooperation, and in working with any country which sincerely wishes to do so.

Bulgaria participates actively in the work of the UN Commission on Narcotics, the preparatory body for the forthcoming UN world conference on drug abuse and drug trafficking in June 1987.

Mr. President, in your letter, you mentioned the establishment of cooperation between our two countries against narcotics. This fact bears satisfaction for us too, and we welcome it as a confirmation of our understanding that in solving this problem there should be joint efforts, notwithstanding existing ideological differences. The results that we have achieved give me the ground to believe that we might have the same constructive approach in solving the other problems of

our bilateral relations which would lead to their development for the benefit of the Bulgarian and the American people.

Sincerely,

Todor Zhivkov.

End text.

Whitehead

**386. Telegram From the Department of State to the
Embassy in Bulgaria¹**

Washington, December 25, 1986, 0029Z

398037. Subject: Call by Bulgarian Ambassador on EUR Assistant Secretary Ridgway.

1. C—Entire text.

2. Summary. Bulgarian Ambassador Zhulev called on EUR A/S Ridgway December 23 to present text of reply from Bulgarian President Zhivkov to a letter from President Reagan concerning bilateral cooperation against narcotics trafficking.² A brief discussion of bilateral issues touched upon Bulgaria's policy of closing part of its territory to diplomatic travel, a symposium in Washington next spring in connection with Bulgaria's application for accession to the GATT, and the possibility of a trip by the Deputy Secretary to Bulgaria. Zhulev, noting that Bulgaria had been given responsibility within the Warsaw Pact for conventional security issues, then asked for Ambassador Ridgway's assessment of Western reactions to the "Budapest appeal."³ Ambassador Ridgway replied that consultations would take place within NATO to elaborate the agreed set of principles into a position on the substance of negotiations, after which talks might appropriately take place between the alliances on a negotiating mandate. End summary.

¹ Source: Reagan Library, Paula J. Dobriansky Files, Bulgaria (5). Confidential; Priority. Also sent to all NATO capitals.

² See Document 384.

³ Reference is to the appeal issued in Budapest by Warsaw Pact countries on June 11, to all NATO member states and all European countries to reduce armed forces and conventional armaments in Europe.

3. Ambassador Ridgway reiterated her appreciation to the GOB for its hospitality during her November visit to Sofia,⁴ which she had found useful and informative. There had been good meetings on a broad range of issues, and she had been especially interested in the briefing on the Bulgarian economy provided by Deputy Prime Minister Lukanov.⁵ Zhulev said that the GOB shared this assessment.

4. Zhulev handed over the text of President Zhivkov's reply to President Reagan's letter on bilateral cooperation against narcotics trafficking (text reported septel).⁶ Ambassador Ridgway said that this was an area in which the two governments ought to be able to build bilateral cooperation without references to the differences that exist between them in other areas. The USG is satisfied with the progress that has been made in this field and hopes it will serve as a spur to do more.

5. Bulgarian Closed Travel Areas. Ambassador Ridgway agreed with President Zhivkov's closing observation that a similar spirit should characterize cooperation on other issues, but she noted that there are some problems which will need to be watched closely during the new year in an effort to prevent adverse developments. One such problem was Bulgaria's policy of closing a substantial portion of its territory to diplomatic travel, a subject that had been raised during her visit to Sofia. Ridgway noted that legislation passed during the last Congress required the administration to provide a report on closed areas by March, 1987. If the situation does not change, the Congress is likely to view it as asymmetrical and ask for a reciprocal response. The administration hoped that movement should be toward freer rather than more restricted travel for diplomats and hoped that the GOB would consider this question. Zhulev agreed to look into the problem.

6. Possible Trip by Deputy Secretary. Zhulev noted that there had been some discussion of a second trip by the Deputy Secretary to Eastern Europe, including Bulgaria. Ambassador Ridgway said that the prospect of further travel by the Deputy Secretary is now under consideration. No final decisions have been taken, and the Department would advise the GOB when they are. Zhulev said that the GOB was very favorably disposed to a visit, and that it is likely that the Deputy Secretary would be received by the Foreign Minister and possibly by President Zhivkov.

⁴November 10–11. Telegram 4867 from Sofia, November 21, summarized Ridgway's conversation with Mladenov. (Department of State, Central Foreign Policy File, D860893–0142) Telegram 4863 from Sofia, November 21, reported the meeting between Ridgway, Gotsev, and other Bulgarian Foreign Ministry officials. (Department of State, Central Foreign Policy File, D860893–0188)

⁵Not found.

⁶See Document 385.

7. Economic Issues. Zhulev noted that the GOB planned two symposia on Bulgarian economic developments in response to the recommendation of the GATT Secretariat in support of its application for accession. The first symposium was being held this month in Graz, Austria; the second is planned for Washington in the spring, and the GOB would appreciate USG support. Ambassador Ridgway said that the Department would consult with other agencies in the planning for this symposium. Given the fact that Bulgaria and the Bulgarian economy are not widely known in the U.S., she recommended that the Embassy work for the broadest possible participation in the symposium. Zhulev said that the reconstituted U.S.-Bulgarian Business Council would hold its first session in the U.S. at about at the same time; Ambassador Ridgway said that the Department would work with the Bulgarian Embassy on possible calls for Deputy Foreign Trade Minister Ginev.

8. Turning to arms control issues, Zhulev noted that Bulgaria had been given the chairmanship within the Warsaw Pact of a working group on disarmament issues stemming from the "Budapest appeal," and asked for Ambassador Ridgway's assessment of Western reactions. Ridgway replied that the Brussels declaration was the result of the work of a high level task force, which will stay in existence to address the issue of greater stability of conventional forces in Europe. The alliance believed that this issue could not be considered in isolation from the question of nuclear disarmament, given the imbalance we believe exists in conventional forces. Ridgway said that eventual discussions on conventional stability between the Atlantic and the Urals should be held between NATO and the Warsaw Pact, but that a phased approach was necessary. It was premature to speculate on when such discussions might occur. The next step for NATO is for the high level task force to turn from the principles that had been developed in the Brussels declaration to the substance of possible discussion. Then, the two alliances would need to agree on a mandate for negotiations.

9. Zhulev said there appeared to be some confusion between Ambassador Ridgway's endorsement of alliance-to-alliance negotiations and the recent refusal of NATO officials to receive Bulgarian Ambassador Khristov, who was representing the Warsaw Pact. Ridgway replied that this confusion was between two different issues. We do not see what can be gained from general proposals for bloc-to-bloc contacts, which the Warsaw Pact has advanced a number of times over the years. A negotiating mandate on the specific question of conventional security, however, is one that can only be decided between the two alliances representing the countries involved.

Armacost

387. Telegram From the Department of State to the Embassy in Bulgaria¹

Washington, January 16, 1987, 0853Z

15498. Subject: Demarche on Terrorism to Bulgarian Government. Ref: A) Sofia 00092² B) 86 Sofia 02542.³

1. Secret—Entire text

2. Department provides the following information, which has inter-agency clearance, for use in a demarche to the Bulgarian Government protesting GOB support for international terrorism. Although the information is transmitted in the form of suggested talking points, the Department concurs in the Ambassador's outline for a demarche presented Ref B and leaves to him the presentation of the information (including its precise wording) to the GOB in the manner which he believes will be most effective.

3. —The grenades used in the terrorist attacks in Ankara on the U.S. Officer's Club in April 1986, in a planned Libyan attack on the American Embassy in Paris in March 1986, in the infamous attacks on the Rome and Vienna airports in December 1985, in the hijacking of the Egypt Air flight to Malta in November 1985, and in Rome at the Cafe de Paris attack in September 1985 were all made in Bulgaria.

—Most of these attacks have another common element: all but two were carried out by the Abu Nidal terrorist organization.

—The use of Bulgarian grenades in so many different heinous terrorist attacks cannot possibly be considered coincidence.

—The Government of Bulgaria has thus contributed to terrorist attacks in which 78 innocent persons have been murdered and over 150 have been wounded.

—It matters little to the victims whether they were killed because the GOB knowingly sold munitions to the Abu Nidal terrorist group, the bloodiest and most vicious terrorist organization in the world, or whether the GOB failed to exercise its minimal responsibilities to the international community to ensure that munitions it sold to a third party would not be handed over to terrorist groups.

¹ Source: Department of State, Official Correspondence of Deputy Secretary of State John C. Whitehead, July 1982–January 1989, Lot 89 D 139, JCW's Eastern Europe Trip 1/27–2/7/87 Daybooks—Part III. Secret; Immediate; Exdis.

² In telegram 92 from Sofia, January 8, Levitsky renewed his recommendation that he deliver a *démarche* on terrorism to the Bulgarian Government. (Department of State, Central Foreign Policy File, D870019–0214)

³ In telegram 2542 from Sofia, June 13, 1986, Levitsky recommended that the Department formulate a *démarche* on terrorism for him to deliver to the Bulgarian Government. (Department of State, Central Foreign Policy File, D860458–0213)

—The GOB has no end-user checks on its weapons sales; it has thus made no serious effort to ensure that weapons it produces and exports do not end up in the hands of terrorists.

—We urge the GOB to put an immediate stop to the flow, by whatever route or means, of Bulgarian arms and other munitions to terrorists.

4. —We urge the GOB to exert strong control over the Libyan People's Bureau in Sofia to ensure that it is not used to assist terrorist attacks either in Bulgaria or in third countries.

—We further urge that the GOB use its influence with Libya and other countries to stop their support for terrorism.

5. —GOB links with the PFLP (Popular Front for the Liberation of Palestine) are amply documented. The visits of PFLP leader George Habash to Sofia are a matter of public record.

—The USG has also documented that the PFLP was implicated in the murder of the U.S. Ambassador to Lebanon, Francis Meloy, in 1976.

—Ambassador Meloy was kidnapped on June 16 of that year and taken with two members of his staff to the headquarters of a PFLP unit. They were subsequently murdered, and their bodies found the next day.

—The Government of Lebanon later arrested eight terrorists for the murder of Ambassador Meloy and his aides. All eight were connected with the PFLP.

—You therefore can understand the revulsion with which my government views the warm welcome which Habash receives on his visits to Bulgaria.

6. —My government would like to continue to make progress on specific issues with the Government of Bulgaria, and terrorism is a very important issue to us.

—Your government and others which seek improved relations with the USG should understand that we will know if they help terrorists, and we will know if they stop helping them.

—You will recognize that your government's general statements of principled opposition to terrorism are meaningless unless accompanied by deeds.

—We understand that Bulgarian authorities have cooperated in the past with the Federal Republic of Germany to return wanted German terrorists found in Bulgaria.

—We would hope for further vigorous Bulgarian cooperation of this sort.

Shultz

388. Telegram From the Embassy in Bulgaria to the Department of State¹

Sofia, February 4, 1987, 1744Z

509/Depto 10028. Subject: Deputy Secretary Whitehead's Private Meeting With F.M. Mladenov on Terrorism. Ref: State 15498.²

1. Confidential—Entire text.

2. After meeting with Deputy Secretary's party (reported septel)³ Foreign Minister Mladenov asked the Deputy Secretary and Ambassador to stay behind for a private chat. With Deputy Foreign Minister Gotsev and interpreter only others present, Mladenov provided GOB response to Ambassador's recent demarche on terrorism (reftel). Mladenov made the following points:

—After the U.S. demarche, the MFA was concerned with the factual side of the issue, particularly regarding the alleged use of Bulgarian weapons in specific terrorist incidents. Mladenov ordered an immediate investigation and also discussed the issue with Chairman Zhivkov.

—It was true that Bulgaria manufactures and sells weapons, grenades and rifles. The list of purchasers includes Iraq, Nigeria, Libya and the PLO. Its sales to the PLO are to Arafat's faction, not to Abu Nidal. In response to the Deputy Secretary's question Mladenov repeated that Bulgaria does not sell weapons to Abu Nidal faction.

—Bulgaria considers that these sales are legitimate. The sales are accompanied by certificates and documents which "demand" from the purchaser that the weapons not be resold.

—However, the GOB realizes that it is difficult to trace the movement of weapons after their sale. This means that the GOB cannot preclude the possibility that Bulgarian weapons have ended up in the hands of terrorist groups. He said he was sure that we and other countries, even Israel, experienced the same problem. But, he emphasized, it was not GOB policy that such transfers be made. He said he was afraid that in such cases the weapons had "just been given."

—If the U.S. had information about arms transfers to terrorist groups like Abu Nidal, it should inform the GOB. The GOB was "prepared to impose sanctions" on any purchaser which sold or gave weapons to terrorists. He reiterated that he had spoken to Zhivkov about this.

¹ Source: Department of State, Central Foreign Policy File, D870425–0219. Confidential; Immediate; Exdis.

² See Document 387.

³ See Document 390.

—The problem was delicate and he hoped that the U.S. would treat it with discretion and without publicity. The GOB was ready for further contacts and discussions with the Embassy and USG experts on this subject. The GOB sought ways to find solutions to the problem through discussions with us.

3. The Deputy Secretary thanked Mladenov for his detailed response to our demarche. He said he thought it was a good response but wished to make one important point. As long as Bulgaria continued to sell weapons to countries like Libya whose national policies were to support terrorism it would be difficult to stop these weapons from being used by terrorists. The Foreign Minister could imagine the reaction of the USG and the American public to information that Bulgarian weapons were employed in attacks in which American citizens were killed. There were ways to ensure oneself better that arms were not transferred to terrorists, for example, through requiring arms purchasers to report regularly on disposition of weapons and their use, as well as through the receipt of inventories of weapons sold.

4. The Deputy Secretary emphasized that it was in Bulgaria's interest to deal seriously with this problem since Bulgaria's reputation as a nation was damaged by the use of its weapons in these attacks.

5. Mladenov said the GOB did take this issue seriously and repeated GOB willingness to have discussions with the USG to find ways to deal with it. He suggested that Gotsev and the next U.S. Ambassador remain the channel for such discussions, with U.S. and Bulgarian experts taking part as well.

6. The Deputy Secretary said we favored regular consultations on terrorism. While we could not divulge our sources of information, we could discuss terrorist incidents and weapons sales with the GOB with an aim to finding solutions to the problem. Mladenov agreed with this approach.

Levitsky

389. Telegram From the Embassy in Bulgaria to the Department of State¹

Sofia, February 4, 1987, 2337Z

512/Depto 10031. Subject: Deputy Secretary Whitehead's Meeting With Bulgarian Deputy Foreign Minister Lyuben Gotsev February 4, 1987.

1. Confidential—Entire text.

2. Summary: Deputy Secretary of State Whitehead began two days of meetings with Bulgarian CP and government officials February 4 with a call on Deputy Foreign Minister Lyuben Gotsev. The two exchanged views on the state of bilateral relations and discussed contrasting concepts of human rights. Secretary Whitehead expressed strong concern over Bulgaria's treatment of ethnic Turks and its implication in the flow of weapons to terrorists. Gotsev called for a meeting between Secretary of State Shultz and Bulgarian Foreign Minister Petur Mladenov at the next UNGA and for the establishment of a working group to draft a joint plan of action for expanding bilateral relations. He complained that there had been no USG response to his earlier proposal to Assistant Secretary of State Rozanne Ridgway for the establishment of bilateral working groups on humanitarian-consular and legal-technical matters. End summary.

3. Deputy Secretary of State Whitehead met with Bulgarian Deputy Foreign Minister Lyuben Gotsev February 4 in the first of a two-day series of meetings with party and government officials. Gotsev expressed the GOB's appreciation that Bulgaria had been included in the Secretary's itinerary, noting that Whitehead was the highest ranking U.S. official to visit Bulgaria in 45 years. During the 90-minute session, the two leaders discussed a wide range of bilateral issues, focusing on differing perceptions of human rights and areas in which concrete steps might be taken to improve relations.

State of Bilateral Relations

4. Secretary Whitehead said that U.S.-Bulgarian relations were at a crossroads. In the past they had been neither warm nor close since the two countries had vastly different heritages, concepts of human

¹ Source: Department of State, Official Correspondence of Deputy Secretary of State John C. Whitehead, July 1982–January 1989, Lot 89 D 139, JCW's Eastern Europe Trip 1/27–2/7/87 Memcons. Confidential; Immediate. Sent for information to Eastern European posts. Drafted in the Embassy; cleared in EUR, D, and the NSC; approved by Grossman.

freedoms, and political, social, and economic systems. However, in recent months there had been small movement from cool toward warmer relations, he said. While the USG did not expect a dramatic breakthrough in bilateral relations, it did hope that the relationship would continue to develop on the basis of mutual respect for each other's sovereignty and steady progress toward cooperation in areas of overlapping interest.

5. Gotsev concurred with Secretary Whitehead's general assessment. However, he contended that better relations depended much more on the U.S. than on Bulgaria, and referred to the vast difference in size of the two countries. He said the GOB, too, had noted some movement toward less chilly relations since the acquittal of Bulgarians implicated in the attempted assassination of the Pope. However, he continued, the GOB evaluated that progress in the context of different priorities from those of the U.S. Gotsev noted that while relations with the U.S. conferred certain "privileges", they also imposed certain problems and burdens as well. He chided the U.S. for sometimes "dreaming of having its dream" accepted in other parts of the world.

Human Rights

6. Secretary Whitehead explained that because the U.S. was a land of immigrants, many of whom had fled political and economic oppression, it was acutely aware that restrictions on human freedoms were a threat to peace and political stability. Therefore, concern for human rights was a major element in U.S. foreign policy. The USG, he said, felt that citizens should be free to travel, to leave their country and return, to criticize their government, to have access to a free press, and to participate in free elections. He noted that while the U.S. had no right to impose its concept of freedom on other sovereign countries, it naturally tended to have better relations with countries holding to similar concepts of freedom.

7. Continuing, the Secretary said the USG could not accept the GOB's effort to force the cultural assimilation of ethnic Turks living in Bulgaria. He noted that based on what representatives of the USG had seen, heard and read in reports of various world bodies, it believed that what was happening in Bulgaria was a violation of the Helsinki Accords.

8. Gotsev countered with a thumbnail sketch of Bulgaria's 1,300-year history, emphasizing the country's location at a geographic crossroads and involvement in a succession of wars and revolutions. He bristled at what he described as the typical Western view of communist countries as closed, oppressive societies, stating that Bulgaria liked to think of itself as a free country also. He claimed that the Bulgarian constitution went even beyond the U.S. constitution in guaranteeing what Bulgarians considered basic freedoms. In any event, said Gotsev,

it would serve no useful purpose to try to convince each other which system is better. Rather, history would be the best judge.

Areas for Possible Cooperation

9. Both sides presented specific suggestions for improving bilateral relations. Secretary Whitehead applauded the GOB's efforts in uniting divided families and expressed the hope that the remaining cases could be settled promptly. Gotsev noted that 54 of 64 cases had been resolved during Ambassador Levitsky's tenure and suggested that the question of divided families need not be included in the agenda of any future high-level bilateral meetings since the Bulgarian side is dealing with such cases as they arise and resolving most of them.

10. Secretary Whitehead expressed appreciation for GOB cooperation in area of narcotics control. He suggested that the two governments expand their efforts to better understand and control the problem and proposed further exchanges on the control of precursor chemicals, drug addiction, and rehabilitation techniques. The Secretary suggested a program for training Bulgarians on how the U.S. enforces its drug laws and deals with the problem internationally.

11. Gotsev expressed interest in Whitehead's proposals on narcotics cooperation and said he would pass the Secretary's proposals on to the appropriate officials for further consideration. However, he noted that narcotics was a "very sensitive area" and warned that "blunt interference" could jeopardize the continuation of collaborative efforts.

12. Secretary Whitehead expressed the USG's serious concern over the recent increase in incidents of terrorism. He said that while terrorism had political roots in some cases, it was basically a nonpolitical question. The USG position, he explained, was that no one had the right to commit random acts of violence against others. He said the USG had strong reason to believe that Bulgarian-made weapons had fallen into the hands of terrorists and urged the GOB to introduce stricter controls on the use and transfer of weapons sold to other governments.

13. With respect to GOB restrictions on travel by U.S. and other diplomats, Secretary Whitehead advised Gotsev of legislation which will require the Department of State to report any such restrictions to the Congress by March 1. The Secretary urged the GOB to review its policy on diplomatic travel and warned that absent elimination or reduction of such restrictions, the USG would likely be compelled to take reciprocal action.

14. Finally, Secretary Whitehead urged the GOB to broaden Embassy access to Bulgarian Government officials, not just at the Chief-of-Mission level, but at the working level as well; to take steps to reduce the level of anti-American rhetoric in the Bulgarian media; and to work

with the USG in exploring ways to expand bilateral trade. He acknowledged the removal of temporary barriers in front of the Embassy last fall as another example of recent actions contributing to improved relations.

15. Gotsev cited the visit of a group of Bulgarian parliamentarians to the U.S. in 1986 and the visit to Bulgaria of Assistant Secretary Rozanne Ridgway as examples of progress in bilateral relations and called for more such exchanges. He proposed a meeting between Secretary of State Shultz and Bulgarian Minister of Foreign Affairs Petur Mladenov at the 1987 UNGA in New York, regular political consultations at the Deputy Minister level, and the formation of a working group to draft a joint plan of action for expanding bilateral relations. He also said the Bulgarians would like to see more extensive contacts between their National Assembly and both houses of the U.S. Congress.

16. Gotsev noted the recent signing of a bilateral cultural exchange agreement and the revival of the Bulgarian-American Economic and Trade Council as two more examples of progress toward better relations. However, he complained that the USG had not provided official stimulation for the bilateral Trade Council, adding that the initiative needed and deserved government encouragement. He reported that a Bulgarian delegation would travel to the U.S. to meet with government officials and businessmen to explore opportunities for expanded trade. That group could be headed by First Deputy Prime Minister Lukanov. The mission, he said, would also seek support for Bulgaria's bid for full membership in the GATT.

17. Gotsev expressed disappointment that there had been no USG response to his proposals to Assistant Secretary Ridgway for the establishment of bilateral working groups on humanitarian-consular affairs and legal-technical matters.

18. Finally Gotsev proposed that the two sides agree to meet to draw up a draft joint plan of action for a work program aimed at improving bilateral relations. He said that the existence of an agreed document could provide a stimulus to movement on individual issues.

19. Comment: Gotsev did not respond directly to the Deputy Secretary's strong comments on human rights nor to his concern over Bulgarian treatment of ethnic Turks. He expressed impatience with the pace of development in bilateral relations which at this stage, he said, could not be excellent but could be good. He expressed frustration over the USG's failure to take up various Bulgarian proposals for improving relations. Gotsev downplayed areas of progress cited by the Deputy Secretary and complained that even these minor accomplishments received no mention in the American press. End comment.

390. Telegram From the Embassy in Bulgaria to the Department of State¹

Sofia, February 5, 1987, 0011Z

513/Depto 10032. Subject: Deputy Secretary Whitehead's Meeting With Bulgarian Foreign Minister Mladenov.

1. Confidential—Entire text.

2. Summary. Deputy Secretary Whitehead and party met February 4 with Foreign Minister Petur Mladenov and other Foreign Ministry officials. With bilateral relations having been addressed in a previous meeting with Deputy Foreign Minister Gotsev,² the Mladenov meeting focused primarily on East-West issues, although the Foreign Minister commented as well on Bulgaria's "demonstrated" readiness to cultivate "good and normal" bilateral relations with the U.S. The Deputy Secretary outlined the current status of US-USSR relations, addressing arms control issues, regional problems, and human rights questions. Mladenov said that Bulgaria welcomed the progress made in US-Soviet relations in recent years and stressed the superpowers' obligation to reach arms agreements. He avoided comment on the merits of various regional issues, saying that the important point was finding means for their peaceful resolution. His focus throughout appeared to be on sustaining a non-confrontational atmosphere in which US-Bulgarian dialogue might continue. End summary.

3. Deputy Secretary Whitehead met February 4 with Foreign Minister Mladenov for discussions that focused primarily on East-West relations. Also present on the Bulgarian side were Deputy Foreign Minister Gotsev, MFA Counselor (and session interpreter) Poptodorova, Fourth Department Director Pchelintsev and Deputy Director Popova, and U.S. Desk Officers Popov, Novachkov, and Pavlov. Accompanying the Deputy Secretary were the Ambassador, Wenick, Dobriansky, Bruns, and an Embassy notetaker. After the initial discussion of slightly over an hour in this larger group, Mladenov (with Gotsev and Poptodorova) invited the Deputy Secretary and the Ambassador to his private office for additional discussions (septel).³

¹ Source: Department of State, Official Correspondence of Deputy Secretary of State John C. Whitehead, July 1982–January 1989, Lot 89 D 139, JCW's Eastern Europe Trip 1/27–2/7/87 Memcons. Confidential; Immediate. Sent for information to Eastern European posts. Drafted in the Embassy; cleared in the Embassy, EUR, and D; approved by Grossman.

² See Document 389.

³ See Document 388.

4. After initial pleasantries on both sides, the Deputy Secretary stated that, given the "stiff" nature of the bilateral relationship in the past, the effort to move toward more normal relations had to start virtually from the beginning. The USG was interested in such an improvement, but it would have to come gradually, through a step-by-step process. The conversations begun earlier that morning with Deputy Foreign Minister Gotsev had addressed a number of bilateral issues and would be continued later (septel).⁴ The Deputy Secretary proposed that he and the Foreign Minister focus on East-West and other international issues. Mladenov agreed.

5. US-Soviet Relations. The Deputy Secretary began by noting the improvement in the last two years in US-Soviet relations. Dialogue now took place in a large variety of areas, a development the USG welcomed, although there were naturally "ups and downs" in that dialogue. The USG was optimistic about the chances of achieving an arms control agreement in the coming months. While our long-term objective was to eliminate nuclear weapons completely, a more practical short term objective was to reduce ICBM stockpiles by 50 percent, eliminate intermediate-range missiles from Europe while leaving 100 each in Asia and the US, continue SDI research within the limits of the ABM Treaty, agree to phase out nuclear testing, and find agreement on means of verification. Such an agreement was attainable, although many details remained to be worked out.

6. Arms control did not exist, the Deputy Secretary continued, in isolation from other areas of contention: the Soviet invasion of Afghanistan, Soviet and Cuban activities in Angola and elsewhere in Africa, problems in Nicaragua and other Central American countries, Vietnam's invasion of Cambodia, and the like. So long as Soviet aggression and the use of Soviet troops or proxies continued to threaten world peace, it would be difficult for the USG to envisage genuine disarmament. We thus hoped the Soviets would modify their actions, especially in Afghanistan, where we looked forward to a withdrawal of Soviet troops.

7. Human rights formed another important part of the USG agenda with the USSR, the Deputy Secretary stated. We were particularly concerned about Soviet treatment of dissidents, about Soviet Jews who wanted to leave for Israel, and about divided families. Our discussions with the Soviets thus included a number of areas of continuing disagreement, but good-faith negotiations were underway with them that promised to benefit both sides, and the rest of the world.

⁴ Telegram 537 from Sofia, February 5, reported on Gotsev and Whitehead's follow-up meeting on February 5 during which they discussed the possibilities of future bilateral meetings. (Department of State, Central Foreign Policy File, D870092-0695)

8. Mladenov responded that he welcomed the USG perception of improved relations with the Soviet Union, which accorded with the information that Bulgaria received from Moscow. The focus of this improvement, he understood, was in the arms control area. Bulgaria was pleased with this progress, which is of critical importance, although Bulgaria itself had no nuclear weapons and would not permit “either side” to station nuclear weapons on Bulgarian territory.

9. Bulgaria had been very interested in the Reykjavik Summit,⁵ Mladenov continued, as it had aroused worldwide hopes that a formula had been found for movement toward a real reduction in nuclear weapons. Bulgaria was a small country and could not presume to give instructions to the superpowers, but both superpowers are obligated to find a resolution to this problem. Bulgaria was against the militarization of outer space, and it condemned the February 3 U.S. nuclear test in Nevada,⁶ which would force the USSR to resume its own testing.

10. Bulgarian officials met often with their Soviet counterparts and discussed such issues. Mladenov assured the Deputy Secretary that the Soviets were sincerely interested in keeping the peace and finding arms control formulas acceptable to both sides. That was firm Soviet policy and would continue into the next U.S. administration, if an agreement could not be reached with the present one.

11. Mladenov added parenthetically that Bulgaria also attached importance to the elimination of other weapons—conventional, chemical, and so forth. It also favored further development of the CSCE process and building on the results of the Stockholm meeting.⁷

12. Turning to the Deputy Secretary’s reference to regional problems, Mladenov agreed that the world was so interconnected that non-resolution of one question could block progress on others. He did not want to discuss these issues, as it was clear that Bulgaria differed with the U.S. in ascribing responsibility for the problems of Afghanistan, Angola, Central America, and the Middle East. He remarked that one could add the Iran-Iraq war to that list, but he did not want to start a discussion on that, as he knew it was a “sensitive issue” for the U.S. administration. The point was not to present Bulgaria’s views on those areas, but rather to understand that a long-term, peaceful solution to those problems had to be found. No major international question today can be solved without the participation of the Soviet Union. That is true not only of today, but of the future. In fifteen or twenty years there will

⁵ See footnote 3, Document 147.

⁶ See Jeffrey Smith, “Thwarting Protestors, U.S. Conducts Nuclear Test in Nevada a Day Early,” *Washington Post*, February 4, 1987, p. A10.

⁷ See footnote 6, Document 147.

still be problems, although perhaps not the same problems, and they will have to be resolved through dialogue and negotiations, not threats and interference.

13. Bulgarian-Soviet Relations. In response to the Deputy Secretary's invitation to give his views on Bulgarian-Soviet relations, Mladenov said only that Bulgaria had a "very good" relationship with the USSR and he expected it to continue.

14. Change in the USSR. Mladenov stressed, in response to a question from the Deputy Secretary, that the changes underway in the Soviet Union are profound and will have positive results for the socialist system and the rest of the world. He acknowledged that there had been a time when the socialist countries were on the defensive and were afraid to speak, for example, of human rights. That situation was unnatural, as socialism had been created for the good of man and lost its content when it did not serve man.

15. Mladenov continued his thoughts on the Soviet Union with an anecdote about his visit to a Soviet art exhibit in Paris while he was en route back from his heart operation in Houston last year. Paintings by Chagall, Kandinsky, and other artists were on display that had been created in Soviet Russia under Lenin—and that constituted peaks of modern art—but that were then put into warehouses during the "Stalinist winter" that followed. The West had to think about the possibilities of a Soviet Union under Gorbachev's leadership.

16. Gorbachev and his team, Mladenov concluded, are "intelligent, honest, dynamic, and businesslike people with whom you can deal and with whom you'll have to deal. The future is theirs."

17. US-Bulgarian Relations. Although the focus of the meeting was on US-Soviet relations, Mladenov found occasion to comment on the US-Bulgarian relationship as well. Bulgaria never has been in the center of U.S. attention, he began, adding that Bulgaria had for its part not shown sufficient interest in the U.S. before WWII. It had unfortunately inclined toward European powers and consequently suffered a "disaster" that would have been averted if it had been allied with the U.S.

18. After WWII, he continued, Bulgaria's relations with the U.S. were conditioned by the larger East-West relationship, but Bulgaria had always wanted to develop good and normal relations with the U.S. Mladenov argued that the U.S. had never put forth a bilateral issue that had not received favorable consideration, citing improved reception for VOA, divided families, and permission for U.S. military aircraft to bring supplies to the Embassy periodically. So far as he could see, the U.S. had fewer problems with Bulgaria than with Greece, Turkey, or the EEC countries. Bulgaria was prepared to work on the terrorism issue and find a solution. Given Bulgaria's good will, the prospects for a "good and normal" relationship depend mostly on the U.S.

19. Insofar as Mladenov could understand the negative USG attitude toward Bulgaria, it was caused by ideology. Politics could not, of course, be divorced from ideology, but it should not be allowed to prevent normal relations (trade, relations between people, etc.).

20. Mladenov's Health and U.S. Treatment. Mladenov, who appeared to be in good health, made reference several times to his heart surgery last year in Houston and stressed that he had been impressed not only with U.S. medical technology, but also with the personal kindness and interest displayed by the Americans he had met. It had confirmed him in the belief that Americans were a "good people," as were the Bulgarians, and that problems between the two peoples were the results of decisions made by "people like us in this room."

Levitsky

391. Telegram From the Embassy in Bulgaria to the Department of State¹

Sofia, February 5, 1987, 2019Z

534/Depto 10035. For the Secretary from Whitehead. Subject: Zhivkov, Zhivkov and More Zhivkov.

1. Secret—Entire text.

2. I started the day in Bulgaria by meeting the Deputy Prime Ministert, Andrei Lukanov.² Everyone had told me to expect one of the most impressive Eastern Europeans I had met; he lived up to that reputation. He wants to change the way the economy runs here and seems on the way to doing so. They can't say so, of course, but they realize that their economic system has failed and want to take on as much of ours as possible. Lukanov is planning to head the Bulgarian delegation to a seminar in Washington this year which is designed to try to convince us that they should become members of GATT. Membership in an organization committed to free trade in free markets is a long way off but we ought to try to get Lukanov to see some high-level people when he is in town. He is worth cultivating.

¹ Source: Reagan Library, Paula J. Dobriansky Files, Whitehead Visit to E. Europe-Bulgaria 1/28/87–2/7/87. Secret; Immediate; Nodis.

² Telegram 540 from Sofia, February 6, summarized Whitehead's February 5 meeting with Lukanov. (Department of State, Central Foreign Policy File, D870093–0562)

3. The main event today was Zhivkov.³ I'll have to describe the whole scene to you in person. I spent four hours with him, 2-½ hours in a meeting and the rest over lunch. He is a Balkan potentate, energetic and clearly in charge at 75. He gave a complex performance. The winds of change have blown from Moscow in this direction, but typically for the Bulgarian culture, he assured me that Gorbachev's reforms have been in effect here for years. He was self-confident enough to criticize his country. He said he was ready to start afresh on U.S./Bulgarian relations and said that both sides should look at our relationship "with new eyes." We talked through a large number of ideas and proposals for future steps, but when I stressed our human rights concerns—and especially our worry about the treatment of the Turkish minority—he became hard and unrepentant. He tried at one point to reject human rights as a legitimate agenda item between us. I told him that this was unacceptable. Human rights are important to us and under no circumstances would we be told that they could not be on our agenda. Zhivkov backed down immediately.

4. The lunch was a scene. There were 14 of us in a dining room 100 yards long and 50 yards wide, lit by 10 dripping crystal chandeliers to the accompaniment of heavy music. Zhivkov held court, the almost manic laughter which punctuates the end of every third paragraph echoing in the empty hall. We had a typical meal in the worker's state: caviar, fish, veal and ice cream. By the end, we were all sitting behind a forest of used crystal glasses. His toast was optimistic. He made a point of toasting the President's birthday;⁴ I don't know if you want to pass on that the Bulgarian leader, given the time difference between you and us, had technically been the first to toast our President's good health! I responded in kind, on the assumption that if we have a chance to get a little influence here, and they are willing to do some things on our agenda, we ought to take it.

5. I spent the afternoon showing my interest in culture again by visiting the main cathedral and my interest in daily life by seeing the main department store and walking the shopping street. There are crowds in the stores. Goods are shabby but available. Service is surly. It beats Bucharest, but isn't Prague or Budapest.

Levitsky

³ See Document 392.

⁴ February 6.

392. Telegram From the Embassy in Bulgaria to the Department of State¹

Sofia, February 6, 1987, 0103Z

539/Depto 10040. Subject: Deputy Secretary Whitehead's February 5 Meeting With Todor Zhivkov.

1. Confidential—Entire text.

2. Summary: The Deputy Secretary's final official meeting in Bulgaria, with Party and State Chairman Zhivkov, lasted well over two hours and covered bilateral and international issues, including human rights. In response to the Deputy Secretary's questions, Zhivkov said he saw no serious barriers to better bilateral relations, something Bulgaria wanted. He also gave his views on current developments within the Soviet Union, including "glasnost," the need for greater economic efficiency and "democratization." While not disagreeing with Gorbachev's approach, Zhivkov made clear his view that Bulgaria's problems were dissimilar to those of the Soviet Union and that a somewhat different approach was needed here to deal with them. When the Deputy Secretary explained the great importance of human rights in U.S. foreign policy, Zhivkov replied with a long and spirited defense of Bulgaria's treatment of its Muslim population. After claiming that such issues were not appropriate for bilateral dialogue, and being told by the DepSec such a position was unacceptable, the Bulgarian leader backed off and suggested expanded human and cultural contacts between our two countries. Zhivkov was animated and cordial throughout the long meeting, though he showed more than a little agitation while discussing the "Bulgarian Muslim" issue. End summary.

3. Party and State Chairman Todor Zhivkov received the Deputy Secretary at the Boyana official residence on February 5 for two-and-a-half hours of talks, followed by a luncheon. On the Bulgarian side, Foreign Minister Petur Mladenov, Deputy Foreign Minister Lyuben Gotsev and Fourth Department Chief Ambassador Valeri Pchelintsev were among those present. Other U.S. participants were Ambassador Levitsky; Paula Dobriansky, NSC; Martin Wenick, EUR/EEY; Executive Assistant Marc Grossman; and Jonathan Rickert, DCM.

4. Zhivkov led off by welcoming the Deputy Secretary and expressing appreciation for his visit, which he hoped would lead to improved bilateral relations. Those relations involved no "heavy" or insurmountable issues. Despite differences in the political systems of the two

¹ Source: Department of State, Central Foreign Policy File, D870093–0440. Confidential; Immediate; Exdis. Sent for information to Eastern European posts.

countries, systems that neither was going to change, Zhivkov saw no problems that could not be resolved. The Deputy Secretary observed that, from what he had heard since arriving in Bulgaria, it seemed as though Bulgaria is trying to move in the direction of our economic system. Zhivkov agreed, saying that Bulgaria liked everything about the U.S. economic system and would be happy to adopt it, with one exception—in the U.S. the profits went to private individuals, whereas in Bulgaria they reverted to the state. That did not mean, however, that Bulgarian businessmen were or should be any less interested in profits than their American counterparts.

5. The Deputy Secretary told Zhivkov that he had been given a special responsibility for Eastern Europe. In order to learn more about the area firsthand, he had visited Hungary, Romania and Yugoslavia in November, 1986,² and now was completing a tour of Poland, Czechoslovakia and Bulgaria.³ The purpose of these trips was to listen and learn how the Eastern European leaders and people think. The U.S. wanted to improve its relations with those countries where possible, relations that had not been particularly good in recent years. Despite differences in our political, economic and social systems and in our concepts of human freedoms, there was no reason why progress could not be made. This should be done in a step-by-step fashion, with each side making clear to the other the areas where it wanted to see improvements. The ultimate result would be better relations. The Deputy Secretary said his visit was intended to advance that process. He then said he would like to hear Zhivkov's views on the future of our bilateral relations, the Soviet Union and how the world would look in 5–10 years.

6. Zhivkov said he would start with bilateral relations. He thought both countries should avoid concentrating on the past but rather should "look at each other with new eyes." Both sides needed to adopt new approaches, since they had made mistakes before and the old ways had to be overcome. The main political reality today, he claimed, was that neither side of the East-West equation could destroy the other and survive. This new reality, which had not been foreseen by Marx, Engels or Lenin, had to be accepted and complied with. The answer, thought Zhivkov, was to develop new mechanisms for dealing with one another, new rules that would be adhered to strictly. He considered this the only viable alternative, even though it would necessarily be a slow, gradual process.

² November 9–16. See Documents 148 and 329.

³ See Documents 411–416 and 388–392.

7. In the past, Zhivkov continued, communists had considered militarism the inevitable adjunct of capitalism. Now it was clear that capitalism had evolved and could exist without militarism. He predicted that in ten years the ideological foundation of militarism would have disappeared, since it was an unnecessary, dangerous phenomenon whose only outcome in the modern world could be catastrophe. Because of that war must be avoided by all possible means, and the two blocs must learn to coexist in new ways.

8. Turning to bilateral questions, Zhivkov reiterated that he could see no insoluble problems. After the Deputy Secretary's departure, the Bulgarian side would seriously discuss among themselves the issues he had raised and try to find practical solutions. He hoped the U.S. would do the same for the matters brought up by the Bulgarians.

9. Concluding his remarks on bilateral relations, Zhivkov asked the Deputy Secretary to convey his best regards to President Reagan and the Secretary. Zhikov said that he and Reagan were of the same generation (only about seven months apart in age) and, he thought, both wanted to leave positive achievements behind them. He thought that it would be a constructive step for the President to encourage closer U.S.-Bulgarian relations and thus contribute to the development of socialism in Bulgaria, which was not contrary to U.S. interests since Bulgaria was a threat to no one.

10. Zhivkov then mentioned the question of anti-American propaganda in the Bulgarian media, a matter the Deputy Secretary had raised the previous day at the Foreign Ministry. The Bulgarian leader admitted that the press in his country was not independent but asserted that a truly independent press did not exist anywhere. He then claimed that Bulgaria was prepared to halt criticism of the U.S. in the media. Except repeat except, on questions of ideology and military matters (an area he did not define). In those two fields Bulgaria would have to remain critical. At the same time, Zhivkov observed that the U.S. had been on the periphery of Bulgaria's foreign relationships in the past, a situation that must be redressed.

11. Zhivkov expressed strong interest in obtaining the best technology available from the U.S. as the world leader in that field to help modernize its economy. Bulgaria wanted to know what could be exported to it and would welcome visits by U.S. experts to ensure that such technology was not transferred to others. The only limitations Bulgaria could not accept were those on where it could sell goods it produced with the help of imported technology. He added that the whole world, including the Soviets, wanted to catch up with the technological leaders. While the Soviets were outstanding in science, they were much less successful in putting science to work for them. Zhivkov claimed with a laugh that if Bulgaria had possessed only a small part of the Soviets' potential

in that area, it would have reached the stage of communism by now. However, the Soviets now recognized their mistakes and were making needed corrections.

12. Turning to the Soviet Union, Zhivkov said that the recent CPSU Central Committee plenum on cadres had showed more clearly than anything else could what was happening in that country. Gorbachev's speech "tells it all—even too much, in my view," said Zhivkov. There was no qualitative difference between developments in the USSR and in the other socialist states. The Soviet Union's major problem was quantitative—the problems of the economy and the need to speed up development. For Bulgaria, on the other hand, the issue of economic progress was less urgent, since it had had one of the highest, if not the highest, growth rates in the world over the past thirty years. At the same time, Bulgaria needed to continue to improve its economic structure on the basis of the worldwide scientific-technological revolution.

13. Again contrasting the Soviet Union with Bulgaria, Zhivkov said that while "cadres" were a key problem in the former, they were not in his country. Bulgaria regularly had brought fresh talent into the leadership and now had, he claimed, the youngest politburo in Eastern Europe. In Bulgaria, if people failed to perform or were (occasionally) found to be corrupt, they were replaced. That was the correct solution to the "cadres" question.

14. Another major issue for the Soviets was the "democratization" of society, but not for Bulgaria. Fifteen years ago this country had introduced a system whereby the leaders at all levels up to the ministerial level were chosen by secret ballot. It had started out in the cultural sector and subsequently been extended to education, science and many other areas. Such elections were going on now and would be completed by mid-February. Zhivkov asserted that 2–3 percent of those running were not re-elected, which showed that the system was working. The intention was that all officials at all levels would be elected by secret ballot—this was not a fad, he said, but a needed development. Bulgaria had not taken its "democratization" from the Soviets but had started on that path well ahead of the USSR.

15. The Bulgarian leader thought that while all socialist states had certain essential common features, there were also specific features which characterized individual states. Bulgaria supported Gorbachev's line in general, but not all of it applied here. That was why Bulgaria saw no need for changes in its political life—the changes in the USSR would enrich Bulgarian political practice but without altering it.

16. The Deputy Secretary thanked Zhivkov for his interesting presentation and expressed his support for the idea that we must look forward "with new eyes." He agreed that militarism could disappear in ten years, but only if Bulgaria and others could get the Soviets to take

the necessary steps in that direction. The Deputy Secretary said that anti-Bulgarian feeling in the U.S. was a problem of mutual ignorance, as well as differing policies. Responsible public statements and media coverage plus quiet diplomacy were the way to deal with that, and we were willing to do our part in that regard.

17. Then the Deputy Secretary turned to the subject of human rights, calling his remarks on that topic “the most important thing I can leave with you.” He reviewed the role of human rights in the settling of America during colonial days, the Revolutionary War against Britain, the formulation of our constitution and our political development ever since. He stressed the freedoms guaranteed by the Bill of Rights and the relationship of the individual to his government. Those freedoms, he said, had played a major role in attracting millions of immigrants from all over the world, including Eastern Europe, during our two centuries of independence.

18. Because of the centrality of human rights and freedoms to our heritage and traditions, we tended to have the closest ties with those sharing the same values. Bulgaria should bear this in mind as our bilateral relations developed. While Bulgaria was a sovereign state in whose internal affairs we would not interfere, we nevertheless wanted Bulgarians to be able to enjoy the same rights and freedoms as we did—freedom of emigration, the press, religion, and, as in the case of the ethnic Turks, the maintenance of one’s language, culture and traditions. In short, human rights observance was very important to the U.S.

19. Zhivkov replied that there were aspects of American society that Bulgarians did not like—unemployment and treatment of the blacks were two examples. However, Bulgaria did not criticize these things. While each country had the right to criticize the other on such matters, they should not be allowed to become barriers to improved relations. Bulgaria too had its constitution, which entailed not only obligations but also extensive rights. There were no accurate statistics on numbers of religious believers in Bulgaria, though Zhivkov thought the majority of the population were atheists, with about 80 percent of believers being Orthodox, 10 percent Muslim and 10 percent Catholic, Protestant, Jewish and other. The Bulgarian state subsidized the churches and even gave a larger amount per capita to the Muslims than to any other group.

20. Becoming more emotional, Zhivkov launched into a lengthy defense of the Bulgarian position on the ethnic Turkish issue. He complained that Bulgaria had been falsely accused of murdering imams, closing mosques and preventing Islamic worship. All these claims had been proven unfounded, he said. Since World War II 250,000 “so-called Turks” had left for Turkey with the permission of the Bulgarian state, even though such people were truly Islamicized Bulgarians and only thought of themselves as Turks. It was only at the insistence of

the Turkish leader Evren that Bulgaria had signed a document halting the flow. Since then the number of alleged Turks that Turkey maintains want to emigrate has grown from 100 families to 1.5 million people. However, no one had asked the people concerned what they thought or wanted.

21. Zhivkov called the matter a bilateral issue between Bulgaria and Turkey. He said he did not think it was any business of the U.S. If the U.S. wanted to be helpful, it should urge its Turkish ally to negotiate with Bulgaria. Bulgaria did not discriminate on the basis of religion or lack of religion. In fact, Bulgaria had made great efforts to help raise the living and educational standards of the Bulgarian Muslims, who were largely rural, agricultural people, and integrate them more fully into the society. Indeed, outside pressures on this issue were helpful from the Bulgarian standpoint, because they made the Muslims, many of whom did not even speak Turkish, feel even more Bulgarian than they would have otherwise.

22. Zhivkov asserted that had the Bulgarian Muslim issue been a real problem, he would have gone to the areas concerned and spoken in public on the matter. However, neither he nor any other top leader had found it necessary to give a speech on this issue. In short, it was not a problem, and there was no need for speeches. He then made what, under the circumstances, was an almost bizarre offer. Zhivkov volunteered that he would agree to go with a member of the Embassy staff to any place in Bulgaria he chose. That staff member could speak with whomever he wished in order to satisfy himself as to the true facts of the situation. Zhivkov concluded by demanding again that this issue be dropped from the U.S.-Bulgarian agenda.

23. The Deputy Secretary observed that the ethnic Turkish question obviously was a very emotional one for Zhivkov. He reminded the Bulgarian leader that he had not come to launch a campaign. The information Zhivkov had provided was interesting. However, if Bulgaria were unwilling to discuss human rights, our bilateral dialogue would be wholly unproductive. Our approach on human rights was not one-sided—if there were issues Bulgaria wished to raise, we would be prepared to discuss them. But no one would tell us we could not raise our human rights concerns.

24. Zhivkov backed off, saying that of course he was completely prepared to discuss human rights and humanitarian questions. However, there were other aspects that could usefully be covered in those areas. Why not start a dialogue on tourism, he asked? Bulgaria wanted to receive many more American tourists and was willing to create facilities and conditions to attract them. Although hard currency was a problem, Zhivkov said he would like to see more Bulgarians visit the U.S. as well. Apparently under the false assumption that the U.S. would want

Bulgarian tourists to remain there, he said that if 20,000 visitors should go and 1,000 stayed, that would not be a problem. Indeed, if we could provide him with a list of Bulgarian dissidents who wanted to emigrate (assuming we could locate any dissidents), he would sign the papers himself allowing them to leave. In fact, Zhivkov claimed, Bulgaria was much more open to outsiders than was the U.S., and the country had sometimes suffered as a consequence, since terrorists and other undesirables had at times been able to enter undetected.

25. Tourism was not the only potential area for expanded human contacts, said Zhivkov. Bulgaria would welcome exchanges of religious groups (even Muslims), athletes, parliamentarians, scientists, women, trade unionists, young people, cultural groups, etc. Bulgarian athletes were excellent, and more sports competitions between our two countries would be particularly welcome. In short, Bulgaria would do anything reasonable except to change the system—Zhivkov jokingly said he would not risk that because he might be voted out.

26. According to Zhivkov, Bulgaria is the most open to the U.S. of all socialist states. Bulgaria, he said, did not fear Western influences or the erosion of its socialism—even if 10 percent of the population became dissidents, it would not threaten the country's stability. We do not jam your radio broadcasts, he said, and indeed are moving toward satellite TV, with the necessary equipment soon to be mass produced in Bulgaria. Then people would be able to watch whatever they wanted on TV from abroad. Zhivkov asserted that "we're not Poland"—we have low debts, we are realistic and the system will not change. However, our national dignity is important to us, and we will not accept to be abused by others. We have our own ways which we want to keep.

27. The Deputy Secretary expressed respect for Bulgaria's long history and rich culture and suggested that the two sides examine the possibilities for expanded exchanges in such areas as sports, culture, tourism, youth, etc., as Zhivkov had proposed.

28. In conclusion, Zhivkov expressed his thanks for the discussion with the highest-ranking American official he had seen in a long time. Many topics had been covered. He hoped the Deputy Secretary's visit would help pave the way to better bilateral relations. The U.S. was huge, he said, and Bulgaria very small, but even a small stone could tip over a large cart. Thus small countries did have a role to play in the modern world. Zhivkov then repeated his greetings to President Reagan and the Secretary.

Levitsky

393. Telegram From the Embassy in Bulgaria to the Department of State¹

Sofia, May 7, 1987, 1020Z

1942. Subject: US-Bulgarian Relations—Status Report and a Look Ahead.

1. (C)—Entire text

2. Summary: The past eight months or so have shown a marked improvement in the atmospherics, accompanied by more modest changes in substantive areas, of our relationship with Bulgaria. The Bulgarians have used the visits of Assistant Secretary Ridgway,² the Deputy Secretary³ and Codel Lantos⁴ to highlight their professed desire for better relations. At the same time, the Bulgarian agenda, which centers on what might be called psychological/political and economic goals, has become clearer. In short, the GOB is seeking political acceptance and respect, coupled with progress on a range of economic and trade issues that are important to it. The Bulgarians appear to hope that by taking steps to improve the bilateral atmosphere and to meet a number of our non-substantive concerns, they will get the U.S. to agree to make positive moves in areas of importance to the GOB. However, major barriers to greatly improved relations remain, such as Bulgaria's slavishly close adherence to the Soviet Union, continued serious human rights violations, direct and/or indirect support for terrorism, and illegal diversions of U.S. technology and must not be overlooked. Nevertheless, the steps the Bulgarians have taken thus far provide opportunities, which we should continue to explore carefully for pursuing our bilateral agenda and advancing U.S. interests. This report is submitted in partial fulfilment of the post reporting plan. End summary.

3. Since September 1986, when the authorities finally removed the "anti-terrorist" barriers with which they unilaterally had surrounded and isolated our chancery for ten months, the GOB has taken a number of steps to bring about a marked improvement in the atmospherics of our bilateral relations. That improvement has been accompanied so far by considerably more modest progress on substantive issues of concern to the U.S. The visits to Sofia of Assistant Secretary Ridgway

¹ Source: Department of State, Central Foreign Policy File, D870622-0443. Confidential. Sent for information to Eastern European posts and Brussels.

² See footnote 4, Document 386.

³ See Documents 388-392.

⁴ Representative Tom Lantos (D-California) led a congressional delegation to Bulgaria April 15-16.

(11/86), Deputy Secretary Whitehead (2/87), and Codel Lantos (4/87), plus the departure on transfer of Ambassador Levitsky (2/87), all provided the Bulgarians excellent opportunities for rolling out the red carpet and making a pitch, in two cases by Zhivkov himself, for the enhanced relations they so obviously desire. From the U.S. standpoint, the high-level visits provided tangible evidence of our continuing interest in making progress on the practical issues we consider important.

4. In judging the nature and extent of the changes in Bulgaria's approach to its relations with the U.S. since last September, the following selective summary of events and developments may be instructive:

—FM Mladenov indicated to the DepSec for the first time the GOB's willingness to discuss the terrorism issue and to consider measures such as imposing sanctions against those who transferred Bulgarian-provided arms to terrorists.

—First Deputy PM Lukanov and other GOB officials have said they agreed to take our technology diversion concerns seriously and have held out the possibility of steps such as plant visits for end-user checks.

—Bulgarian leaders (e.g. Zhivkov, Lukanov, Mladenov, Todorov) all have stated to us and to recent USG visitors that bilateral relations are improving, a trend which they have said they welcomed and wanted to see expanded.

—President Reagan's message to a Writers Congress⁵ was published on the front page of the party daily. Bulgarian TV has shown interviews with Assistant Secretary Ridgway and Codel Lantos, and "Pogled" published a long interview with Ambassador Levitsky.⁶ These are the most significant but not the only instances in recent months in which U.S. officials have been able—for the first time in memory—to get their views across directly to the Bulgarian people.

—The Bulgarians have permitted somewhat improved access by the Embassy's working-level officers to government officials and the heads of economic enterprises. Ambassador Levitsky was granted promptly all the farewell calls he requested on GOB officials, in marked contrast to his experience with his introductory calls.

—There has been steady, if slow and relatively limited, progress on bilateral narcotics cooperation, something to which the Bulgarians say they are committed.

⁵ Not found.

⁶ Not found.

—While some problems remain, the Bulgarians have been quicker and more responsive, on the whole, than before in resolving the cases on our small divided families/family visitation list.

—The GOB responded in a low-key and virtually pro forma manner to the innocent passage of two U.S. Navy ships through Bulgarian-claimed waters in February, 1987. In the past, they have protested such “violations” promptly in strong and aggressive terms.

—Codel Lantos received confirmation of all their requested appointments including the one with Zhivkov, more than a month before their arrival (appointments with Zhivkov normally are not made firm until shortly before the event). All six of the Bulgarians invited (including two deputy ministers) to the Charge’s luncheon for the Codel accepted and repeat and came.

—Mladenov appeared to go out of his way to demonstrate goodwill toward the U.S. through the farewell luncheon he hosted for Ambassador Levitsky. Unusually for such occasions, wives (including Mrs. Mladenova, whom Ambassador Levitsky had never even met before) were invited and attended.

—Agreement for Ambassador Polansky was granted by the Bulgarians in record time (well under 24 hours). The Chief of Protocol said that the reason for this unprecedentedly fast action was the improving state of our bilateral relations.

—A film showing on alternate energy technologies in the Embassy’s press and culture section, hosted by the Econ/Commercial Officer, was attended by at least one representative from each Bulgarian organization invited (20 people). A year ago no one would have showed up for such an occasion.

—Clearly as a result of USG pressure, the GOB has announced fairly sizable reductions as of May 1 in the border and coastal areas closed to diplomatic travel (the permanently restricted area or PRA). That those changes are less extensive than we had hoped and even represent a step backward in some areas does not detract from the fact that the PRA is smaller now and more of Bulgaria overall is open to diplomatic travel than has been the case in many years.

—Since the removal of the “anti-terrorist” barriers, the number of Bulgarians visiting the USIA “library” has gone from zero to an average of 1250 per week. As a consequence, the “library’s” successful book and video cassette lending programs have resumed and grown, while the number of USIA publications distributed (such as “Spektur”) has also increased dramatically. In addition, people are now free again to look at the Embassy window display, which they do in large numbers. These positive changes have been marked by only occasional and not very strong GOB interference.

5. In presenting the foregoing selective summary, we fully recognize that the majority of the positive changes are symbolic, of low-cost to the Bulgarians and easily reversible. Moreover, it is not yet clear how far the GOB may be willing to go toward meeting our concerns on the substantive issues of greatest importance to us, such as support for terrorism, technology diversion and narcotics control. Bulgarian intentions in those and related areas remain to be tested. Furthermore, there are issues of concern to us where there has been no progress or where the returns thus far are ambiguous. These include media coverage of the U.S., which is overwhelmingly anti-American and in which there have been no improvements yet (beyond those noted above), Zhivkov's personal promises to the contrary notwithstanding; meeting our desire for a good, new chancery site; working out acceptable financial and other arrangements for our "Design in America" exhibit; and a host of relatively mundane administrative and consular matters. Despite the fact that the record is mixed, however, and that important question marks remain, it is undeniable that our bilateral relations are significantly more constructive today than they were a year ago and that U.S. interests have been well served overall by the changes that have occurred.

6. The Bulgarians, of course, also have their own agenda, the outlines of which have become increasingly clear since last September. That agenda has two main categories—what may be called the psychological/political and the economic. In the first category, it is apparent that the Bulgarians' need for acceptance and respect—to be treated as equals—is a driving force in their policies towards the U.S. (and other Western countries). The evidence of this need comes through in many of Bulgaria's desiderata—the strong desire for high-level visits and meetings (American visitors to Sofia invariably are reminded that no U.S. Secretary of State has ever met "officially" with a Bulgarian Foreign Minister), the push for formalized bilateral "political consultations," and proposals for "working groups" to consider different areas where bilateral problems exist and for the creation of agreed bilateral agendas. Bulgaria's economic priorities are admission into the GATT, MFN, expanded exports to the U.S., increased imports of higher-technology American products, more joint ventures with U.S. firms, official USG support for the private sector U.S.-Bulgarian Economic and Trade Council, expanded U.S. representation at the Plovdiv fairs (fall and spring) and more tourism from the U.S.

7. As best we can tell, the GOB's current strategy in dealing with us is to concentrate primarily on the atmospheric elements of the relationship where we are concerned, while seeking significant substantive gains for themselves, especially in the economic sphere. They seem to hope that by treating us better in many respects than before,

they will eventually get us to the point where we will be prepared to make some genuine concessions in areas that are important to them. While we welcome the improvements that have occurred in our bilateral relations over the past months, we should, of course, continue to resist any temptation to give something for nothing or to overlook Bulgaria's slavishly close adherence to the Soviet Union, continued serious human rights violations, direct and/or indirect support for terrorism, illegal diversions of U.S. technology, etc. As in the past, we should continue to make clear to the GOB that we do not consider improved relations to be a goal in itself but rather the result of finding solutions to concrete problems of concern to us. The series of cables we submitted after the Deputy Secretary's visit in February (Sofia 689,⁷ 702,⁸ 703,⁹ 863,¹⁰ 867,¹¹ and 868¹²) spell out in greater detail our specific recommendation for advancing our agenda and dealing with that of the GOB. Our new Ambassador's arrival in Sofia should provide good opportunities to gauge the extent of GOB willingness to resolve the issues that can lead to the genuinely improved relations they claim to desire.

Rickert

⁷ Telegram 689 from Sofia, February 13, suggested that Mladenov's response to the *démarche* on terrorism allowed for a continuation of the discussion about terrorism. (Department of State, Central Foreign Policy File, D870116-0523)

⁸ Telegram 702 from Sofia, February 17, reported Embassy recommendations for follow-up actions in the wake of Whitehead's discussions with Bulgarian leaders. (Department of State, Central Foreign Policy File, D870122-0346)

⁹ Telegram 703 from Sofia, February 17, reported on furthering the discussions with Bulgaria regarding technology transfer and specifically end-user checks. (Department of State, Central Foreign Policy File, D870123-0404)

¹⁰ Telegram 863 from Sofia, February 25, made recommendations for how to continue and facilitate U.S.-Bulgaria drug cooperation. (Department of State, Central Foreign Policy File, D870147-0135)

¹¹ Telegram 867 from Sofia, February 26, provided comments on the revision of the National Human Intelligence Plan on Terrorism. (Department of State, Central Foreign Policy File, D870155-0515)

¹² Telegram 868 from Sofia, February 26, commented on Bulgaria's willingness to pursue bilateral relations with the United States, but only on Bulgaria's terms. (Department of State, Central Foreign Policy File, D870151-0119)

394. Telegram From the Embassy in Bulgaria to the Department of State¹

Sofia, May 8, 1987, 1019Z

1958. Subject: Soviet-Bulgarian Relations: The Impact of Glasnost.

1. Confidential—Entire text.

Summary

2. A spate of recent high-level meetings between Bulgarian and Soviet officials has offered an opportunity to examine and assess key aspects of the “special relationship” between Sofia and Moscow. In this report we focus on Bulgaria’s efforts to adapt to the phenomenon of glasnost, through a characteristically ambivalent approach: strong rhetorical support for the campaign for openness in the USSR, coupled with a superficial and sporadic struggle against “negative phenomena” at home. The GOB’s reanimation of this latter campaign may have been prompted by recent visits to Sofia by two Soviet officials who stressed Moscow’s commitment to the pursuit of greater openness. It appears clear, however, that Todor Zhivkov is not yet prepared to add Soviet-style glasnost to his own for agenda reform. End summary.

A Wary Eye

3. The GOB’s embrace of glasnost—Gorbachev’s drive to spotlight problems and issues previously discussed only behind closed doors—has never been as firm as its support for some other aspects of “restructuring” underway in the USSR. Taken as a whole, Bulgaria’s policy of information management resembles the traditional Soviet model: tight control over media access; circumscribed and formalistic criticism of the “negative” practices of lower-level institutions and individuals; one-sided coverage of international affairs; and incomplete information about accidents or natural disasters. The past few months have witnessed increased publicity about the need for openness, the social benefit of glasnost, and so on, but only fragmentary examples of it. While the Bulgarian leadership may still not quite know what to do about glasnost, however, they cannot simply ignore it, its Soviet sponsor, or its potential impact on the country.

Glimpses of Glasnost: In the Original . . .

4. One major reason that glasnost cannot be ignored is the wide access Bulgarians have to the Soviet media. Because of linguistic

¹Source: Reagan Library, Rudolf Perina Files, Bulgaria—Substance (1). Confidential. Sent for information to Eastern European posts, Moscow, and Brussels for USEC.

similarities and an emphasis on Russian language training in primary and secondary schools, most Bulgarians have at least a fair passive knowledge of Russian. Soviet newspapers and magazines have become more popular as Soviet glasnost has taken hold; for example, copies of "Ogonyok" magazine featuring an excerpt from the heralded novel "Children of the the Arbat" quickly sold out of Sofia's kiosks. Soviet evening television news is rebroadcast throughout the country on Fridays by Bulgarian TV, and one Soviet channel can be received daily via satellite link serving Sofia and its environs. Bulgarians here say that this "competition" from Moscow has had a noticeable effect on local programming, generally regarded as dull in the past. "Preduprezhdeniye," the Soviet documentary on Chernobyl, was dubbed into Bulgarian and shown locally just a few weeks after the original broadcast on the "Soviet channel" attracted attention here.

... *And in Translation*

5. Bulgarian media themselves have become indirect purveyors of Soviet glasnost. "Rabotnichesko Delo" ("RD") and other national papers routinely carry full translations of major speeches by Gorbachev, as well as reports of weekly Soviet Politburo meetings, in addition to the reprints of countless TASS dispatches. Over the past year, the Bulgarian press has carried interviews with many prominent Soviets—from MFA spokesmen to actors and authors—reaffirming the national commitment to glasnost in the USSR. During their recent visits to Sofia, Soviet officials Mikhail Solomentsev and Boris Yeltsin were quoted at length in the Bulgarian press on the "irreversibility" of the openness campaign.

6. Bulgarian "support" for glasnost in the Soviet Union, however, does not translate into a willingness or even ability to deal with the manifold implications of openness in this still-closed and tightly-controlled society. As glasnost has taken root and spread in the USSR, Bulgarian propagandists have shown themselves unsure over how far to "play" certain features of it. For example, the Bulgarian weekly "Narodna Kultura" published articles last year in praise of plans to erect an enormous WWII memorial on the eastern heights of Moscow. This coverage simply parroted the then-existing line from Moscow. However, when the project became the object of heated debate and criticism in the USSR, "Narodna Kultura" simply stopped reporting on the subject entirely.

Bulgarian "Openness": Not a Priority . . .

7. The GOB has displayed even less enthusiasm about pursuing a Bulgarian version of the glasnost campaign. This reluctance seems to flow from the very top: Zhivkov has never thrown his full weight behind calls for more openness in Bulgarian society. By contrast, he has been quick to proclaim that Bulgaria and the USSR are on the

same path to economic reform. While he has co-opted the Bulgarian translation of “perestroika” to describe his own reorganization program, the word “glasnost” (which is spelled and means the same in both languages) is not a buzzword of the same magnitude. This official attitude as expressed concisely by Party Secretary and Politburo member Chudomir Aleksandrov when he told a reporter for the London Financial Times that “we think there is enough glasnost as it is.”

... But Nevertheless a Problem

8. These conflicting currents—rhetorical support for glasnost in the USSR versus a palpable reluctance to institute similar practices at home—contribute to inconsistencies in the campaign against “negative phenomena” that the GOB has pursued off and on for a number of years. The superficial resemblance of this campaign to a Soviet-style push for openness has increased somewhat in recent months, but in actual substance the two have very little in common. The most recent reincarnation of the “negative phenomena” program seems to date from publication in February of Zhivkov’s musings on the implications of the January CPSU plenum. His call to intensify the struggle against “negative phenomena” was woven together with criticism of “Rabotnichesko Delo” for excessive caution in spearheading the anti-“negative phenomena” campaign. (A month later, in a move which has still not been fully explained, Politburo member Yordan Yotov was replaced as editor of “RD” but kept his other high-level positions.)

9. Zhivkov’s call to action led to some cosmetic changes. “Otechestven Front” newspaper expanded its letters section somewhat, and retitled it “Glasnost to Readers’ Complaints.” Thereafter, the word “glasnost” began to appear more frequently in the press, especially during the aforementioned visits by Solomentsev and Yeltsin. As Solomentsev ended his five-day stay, the BCP Control Commission had already begun issuing calls for increased glasnost on shortcomings. The sudden reactivation of the “negative phenomena” campaign culminated in an authoritative “decision” of the CC Secretariat, which was published on the front page of “RD” the morning after Yeltsin’s arrival in Sofia, under the headline “Glasnost I Kritika” (openness and criticism).

A Restrictive Blueprint

10. The Secretariat decision laid down specific guidelines for the pursuit of criticism in the press. While journalists were directed to be “totally specific and personal” in their criticisms, and their recommended remedial measures were to be followed up again and again, the decision also clearly discouraged criticism of party institutions or individuals above the regional level. Moreover, the Secretariat stipulated that “criticism must be directed to the main and key problems

of our development," with priority given to economic and scientific development. Clearly, these strictures discourage extension of the campaign of openness into areas such as social problems, accidents, and historical events which have been key targets of Soviet glasnost.

Business as Usual

11. The coverage of disasters and accidents most clearly reveals the limits of Bulgaria's information policy. Following the Chernobyl explosion, the GOB continued to withhold information on radiation levels from the public even after Moscow had stopped stonewalling and began a relatively more open policy of disclosure. (Ironically, the fact that the USSR ultimately released more information than Bulgaria left many Bulgarians convinced that the radiation levels here were much worse than was probably actually the case.)

12. Several months later, "Narodna Kultura" carried an article commenting somewhat cautiously on the need for more adequate official information to counter the rumors which seem to circulate constantly among the populace. However, this isolated commentary did not lead to any change of policy. The incidence of AIDS in Bulgaria was the subject of great popular speculation for months before the GOB finally released the rather unbelievable information that only three Bulgarian hemophiliacs had contracted the disease. Earlier this spring, when some lead waste was accidentally mixed with cattle fodder at a farm outside Sofia, tardy and incomplete disclosure of the full story forced "RD" to carry several articles entitled "No Cause for Alarm" and "An End to Rumors About Meat." These articles themselves contained contradictory information which, in turn, fed further rumors.

Censoring Pravda?

13. One of the most instructive illustrations of the disparity between Soviet and Bulgarian glasnost—at least insofar as they are perceived by the Bulgarian people—was the rumor which gained currency soon after Zhivkov made a major address to the Bulgarian trade union congress April 9. The rumor had it that Pravda had published criticism of the Zhivkov speech, prompting Bulgarian authorities to withdraw the offending edition from sale. A careful check revealed that no such analysis had appeared (in fact, Pravda had not published any mention of the speech at all, positive or negative). The very fact that such a rumor would circulate, though, is an indication of Soviet glasnost's potential to influence Bulgarian domestic developments.

Final Comment

14. As long as Zhivkov continues to rule the roost in Bulgaria, it is unrealistic to expect much of a change in the conservative, traditionalist management of information here. Soviet-style glasnost is founded on

Gorbachev's quest to correct the defects which accumulated under the country's past leadership. Zhivkov, on the other hand, is about the only past that communist Bulgaria has to speak of, and his limited appetite for personal glorification does not imply a readiness to tolerate criticism. A young Bulgarian journalist, with unanticipated candor, confirmed as much when he scoffed at the notion that "real" glasnost could develop here. "Maybe in five years," he allowed, if there were changes in the top leadership. For the time being, we expect that calls for greater openness in Bulgaria will continue to outnumber clearly identifiable examples of the phenomenon itself. End comment.

15. Moscow minimize considered.

Rickert

395. Telegram From the Department of State to the Embassy in Bulgaria¹

Washington, June 25, 1987, 2209Z

196758. Subject: Demarche to Bulgarian Ambassador on Terrorism. Ref: State 192309.²

1. Secret—Entire text

2. Acting Secretary Armacost met June 22 for twenty minutes with Bulgarian Ambassador Zhulev to present demarche on Bulgarian Government involvement with terrorist organizations, including Abu Nidal Organization (ANO), and the Qassar brothers. Points contained in demarche transmitted reftel.

3. The Acting Secretary prefaced the demarche by stressing overall USG concern over ANO activities and evidence that the GOB has permitted ANO and the Qassar brothers to operate on its territory. He urged that the GOB respond promptly to the demarche which contains detailed information.

4. Following presentation of the demarche, the Acting Secretary stressed the urgency of a prompt GOB reply since the USG is preparing

¹ Source: Reagan Library, Rudolf Perina Files, Bulgaria—Bilateral 1987. Secret; Priority; Exdis.

² Telegram 192309 to Sofia, June 23, provided the talking points for Armacost's June 22 demarche on terrorism to Zhulev and requested that the Embassy make a similar demarche in Sofia. (Department of State, Central Foreign Policy File, D870676–0520)

to publish detailed information on ANO and the related operations of the Qassars, and does not want to publish information which would embarrass countries prepared to cooperate in the effort to put international terrorists out of business. Ambassador Zhulev said that he would transmit the demarche immediately to his government, and stressed that the GOB is prepared to cooperate in the effort to combat international terrorism. He noted that a public exchange of accusations on the subject would not be helpful. He suggested that the terrorism issue be a subject on the agenda of discussions during the forthcoming visit of Bulgarian Deputy Foreign Minister Gotsev.³

5. Bulgarian DCM Srebrev accompanied the Ambassador. Also participating on the American side were Ambassador at Large for Counter-terrorism Bremer, EUR/EEY Director Wenick, and P Special Assistant Spiro.

Armacost

³July 11–14.

396. Telegram From the Embassy in Bulgaria to the Department of State¹

Sofia, July 28, 1987, 1300Z

3175. Subject: More Bulgarian Tourists Traveling to the West.

1. (U) The Bulgarian Government appears to have relaxed restrictions on tourist travel to the West. Our visa statistics for 1986 and 1987 show that we have issued 41 percent more B–2 tourist visas to Bulgarians thus far this year than we did through the end of July 1986 (441, as compared to last year's 312). The UK and West German Embassies here confirm that their tourist visa issuances to Bulgarians this year are also noticeably higher, although they have provided no statistics.

2. (C) A West German Embassy officer told us recently that the head of the Sofia passport office had confirmed to him in June that his office was issuing more passports for travel to the West than in the past. The Bulgarian did not provide any explanation for the change.

¹Source: Reagan Library, Rudolf Perina Files, Bulgaria—Substance (1). Confidential. Sent for information to Eastern European posts and Vienna.

3. (C) Probably coincidentally, there has recently been a turnover at the head of the MFA Consular Department. Stoyan Radoslavov, who had held the position since 1983, has departed for an unknown destination (quite possibly retirement, given his age and evident lack of energy). The new consular head is Ambassador Petur Vulkanov, about whom the MFA has thus far provided no information. Our files indicate, however, that a Petur Kostov Vulkanov was appointed Ambassador to Afghanistan in 1982 and, while he is still listed in that position, he would probably be due to rotate this summer to another job. (We have no additional data on Vulkanov, other than that he served in the MFA Fifth Department—Asian countries—from 1980 until his appointment to Kabul.) Thus far we have no information indicating that the Radoslavov-Vulkanov transition is related to any policy changes on foreign travel, divided families, or other consular business.

4. (C) Comment. The reasons for the relaxation of restrictions on travel to the West presumably relate to Bulgaria's attempts to warm relations with both Western Europe and the US. (As we have reported, the Bulgarians appear also to be attempting to resolve all but the most intractable of the divided families cases of the US and other Western countries, although lengthy bureaucratic delays in implementation continue sometimes to be a problem.) None of the officials with whom the Embassy is in contact, however, has explicitly referred to liberalized tourist travel for Bulgarians or identified it as an element of either the substance or the "climate" of our bilateral on broader East-West relations. Nonetheless, should an appropriate occasion arise, we believe it would be useful for our CSCE delegation in Vienna to make some positive comment on the larger number of Bulgarian tourists being allowed to travel to the US and other Western countries this year.

Rickert

397. Telegram from the Department of State to the Embassy in Bulgaria¹

Washington, November 24, 1987, 2233Z

366644. Subject: DAS Simons and Bulgarian Ambassador Review Bilateral Relations. Ref: (A) Sofia 5090;² (B) State 222792.³

1. C—Entire text

2. Summary: On November 20, DAS Simons met with Bulgarian Ambassador Zhulev to deliver the USG response to the non-paper on bilateral relations left by Deputy Foreign Minister Gotsev during his visit in July (Ref B). Simons reiterated important elements of the U.S. bilateral agenda, particularly human rights and reciprocity. To the Bulgarian agenda presented in the non-paper, Simons gave a positive response to some of the requests for increased high-level contacts. Simons and Zhulev concluded with a general discussion of the connection between U.S. relations with Eastern Europe and U.S. relations with the Soviet Union.

3. Simons drew from the following talking points, which were subsequently passed to Zhulev in written form.

I. General comments: We appreciated the non-paper Mr. Gotsev left us. I want to respond to the serious specific proposals it made. But first, it is important to note that we do not consider it to be an exhaustive account of the bilateral agenda. It ignores certain elements of prime importance to the U.S. First among these is the issue of human rights and humanitarian affairs. This is an important indicator of the degree to which Bulgaria and the U.S. are serious about fulfilling bilateral and multilateral commitments. There are still more than twenty divided family cases affecting U.S. residents and citizens. Although the MFA has promised resolution of a number of these cases, the rate of passport issuance has fallen behind the rate of promises. The forcible assimilation of the Turkish minority will certainly continue to affect bilateral relations. We will continue to speak out against it. The assimilation campaign will inevitably be an issue whenever Congress has to deal with Bulgarian issues.

¹Source: Department of State, Records from Ambassador Thomas W. Simons, Jr., Lot 03 D 256, Chron November 1987. Confidential; Priority. Sent for information to Budapest, Prague, Warsaw, Bucharest, Belgrade, and Moscow. Drafted by Thomas Countryman (EUR/EEY); cleared by Seymour (EUR/EEY); approved by Perito.

²Telegram 5090 from Sofia, November 17, reported the Embassy's assessment of the non-paper on bilateral relations that Gotsev presented during his visit to Washington. (Department of State, Central Foreign Policy File, D870947-0922)

³Telegram 222792 to Sofia, July 20, transmitted the text of the Bulgarian non-paper (Department of State, Central Foreign Policy File, D870573-0072)

II. Bulgarian Agenda

A. Meeting between Shultz and Mladenov: We are aware of your interest in a Foreign Ministers' meeting, an interest we share in principle. In practical terms, I don't think such a meeting is likely soon, given the Secretary's heavy constraints.

B. Lukanov visit to the U.S.: We welcome a Lukanov visit to the U.S. in the first quarter of 1988, and would arrange top meetings at State, Commerce and other agencies.

C. Exchange of "official" parliamentary delegations: The Department has very little influence over the travel plans of individual Congressmen, or the invitations they extend to their foreign counterparts. The Department will continue to play a facilitative role in arranging appropriate programs for delegations in either direction. Certainly the degree to which the Congress has an interest in such exchanges is most directly tied to the openness, usefulness and substance of such visits.

D. Hold "regular political consultations" at the Deputy Ministers' level: The visits by Mr. Whitehead and Mr. Gotsev this year were useful. Mr. Whitehead is considering another trip to Sofia in the spring. We don't mind using the word "consultations", but I think it means something different in Bulgarian practice than it does for us. Such meetings will probably never be "regular". The timing, format, and participation from the U.S. side will inevitably vary from year to year. We should also be looking for areas in which it would be useful to expand dialogue at Assistant Secretary and DAS levels.

E. More USG involvement in Bulgarian-American Trade and Economic Council: Mr. Whitehead is personally involved in the search for a new U.S. Chairman for the BATEC. USG will seek other means to support BATEC, but it can't oblige U.S. firms to be interested if there is no direct benefit to them. A lot will depend upon whether working conditions for businessmen, trade conditions, and joint venture requirements show improvement.

F. USG support for Bulgaria's GATT application: We welcome the trends in Bulgarian economic reform. Continuing this course is important to Bulgaria's application. As you know, we believe that the Bulgarian economy does not now meet the standards for GATT membership, and its membership would not be beneficial to existing members. We will continue to consider seriously any information you provide through seminars or other means. But the best way you can show the extent of economic change in Bulgaria is to allow our Embassy unimpeded access to actual economic decision makers and facilities in Bulgaria. (We recognize that there is progress in this regard in the last few months).

G. Cooperation in agriculture, trade, transport and tourism: We are willing to consider new programs of bilateral exchange, but would also

like to see full utilization of existing programs, e.g. in the field of agriculture. We could also discuss cooperation in trade promotion, within the framework of our strategic trade controls. As we have noted before, continued Bulgarian involvement in illegal technology diversion will be an obstacle to such cooperation. Plans to exchange ministerial visits in these areas would depend upon the concrete agenda to be discussed. We are open to suggestions.

H. Support for scientific-technical exchanges: Recent workshops jointly staged by the NAS and Bulgarian Academy of Sciences were productive and could be expanded into other mutually beneficial and non-sensitive fields.

I. Bilateral diplomatic premises: There are a number of outstanding issues in this respect that can be handled by our two Embassies if there is a will to resolve the issues. We do not see a need to create a special working group. We have not yet been offered a satisfactory site for a new chancery in Sofia. It goes almost without saying that we cannot give permission for you to build a new chancery at the Van Ness International Center until we obtain an appropriate site.

You probably know that we are on the verge of implementing a closed zone regime for Bulgarian diplomats in the U.S. on the basis of reciprocity for the permanently restricted area in place in Bulgaria. We are very familiar with your arguments: that Bulgaria is different, that it has hostile neighbors, that it is smaller. I can only say that the U.S. has legitimate security concerns as well. When weighing those concerns against our desire to maintain an open society, we have always come down on the side of openness. Your policy, and the reciprocity factor, have now obliged us to adopt the same sensitivity to security concerns that you have. The U.S. will always be open to reduce or eliminate such restrictions on a reciprocal basis. Conversely, if your government increases restrictions, and once again creates an asymmetrical situation, we will be obliged to respond.

J. Involvement of U.S. Customs Bureau in narcotics cooperation: The situation is unchanged for reasons of which you are probably aware. The U.S. Customs Bureau has no interest at this time in a cooperation program with Bulgaria. The State Department is exploring other means to provide the form of training most useful to your interdiction capabilities. Until we find a way to offer that training, I urge you to take full advantage of the full array of DEA training and cooperation programs available.

K. Anti-terrorism cooperation: We appreciate the serious and forthcoming response you gave in our discussions on terrorism. We intend to continue the dialogue, and will continue to ask for cooperation in specific cases. We cannot agree that the information we have provided to your government is "conjecture or unsubstantiated". In fact, concrete

information we provided about the presence of a known terrorist in Bulgaria was acknowledged by your government to be accurate.

In making the above points on the Turkish minority and on congressional exchanges, Simons made reference to the “extremely organized” visit by Codel Hoyer⁴ to Bulgaria. Simons concluded that the GOB non-paper, and this response, constitute a starting point for a practical, concrete approach. The USG would continue to seek ways to build on the progress made in relations.

4. Zhulev’s response: Zhulev noted that the GOB took this approach of presenting a concrete agenda very seriously and appreciated receiving the USG response. While he was encouraged that the USG also took this seriously, he characterized Simons’ discourse as “not exactly glowing with enthusiasm”. He promised a more formal comment after consultations with Sofia. In response to Zhulev’s question, Simons noted that the Deputy Secretary is actively thinking about a trip to Eastern Europe in the spring, to include Sofia, but no plans have yet been made.

5. U.S.-Eastern Europe relationship: Zhulev asked about development of the U.S.-Soviet relationship, particularly with reference to U.S. relations with Eastern Europe. Simons responded that the USG deals with Bulgaria independently of the USSR, but that the current preoccupation with the Soviet Union precludes giving Eastern Europe the attention we would like. Progress in U.S.-Soviet bilateral relations, on the eve of the summit,⁵ is substantial, particularly in human rights, regional issues and bilateral issues, which have been overshadowed by arms control. But it is clear that we are not entering a new age of overly optimistic detente, as evidenced by the Congress’ reaction to the idea of listening to an address from Gorbachev. Parallelism with U.S.-Soviet relations may help rpt help to set a framework for dealing with Eastern Europe, but the U.S. will deal with each country individually. Each bilateral relationship will continue to have both positive and negative elements, and we will continue to identify specific practical opportunities for improvement.

6. Zhulev noted that some commentators have raised the possibility that the U.S.-Soviet relationship will surpass the relationship with Eastern Europe. Simons answered that the degree of Eastern European closeness to the USSR would certainly affect certain bilateral elements, such as technology transfer. But the basic assumption of differentiation—that any Eastern European variance from the USSR is

⁴ Representative Steny Hoyer (D-Maryland) lead a congressional delegation to Bulgaria September 1-4.

⁵ Reference is to the Washington Summit. See footnote 5, Document 52.

good for the U.S.—may be called into question in the Gorbachev era. It might be healthy to question the automaticity of our policy assumptions. To Zhulev's comment that we must work out new assumptions for our relationship, Simons answered that this would have to move slowly. There is a great value to continuity, particularly for a policy that enjoys such wide popular support as differentiation. As an example, Simons noted that some Eastern Europeans advise him to "abandon the cold war mentality". But, Simons asked rhetorically, if the cold war is over, why should the U.S. worry about a little country like Bulgaria? He explained that the ideological competition with the USSR is one thing that helps to sustain USG interest in Eastern Europe. Without it, Bulgaria would have to compete for USG attention, probably less successfully, with other small countries around the world. Simons said he hoped to see U.S.-Soviet relations progress to the point where this kind of discussion could become less theoretical and more actual. Zhulev concluded that Bulgaria is not seeking more attention from the U.S., but only the application of non-discriminatory principles.

Whitehead

398. Telegram From the Embassy in Bulgaria to the Department of State¹

Sofia, February 5, 1988, 0910Z

609/Depto 1036: Subject: Deputy Secretary's Meetings With Zhivkov February 4.

Secret—Entire text.

1. Summary. Deputy Secretary met with General Secretary/State Council Chairman Todor Zhivkov February 4 for two and a half hours of wide-ranging discussion. Issues included Zhivkov's tenure, Soviet and Bulgarian restructuring programs, general international outlook, U.S.-Bulgarian relationship overall and with special stress on economic relations and human rights issues, especially Turkish minority. Zhivkov confirmed Foreign Minister Mladenov's earlier hint that Bulgarians are willing to review and reduce zones closed to travel by resident diplomats, and was willing to entertain suggestion that Bulgaria invite

¹ Source: Department of State, Records from Ambassador Thomas W. Simons, Jr., Lot 03 D 256, Chron February 1988. Secret; Immediate; Exdis. Sent Priority for information to Eastern European posts, Ankara, Athens, Moscow, and the mission to NATO.

multinational investigating team to put false charges concerning Turkish minority to rest, if only they can get a sensible dialogue going with Turkey. Zhivkov was lively, vigorous and appeared fully in command and confident of tenure. End summary.

2. Bulgarian President and General Secretary Todov Zhivkov received Deputy Secretary Whitehead at his Bojana residence between 11:30 a.m. and 1:00 p.m. February 4, and then hosted him at lunch between 1:15 and 2:15 p.m. Zhivkov was accompanied by Foreign Minister Petur Mladenov, Ambassador to Washington Stoian Zhulev and an interpreter. Whitehead was accompanied by Ambassador Polansky and EUR DAS Tom Simons.

Zhivkov's Longevity

3. Whitehead commented that Zhivkov was still holding two jobs. Zhivkov said he would see what the future would bring. One of Bulgaria's national liberators had said that we are in time and time is in us. If present prescriptions are followed he would be in his job until he was 95, so things were okay for him for the time being. Whitehead asked if he were the leader longest in office. Zhivkov replied jovially that he was the dean among general secretaries, and the vice dean among heads of state, after the Emperor of Japan.

4. Zhivkov said he had sent the Politburo a short letter when he had proposed at the recent national party conference that the next party congress in 1991 decide in favor of fixed terms in office and no cumulation of high offices. He had the interpreter read it to Whitehead. Zhivkov told the Politburo he was guided by the interests of overall development, but also by personal interests. He asked what were his, and what were theirs. As for himself, he had drawn down his account well: he could remain General Secretary until the year 2006, when he would be 95, and that coincided with his interests. He believed his suggestion was also in the interest of the other Politburo members. That might not hold true for the younger ones, but for them social interests should be above personal interest. This would of course only be enforced at the fourteenth party congress, so they had nothing to worry about until then. He had signed Todor Zhivkov. He commented that there is a grain of truth in every joke.

5. Whitehead recalled that when Gorbachev had first come into office he had said he would be replacing older leaders in Eastern Europe. He observed that this had not happened in Bulgaria. Zhivkov replied that Gorbachev had not told him that. Whitehead said it had been rumored. Zhivkov said he did not know if that were Gorbachev's main problem; he thought perhaps Gorbachev had more serious problems. But there would of course be some changes. There was Husak, but he had been ill. Honecker was healthy. Kadar had some health problems, but he had not heard about any changes concerning Kadar. Still,

it would be natural for younger people to come on. Whitehead commented that he had met Honecker and Kadar the previous November, and they had seemed in excellent health. Zhivkov said Kadar was a year younger than he was; he was born in 1911, Kadar in 1912. But every party had its own concrete approach.

U.S.-Bulgarian Bilateral Relations

6. Whitehead said he was pleased with the way relations between the two countries had developed over the year since his first visit. There was good dialogue in a number of areas. That morning he and the Foreign Minister had resolved to try to take the relationship another step forward over the next year.² The two sides still had concerns and disagreements, but as they talked, they found, as always happens, that the differences were not so great as might have been perceived at the start. He had spoken to the Foreign Minister about bilateral relations, and he thought the main thing for this meeting was to hear Zhivkov's views on world affairs, especially what was happening in the Soviet Union, and how he saw the Soviet-American relationship. Zhivkov's wisdom and judgment made those views especially valuable for us.

7. Zhivkov said he would first like to say that he fully agreed that after Whitehead's previous visit the Bulgarian side had observed a tangible improvement in our relationship. He would be very happy to see full normalization of relations during his term in office. He wished to reiterate that he saw no serious reason why we should not normalize relations fully. There were no contradictions between the two governments and the two peoples. There were no reasons to prevent normal bilateral relations. Problems had been discussed the previous time, but neither he nor Whitehead had created them. History had created them. They had looked at problems from the political aspect, but that did not mean they should be taken as contradictions between the two governments and peoples. Zhivkov continued that Whitehead had discussed bilateral problems, and things that could be obstacles to developing relations, such as drugs and terrorism. Whitehead's previous visit had marked the beginning of resolution of such problems, and Zhivkov said he appreciated Whitehead's contribution.

The Balkans and the Superpowers

8. What was needed was a balance of relations in the political sphere, Zhivkov went on. Bulgaria was here, on the Balkan Peninsula. It was ready to take account of U.S. interests in the Balkans, just as it takes account of Soviet interests in the area. It saw that the interests

² Telegram 46557 to Ankara, February 13, summarized Whitehead's February 4 meeting with Mladenov. (Department of State, Central Foreign Policy File, D880129-0621)

of the Soviet Union and the U.S. were no obstacle to development of relations in the Balkans. Bulgaria had welcomed with full candor the meeting between Papandreou and Ozal. It had gotten things moving, in the direction of pacifying relations. The problems between Greece and Turkey were the fault of neither. They were there for historical reasons. Of course it would take time.

9. Similarly, Zhivkov went on, Bulgaria had some problems with Turkey. Probably an overall reassessment of relations was necessary. Bulgaria was ready for it. It knew what the U.S. was, its role and responsibility in the world. It knew that the U.S. and the Soviet Union would decide on the future development of the world. Clearly overemphasis on some political problems would not lead to a settlement of the other problems in relations. So Bulgaria was ready for a balance of relations in politics, in the economic field, in agriculture, in culture and in international affairs, to the extent that they affected the Balkans, and also other parts of the world.

The International Scene

10. Zhivkov said Bulgaria welcomed the new line in international relations initiated by the Soviet Union. This was new thinking. It was not a monopoly of the Soviet Union, or of the socialist countries. It should pervade everyone, since it concerns cardinal issues. It was revising all the key perceptions concerning international development. For instance, the concept of peaceful coexistence had been introduced by Lenin. But in his time the question of who would win was at stake. This was now cancelled. It was based on the class approach to interstate relations, and that was obsolete. Now all-human problems were the focus, the survival of humanity the question. Bulgaria still had respect for the international workers' movement, but the survival of humanity came first. This was a 180 degree turn. The task was not to create obstacles to coexistence.

11. Zhivkov said the second main issue was to rescue humanity from nuclear weapons. Bulgaria welcomed the INF agreement, and in general dialogue between the U.S. and the Soviet Union was of historic significance, the most important thing in the world, and should continue. But abolishing two classes of nuclear weapons did not solve the problem. It was not a turning point, not a breakthrough. Navies were being reequipped with cruise missiles, targeted against the Soviet Union and other socialist countries. The same was true of air forces. So we should not be misled. The dialogue should continue and expand to the full elimination of nuclear weapons, or at least to their reduction to levels where they constituted no threat. The Soviet Union was absolutely ready for this. What would a 50 percent cut mean? Bulgaria hoped a START agreement would be signed, but the 6000 warheads that would remain—or even 3000, if there were a further 50 percent

cut—would still be enough to destroy the world. So we can see how much work remains to be done, what a responsibility there is, Zhivkov said. That also held for the situation in Europe, Zhivkov went on. Think now many chemical weapons plants there are. Nuclear weapons were not needed to destroy Europe in view of such realities.

12. The Soviet Union and the socialist countries were doing nothing in pursuit of their own advantage, Zhivkov continued, whether political, or military, or ideological. Their policies were based on humanitarian considerations, due to their concern to preserve all-human values. He had just come from a meeting of the Fatherland Front; there he had given a speech of one-and-a-half hours where he had mentioned these matters. He appreciated Soviet-American dialogue. He hoped it would advance step by step. Mankind had no other alternative. To believe that socialism could be destroyed with one stroke was absurd. It was equally absurd to believe that communism would be triumphant in the West in the next thirty to fifty years. Both sides needed to come down to earth and see the realities of the world.

Soviet and Bulgarian Developments

13. Zhivkov said Bulgaria welcomed Soviet perestroika. It supported it. Bulgaria was carrying out its own restructuring. There were no qualitative differences between them. He knew Whitehead read a lot, and knew about the differences. They were due to the concrete situation in Bulgaria. It had started in a different way.

14. That did not mean the Soviet Union would stop, Zhivkov went on. They would have their national party conference in June. He thought the conference would probably agree on a comprehensive program for the second stage of perestroika. He did not have precise information on the agenda for the conference, but he expected it to deepen and expand the process, both in the base and in the superstructure, as communists put it. The difficulties in the Soviet Union were bigger than in Bulgaria. The Soviets had to stir up more layers. They were a gigantic multinational state; Bulgaria was a small country. After the Twentieth Congress of the CPSU which had condemned the personality cult of Stalin and brought Khrushchev to the fore, there had been no deep-going changes at the succeeding congresses. Whereas in Bulgaria the April plenum of 1956 had introduced deep-going changes. Bulgaria had been one of the most backward countries, but in the past thirty years it had taken a historic leap in development. That was the reason for the processes underway in Bulgaria.

15. Zhivkov said genially that he hoped the U.S. would help Bulgaria. History would really remember that the U.S. had helped a small Balkan state along the path of socialist construction. Bulgarians

were setting practical goals for themselves. It was not talking much about the democratic character of the changes. Whitehead would have noticed that it was not stressing democracy much. But in January they had started handing over socialist property to the commodity producers. Thirty percent of output only would be covered by state enterprises, and this would later be reduced to twenty percent. Work forces would be formed on a voluntary basis, and profits would be distributed on a voluntary basis. This was unprecedented in the history of mankind so far. But they were not making excessive noise about it. Their priority was explaining it to their own people.

16. Millions of people were involved in the changes introduced on January 1, Zhivkov said, so they had called the national party conference. Of course there were difficulties, but he was surprised by the Bulgarian people, by the Bulgarian workers. They had started handing over socialist property January 1. But by the time the conference started only ten complaints had come in to the Ministry of the Economy. Of these two or three were justified, and the rest were merely consumerist in inspiration. The people were calm, quiet. Tension might grow as contracts had to be signed with the state. But in general, Zhivkov said with a laugh, the press was writing about difficulties so that people outside Bulgaria would not worry that things were going too smoothly. They did not want the outside world to worry about Bulgaria.

17. There had been no surprises at the national party conference, Zhivkov went on. It had been televised, and heavily covered on radio and in the press. He had been surprised only at the high level of the speeches. They were not prepared in advance, or edited. There had been only one kind of interference, and that was his fault: he had assigned someone to look at all of them and make sure they did not contain excessive praise of him, Zhivkov. All this meant people had been thinking a lot in recent years.

18. Now they would have to carry the restructuring process into the spiritual sphere, Zhivkov went on. They were not going to be too hasty about this. They were going to prepare carefully. There would be a Central Committee plenum, which would introduce radical changes into areas like the legal system, and public health. He had carefully examined the British experience with public health. Thatcher was very proud of it, although he now saw the nurses were on strike. But what he liked was that sixty percent of the services were delivered at the local level, where people lived. The community voted for the physicians, the highest-paid doctors. Only forty percent of health services were delivered in larger hospitals and clinics. It would be the same in Bulgaria. Services would be free, and patients could choose any doctor, but they would give the doctors coupons, which would determine their salaries.

19. Zhivkov said the Bulgarians would also be borrowing from U.S. experience with trade, though not in every way. With regard to the deficit, it turns out that one can survive and do quite well with a trade deficit, that one can still give credits and aid.

20. Returning to the Soviet Union, Zhivkov said there would be gigantic changes in the time ahead. If he were Gorbachev, he would be doing the same things. But it was an enormous country, and mistakes had enormous repercussions. Whereas Bulgaria was a small country: if it made mistakes, they could be rectified right away.

21. That was the essence of Bulgarian restructuring, Zhivkov concluded. Organizations would choose their trading partners, at home and abroad. They had established eight commercial banks, which belonged to the producers. State capital was invested in these banks, for instance, the bank of the chemical producers. These banks were developing, but a banking system was new to them.

22. Unlike some other countries, Zhivkov went on, the Bulgarian economy was tied mainly to the Soviet Union and other socialist states. There were historical reasons for that. The Soviet Union was a market for Bulgaria. The U.S. had restricted economic contacts, and there was no other way for Bulgaria but to go to the Soviet Union. The time would come when that U.S. line would be criticized. One or two billion dollars could do a lot, and large Bulgarian corporations were ready to invest in the U.S. But there are the U.S. limitations. It should be clear that no restrictions or embargo would stop the Bulgarian economy from going forward. Bulgaria was a small country, and the potential of the socialist community was sufficient for its normal development. This was also true of scientific development. Bulgarians had boasted that they had the largest fourth-generation computer in the world; IBM knew about it. It did one billion operations a second. When they showed it to the USSR Ministry of Planning, they had been shown one that did ten billion operations a second. That was what Gorbachev was planning. There was enormous potential in the opening up of the Soviet military industry. There is room under that roof for a cozy nook for sparrows like us, Zhivkov said.

23. Nevertheless, Zhivkov went on, the U.S. is bigger, so there should be an even bigger nook under the U.S. roof for Bulgaria. Bulgaria was always accused of giving things it got from the West to the Soviet Union. The Soviets had no interest in these things. They had showed the Soviets something they got from the UK, and the Soviets had shown no interest, so the operation had been liquidated, forgotten. Bulgaria manufactured some light, conventional weapons, and these could not be altered in any respect. But Bulgaria had to take a firm stand. At present it had sixty percent of the trade in electronics among socialist countries. In ten years that would go down to forty percent. Bulgaria wanted

to keep competing, and the competition was growing. He himself was interested in what would happen in the next few years, and not in the further future; younger people could worry about that.

“Balanced Relations”

24. The Deputy Secretary thanked Zhivkov for his views and ideas. He wished merely to pick up on two or three of the most interesting topics.

25. Zhivkov had used the term “balanced relationship,” Whitehead noted. He thought that was an interesting and appropriate way to describe the U.S. interest in bilateral relations. Zhivkov interjected that he had spoken of a balance of economic, cultural, mass media and political relations, to be discussed as among human beings on the basis of each side’s interests. Whitehead said he would add world relationships as well. The U.S. side believed that if the U.S. developed closer relationships with East European countries, and the Soviet Union with West European countries, the world would be less dependent on a close relationship between the heads of the Soviet Union and the United States. There would be fewer chances of misunderstandings and disagreements, and the smaller countries would be more involved in the issues of the day. So we found the concept of a “balanced relationship” appropriate.

All-Human Values and Human Rights: The Turkish Minority

26. Whitehead said he was also happy with Zhivkov’s comments on human values. He sometimes felt that the Soviet Union and East European countries did not understand the importance the U.S. places on human values. The previous year he and Zhivkov had exchanged some sharp comments on human rights. Zhivkov seemed to feel the U.S. was trying to impose its views on Bulgaria. He had explained that we had no right to interfere in the affairs of Bulgaria, a sovereign nation, but that if Bulgaria wished to improve relations with the U.S. it had to understand our system and the importance we attached to the way Bulgaria treated its own citizens. So he had been pleased that Zhivkov had placed human rights on his rpt his agenda, and had not required Whitehead to raise the subject.

27. Zhivkov responded that this showed there was no single subject on which we need fail to reach agreement. If Whitehead would sign a piece of paper which said the U.S. would accept those alleged Turks who wished to settle in the U.S., if they agreed, he would advertise in the press—without mentioning the agreement—for applications for Turkey, for the U.S., for anywhere in the world. He had thought of a clause promising no restrictions on entry, but had been told that was not a human rights problem. There was no issue on which he could not reach agreement.

28. The U.S. was also saying Bulgaria supported terrorists, or drug traffickers, Zhivkov complained. It was true that some items were sold, but that was by individuals, and just to earn dollars. That was foreign exchange; there was no support for terrorism.

Changing Systems and the Broad Agenda

29. The Deputy Secretary then recalled Zhivkov's comments on socialism and capitalism. He had made the point that it was not likely that the U.S. would be converted to socialism or the Soviet Union and other socialist countries to capitalism in our lifetimes. The point was to learn to live together although we had different systems. Zhivkov interjected "exactly." Whitehead said he wished to point out that both systems were changing. Though the name was the same, our capitalism had adopted some features of Zhivkov's socialism, and though the name was the same, he believed that Zhivkov's socialism had adopted some features of our capitalism. So the two systems, which some years ago had been exact opposites, were now becoming much less different, and he found that encouraging.

30. With regard to disarmament, the Deputy Secretary recalled, Zhivkov had pointed out that the INF treaty was a relatively small thing, and that even a START agreement would have a lot of weapons with which to destroy each other. But this meant that while we had to pursue disarmament as aggressively as we could and make as much progress as we could, it was still not likely that complete disarmament would be achieved in our lifetime, if ever. So we had to find ways to live peacefully even without complete disarmament.

31. U.S. disagreements with the Soviet Union were not so much about disarmament, Whitehead continued. There both sides were eager to achieve progress as soon as possible. The disagreements were more about regional problems, where we found that the historically aggressive actions of the Soviet Union were dangerous to the peace of the world. Hence we were now spending more and more effort with the Soviets on discussing these activities in places like Afghanistan, Angola, Cambodia and Nicaragua, which we see as hot and potentially dangerous spots.

Bilateral Economic Relations

32. The Deputy Secretary recalled that Zhivkov had spoken of the importance of improving economic relations. The U.S. side agreed it was important to improve them. There were lots of aspects, and it was a complicated subject. But since the level of trade was now practically zero, it should be easy to make some progress fast. Two-way trade was only \$150 million. Zhivkov said the level was "symbolic." Whitehead agreed, and proposed that the two sides take as a target the doubling of the figure in two years.

33. Whitehead continued that doubling the present figure should be easy, but it would take work on both sides. There would be a Trade and Economic Council meeting in April. This was an important organization, including both Bulgarians and Americans, and the meeting provided a chance to eliminate barriers that now exist.

34. The Bulgarians would have to identify products they could sell successfully in the U.S., Whitehead went on. This might mean they also needed to redesign or repackage products to make them attractive to U.S. consumers. Bulgaria would also have to establish contacts with U.S. importers willing to accept and distribute Bulgarian products. He urged the Bulgarian side, with the help of their very fine Ambassador in Washington, to find ways to establish a better economic presence to help open up markets. We would be prepared to cooperate in such an effort.

35. The Deputy Secretary then turned to U.S. investment in Bulgaria. We would like to encourage it, he said. But it was important for the Bulgarians to help us do that. It was important for Bulgaria to appoint someone who would deal with U.S. companies interested in investing here. Companies did not know whom to turn to; often there were a dozen organizations involved. It was important for them to talk to one person, who would then talk to all the rest. Doing those two things would help Bulgaria increase its trade with us and attract U.S. investment.

36. Zhivkov said he would consider these suggestions to improve economic relations. He would name a person to be a contact point for potential investors. However, the banks would be the point of departure for such contacts. Linking investment with the banks would expand operations, since corporations stand behind the banks. He might assign Foreign Economic Relations Minister Lukanov, who had some confidence among American businessmen. He might assign someone else. He would consider it.

37. Zhivkov said he was not one to give advice, but probably the U.S. had decided to revise its economic relations with socialist countries. The Deputy Secretary was on the political side, so he had to find issues on which to quarrel with Bulgaria; others got the cream. The Deputy Secretary said we would have to talk both about what we agree on and what we disagree on. Zhivkov said that of course this was true: dialogue was the way.

U.S.-Soviet Relations

38. The Deputy Secretary said he would like to spend a minute on U.S.-Soviet relations as we saw them. They had improved dramatically with the Gorbachev leadership in Moscow. We were cautiously optimistic that this could continue. We had a broad dialogue underway on many subjects. Progress was being made across the board, not just on arms control, but also on other less publicized issues.

39. At the same time, Whitehead went on, there was still widespread cautiousness in the U.S. and in our government about moving too fast in response to Gorbachev. Until we could see more tangible changes, for instance in the human rights area and on regional issues, especially Afghanistan, this would certainly persist. In spite of this cautiousness, however, we have negotiations underway across the board, both sides were pursuing their objectives, and they were reaching agreements.

40. Zhivkov said not everything would be resolved either between the U.S. and the Soviet Union or between the U.S. and Bulgaria. What was important was not to create obstacles. He believed Whitehead's visit would contribute to the two countries' growing closer. He and Whitehead could enter the history books for their contribution to U.S.-Bulgarian relations. Whitehead said Zhivkov's chances were better than his. Zhivkov said when his term was over, the history books would begin to criticize him; that was the dialectics of life. Whitehead said that was true in every society. The question was not whether to be in the history books, but what they would say. Zhivkov concluded that there was no better judge, and invited Whitehead to lunch.

Presidential Visit to Bulgaria

41. Following a brief exchange recapitulating bilateral relations, Zhivkov said he had heard the President would visit Europe this year, and asked why should he not come to Bulgaria. This would be a great event. In fact, he laughed, it would be a greater event than a visit in the context of Soviet-American relations.

42. The Deputy Secretary said it would be, and he wished it would happen, but Bulgaria's neighbors would be too disappointed. The U.S. would make one friend, and five enemies. Zhivkov said he understood the President was a very nice man, who liked anecdotes. Whitehead said he was indeed charming and gracious.

Bulgarian Science, Basic and Applied

43. In a luncheon exchange, Zhivkov complained that Bulgarian per capita funding for scientific development was among the highest in the world, yet the role of science in Bulgarian society was minimal. Bulgarian students were among the best appreciated in the Soviet Union. Ambassador Zhulev commented that Bulgarian scientists were well received in the U.S. too. He had been with some studying brain functions at NIH; the trouble was their equipment was so complex and expensive that Bulgaria itself could not afford it.

44. Ambassador Polansky recalled Zhivkov's plenum remarks on the difficulty of moving science into production, and asked how it could be done better. Zhivkov said that in the economy Bulgaria was giving

priority to the market as a criterion. There was nothing capitalist about a market; commodity exchanges were one of the oldest forms of human activity. Comparing this to Yugoslavia, he said he had no desire to criticize, but thought the Yugoslavs underrated strategic values. It was possible to overcentralize, but strategic needs had to be determined on a nationwide basis, and this included pushing resources into science and technology. The process, he thought, should be controlled by the banks, through their control of the national currency which should have a tight circulatory route. One trouble was they had no experience with banks in a socialist system.

The Turkish Minority

45. After the main course, the Deputy Secretary said he wished to introduce a delicate topic. Many Americans and other Westerners were wondering what was happening to the Muslim population in the eastern part of Bulgaria. There were reports—perhaps they were incorrect, but there were reports—that the government was seeking to eliminate the culture, history, religious practices and even the names of these people. The Western world considered this reprehensible, since it did not believe in establishing uniformity in speech, in religion, in schools. He asked Zhivkov to tell him what was actually going on.

46. Zhivkov said the Muslims in Bulgaria lived very well. They had religious freedom. Their mosques were maintained by the state. Yet there was “speculation” concerning this population. He had had a report that they wished to build houses and were being refused permission; he had found there were delays because of urban development plans. They were an industrious people. There was no evidence of a problem here. It did not exist as an internal problem.

47. Only Turkey and others outside were making it a problem, Zhivkov went on. The Bulgarians did not keep statistics on these things. The state financed the mosques; proportionately they got more than the Orthodox churches. He had told Whitehead the first time they met that it was up to the U.S. to advise the Turks. They had complied with the agreement they had reached with the Turks. They had offered to sit down and discuss resettlement. Then they had been told that only one hundred families wanted resettlement. Then when he had gone to Turkey this had grown to several thousand. Bulgaria was ready to settle this. More than a hundred thousand had left under the old agreement. All had been forced to change their names when they entered Turkey.

48. Look at what Turkey is doing to the Kurds, Zhivkov went on. Bulgaria had never cited the Turkish internal situation, but it was the same with the Syrians and the Greeks in Turkey. Raising the issue was not the Bulgarians’ idea. “Who needs it?” Zhivkov asked. It could be eliminated. What the Turks were doing was political hooliganism. He did not know of a state in the world that would permit such political hooliganism directed at the head of another state.

49. The Deputy Secretary said that the U.S. did not raise this issue because Turkey was a NATO ally and Bulgaria a Warsaw Pact member, but because it was a human issue.

50. Zhivkov continued that the Turks claimed there were one and a half million Muslims in the Bulgarian population. This was wrong; there were between 600,000 and 700,000. He agreed that the American Embassy staff should not have restrictions on travelling to those areas. This had been applied in the past, but it was not necessary to have it everywhere. It needed to be reviewed. But this was not a domestic problem for Bulgaria. It existed because it had been raised as an international problem. Bulgaria was ready to help the Turkish side overcome its infatuation with the issue. They were neighboring countries; they could not resort to such tactics.

51. The Deputy Secretary said he had a friendly suggestion. If the situation was misunderstood in the West, which believes it was not as Zhivkov had described it, it would be in Bulgaria's interest to invite some international group to visit that part of the country, to talk with people and find out the truth for itself, to put the charges to rest. Now the area was closed and mysterious; outsiders were not let in. This built the notion in peoples' minds that something bad was going on. His suggestion was that Bulgaria let such a group in to investigate.

52. Zhivkov said there was no separate Muslim zone. They were all over the country. Whitehead said that meant the group should be free to go everywhere. Mladenov recalled that Congressman Steny Hoyer had been in an area of compact settlement. Ambassador Polansky said he especially appreciated the opportunity for candid talk on this important issue. The U.S. side appreciated well-organized visits, and Foreign Ministry help, especially with Hoyer. But Hoyer had also conveyed his desire to move around freely with a large group and it was not simply a question of visiting once: if people were consistently excluded from a single area, it raised questions. The Islamic Conference people had had the same experience as Hoyer.

53. Zhulev said he had travelled with Hoyer. Hoyer had been honest with everyone. He had gone to any houses he chose, and he chose them. He had been accompanied only for considerations of security. Not all members of his group had been so honest. When he left he said he could neither confirm nor deny the charges. Others had issued a report which was not based on what they had seen, but was pure slander. This referred to Congressman Richardson of New Mexico.³

54. Whitehead said what was needed was not a group of predisposed people, but a respected group with open minds. Bulgaria should

³ Representative Bill Richardson (D-New Mexico).

seek a way to convince such people that the things alleged were not happening.

55. Zhivkov thanked the Deputy Secretary for his suggestion. He understood the problem. But when you are dealing with “speculation,” no country will accept pressure. When the situation returns to normal, Bulgaria will welcome as many visitors as possible. But until things calm down, this cannot be expected. There are slanders every day in Turkey, which are then publicized in the West. He was ready to open up the closed zones, but when things got back to normal. He was ready for new thinking on this. But when they had agreed to let children join their parents, the result had been a whole hostile campaign on TV. Bulgaria was not closed. It had no reason to keep closed. If Whitehead wanted to meet extremists, they could arrange meetings with some, so he could write a report. But there was no problem. What was important was dialogue. But it had to be on a new basis, not on the basis of lies.

56. Zhivkov said he was ready for a commission. The U.S. could select the people. The Bulgarians would arrange meetings with extremists. In 600–700,000 people there were some, and the Bulgarians knew who they were. They were not creating difficulties. They had nothing to hide. They people were at work, they were honest. Poles, Vietnamese, Yugoslavs also worked in Bulgaria. The Muslim population was well-off. Some Muslims were returning from Turkey to Bulgaria. They were not publicizing this. They wanted things to be normal. The commission could hear from the extremists. The Bulgarians knew who they were, and who they worked for.

57. Zhulev said there Muslim extremists in all countries. Zhivkov said Bulgaria knew who they represented. They had not made any announcement. The situation was calm. People who had formerly had Turkish names had had a bad attitude. Having the names had perpetuated them in backwardness. Bulgaria was developing electronics; it could not leave them in that backwardness. As he had said earlier, the question of who wins was now irrelevant. He was ready for a dignified, respectable outcome. He was ready to persuade several thousand people to resettle elsewhere, if that was what they wanted. There would be no revolt. These were Bulgarian people who had been violently converted to Islam; history had proved that. The Turks were creating their own problem. He invited Whitehead to take a week of his time and visit. They were a hospitable people.

58. The Deputy Secretary said he found Zhivkov’s response very encouraging. If the charges were slander, the Bulgarian side ought to expose them. A statement by Zhivkov that they were not true and that he invited an independent group to come in and prove this was so would be very welcome.

59. Mladenov said he understood the motives behind Whitehead’s remarks. He believed Whitehead had the noble intention of helping

Bulgaria resolve a problem. But there had been several visits. Hoyer's was not the only group. There were also several Muslim groups. The programs arranged had been the ones they suggested; they had seen the people they wanted to see. They had been confident it would help. The Turks had raised the issue in the Human Rights Commission, and the Bulgarians had invited their Portuguese President, Ribeira. Zhivkov interjected that this was the first he had heard of that; they were keeping things from the President.

60. Mladenov continued that other groups had been here. But Bulgaria was a state, and it could follow up on what happened afterward. Brutal pressure was exerted on these people to speak out against Bulgaria afterward. Ribeira had written a report which did not support the Turkish thesis. But pressure on the Islamic Conference had been enormous. What guarantees did Bulgaria have that this would not happen with a new group, Mladenov asked. Hoyer had not been sympathetic, and had neither confirmed nor denied the charges, but Richardson, in the same group, had evidently seen different things. Whitehead should go to Turkey, Mladenov said; people were being killed there every day. He did not reject Whitehead's suggestion, but there were no guarantees for the Bulgarians. Whitehead was an honest man. Let him select the commission. But the head of the delegation should be a responsible man.

61. The Deputy Secretary said he appreciated the change of atmosphere in our discussions. It was not a question of accusing Bulgaria. But there was a problem of perception, and there should be a way to deal with it. There should be a multinational inspection group not composed of predisposed people.

62. Zhulev said that the Deputy Secretary's remarks were making them cautious. As Ambassador to the U.S., he had visited Assistant Secretary Schifter. The Turkish press had cited his name and had him saying things Zhulev could not believe he had said. When Zhulev visited him, he denied having said them, but asked what could be done about the Turkish press. Zhulev had asked him to publish a denial, but none had appeared. He felt he had failed in his work as Ambassador. The Deputy Secretary said he would look into the matter; we did not wish to leave false statements about senior officials unanswered; there might be some unfinished business on that topic.

63. Zhulev said he wished to express before the President his opinion that the State Department in the person of Mr. Whitehead was eager to resolve the problem.

64. The Deputy Secretary said there might be scope for some effort on the Turkish side as well. Zhivkov said that would be the only way to stop the Turkish slander campaign. There were not one and a half million Muslims in Bulgaria; the Turks knew that, but said it anyway. Bulgaria occasionally responded, when there was no other way. But it did not want to fall prey to escalation. It wanted to restore a reasonable

dialogue with Turkey. Then there could be talk of an international commission. They had held a press conference in Bulgaria, at which people the Turks claimed were dead had been resurrected. But the conditions for dialogue did not now exist. How could these things be discussed when one could not know what new lie would appear in the evening, Zhivkov asked. No state in the world could allow itself to be so abused and keep silent.

65. And, Zhulev added, this was being done by a state that is destroying a population of fifteen million, the Kurds. Zhulev said that was the historical paradox. Everyone who goes to Turkey becomes a Turk. Such medieval terror exists nowhere else, not even in South Africa. Turkey had the biggest prison population in the world. There had been many Bulgarians there; now there was not a single one. The same was true of the Syrians. Probably there were some Jews left. But this was genocide.

New Thinking in Foreign Policy

66. The Deputy Secretary recalled that Zhivkov had spoken of peaceful coexistence. This had been used many times in diplomacy. Brezhnev had used it. So had we. Sometimes it referred just to relations between countries with different social systems. He asked Zhivkov if it also referred to relations among socialist countries.

67. Zhivkov said theory is one thing, content another. The priority now must be on all-human problems. This was what applied in interstate relations. One could start with relations with Sweden, or Switzerland. They had some very interesting ideas, for instance about organizational changes, in the direction of corporate organization. A rural proverb said that if things are going bad for my neighbor, I'm alright. That is on its way out. The time will come when we realize that our problems are all-human. If we do not come closer together, there will be a catastrophe. We had to see interdependence, and the real prospects. A catastrophe for the United States would also be a catastrophe for Bulgaria. He asked Whitehead not to quote him; he could be expelled from the party.

68. In conclusion, Zhivkov thanked Whitehead for coming, and urged that Bulgaria was a small country that had suffered a lot, and deserved respect. Once it had reached the Carpathians. All that had been taken away. Bulgaria had no territorial claims against any neighboring state. But it had lost and suffered, and that deserved respect. That was one reason why he so appreciated President Reagan's message of greeting to the Bulgarian children's choir.⁴

Polansky

⁴ Not found.

399. Telegram From the Embassy in Bulgaria to the Department of State¹

Sofia, March 22, 1988, 1356Z

1435. Subject: Eastern Europe Restructuring: Sofia Perspective. Ref: (A) 87 State 398186,² (B) Oslo 9059,³ (C) State 52978,⁴ (D) 87 EmbBerlin 5150,⁵ (E) EmbBerlin 1213,⁶ (F) State 403443,⁷ (G) Budapest 1124,⁸ (H) Paris 6379,⁹ (I) Vienna 243,¹⁰ (J) US NATO 801.¹¹

1. C—Entire text.

2. Summary. Embassy Sofia welcomes the invitation to the dance, but must regretfully decline a more recent invitation to the “csardas”, since that, or even a “mazurka” are presently not possible here. The local dance is the “horó”, and that seems just to go round and round, sometimes rapidly, but frequently with a back and forth variation. The January party conference, for example, confirmed the radical-sounding program of the July plenum, which had taken a big leap forward while undoing some of the 1986 round of reforms. At the same time, the conference enshrined the entire concept of reform in the traditional context of Zhivkov’s “April (1956) line” and thus carried forward the trend of recent months of giving restructuring and glasnost a more conservative, gradualist character. The impression is left that not much more

¹ Source: Reagan Library, Rudolf Perina Files, Bulgaria—Substance 1988; NLR-422-1-15-9-6. Confidential.

² See Document 52.

³ The text of telegram 9059 from Oslo, December 18, 1987, was repeated in telegram 396379 to multiple posts, December 23, 1987. See Document 51.

⁴ Telegram 52978 to all European posts, February 20, encouraged more Eastern European posts to respond to the Department’s December 1987 request in telegram 398186 for dialogue regarding the region. (Department of State, Central Foreign Policy File, D880663-0213)

⁵ Reference telegram number is incorrect.

⁶ Telegram 1213 from East Berlin, March 8, encouraged other Eastern European posts to respond to the suggestion of the Embassy in Budapest of a six-category framework for U.S.-European relations (see Document 343) and determine its feasibility in the individual countries. (Department of State, Central Foreign Policy File, D880202-0831)

⁷ Reference telegram number is incorrect.

⁸ See Document 343.

⁹ Telegram 6379 from Paris, February 19, reported that while the Embassy supported the U.S. policy of engagement with Eastern Europe and differentiation, it did not expect much to come of it. (Department of State, Central Foreign Policy File, D880146-0434)

¹⁰ Reference telegram number is incorrect.

¹¹ Telegram 801 from the mission to NATO, February 10, reported on Whitehead’s presentation to the North Atlantic Council. (Department of State, Central Foreign Policy File, D880117-0395)

in the way of reform is to be expected at present, barring more forward movement in Moscow or still unforeseeable Bulgarian personnel changes that would install a leadership better able to read and respond to the unsteady signals from Moscow.

3. From Embassy Sofia's vantage point, prospects for genuine change look better in other, more developed Eastern European countries. For reasons historical and geographical, Bulgaria is set apart. These circumstances, too, will have an impact on a future under restructuring that even over the more manageable short term is clouded by many cross currents of politics and economics. The indications for U.S. policy are for making more and better of the same kind of efforts as now, under the policy of "differentiation", while remaining alert to any opportunity for exerting leverage toward political liberalization that restructuring may offer. End summary.

Problem and Challenges of Restructuring

4. "Perestroika" and "glasnost" represent a reform orientation, primarily in the USSR, that was long prescribed, but never really expected by most Western observers. So apparently fundamental a challenge to an inveterately conservative regime raises prospects of opportunity and uncertainty for Western policy that can hardly begin to be appreciated, even if the movement results in only partial changes, or fails altogether. The odds seem so heavily against the reformers that the question is not whether they will succeed, but what are the consequences of any partial success, or of failure—or what, in fact, may be let out of the box by the mere effort.

5. While only a month ago one could muse over the consequences of restructuring and glasnost for Eastern Europe, that exercise has been "OBE-ed". Now one need look no further than the border republics of the USSR to see to what talk of liberalization in Moscow can portend. Can "Russian" nationalism really contemplate risking the loss of its hard-won gains in Eastern Europe, not to speak of those within the USSR? Or must not there be many "Karamzins" warning Gorbachev against tempering with a system that has won greatness for the empire, even at the cost of continued social and economic stagnation?

6. The corresponding dilemma in Eastern Europe—and Bulgaria—is not less intractable, nor the variables less complex. Over and above questions of Gorbachev's consistency, and tenure, loom the overlapping constants of Eastern European history: geography, nationalism, culture and religion, and even differences of social and political attitudes. These greatly increase the risk and difficulty of Eastern European restructuring from the Soviet point of view. They would also, under any significant degree of autonomy, produce a new "Balkanization" of Eastern Europe that would gravely complicate East-West relations.

7. In light of these uncertainties, it makes little practical sense to project our outlook in specific policy terms beyond four to five years. Assuming that within this time frame, and presuming on Moscow's indulgence, restructuring will enjoy a modicum of success in the region, one might expect an Eastern Europe characterized by a greater degree of economic diversity than exists today. Some countries would be richer and more developed, while others would lag further behind, given current relative levels of economic and social achievement. This would be the case especially should Gorbachev's dictum that developments may differ, based on local conditions, be heeded. Economic diversity, moreover, would tend to promote political diversity.

8. This limited success scenario would indicate a more open policy environment in which diversity in government and society, both in terms of internal pluralism and foreign policy choices, perhaps even of "glasnost" and "democratization", would permit interaction with Western and non-Western countries in more sophisticated economic and political ways. Some regimes might have more flexibility and subtlety in their policies than at present, and consequently an enhanced ability to deal constructively over a broad range of issues with the USG.

9. But even in the short run national economic priorities would emerge uppermost in intrabloc relations as competition among the Eastern European countries for scarce Western capital and trade opportunities sharpened, and that would promote the emergence of conflicting national political priorities. Pride in achievement, or hoped-for achievement, could heighten differences based on nationalism. Old wounds would reopen, and even irredentist sentiments might grow, as developments in the Caucasus so forcefully testify.

10. It thus could be argued with greater cogency that Moscow would find such centrifugal developments intolerably at odds with its more limited aim of rejuvenating communism, making it more productive and keeping it responsive to party direction. As events threatened to get out of hand, one might expect to see the quick restoration of centralized, bureaucratic, or even military control closely supervised by Moscow. In that event, small elites would continue to rule over populations burdened with stagnant living standards based on obsolescent economies, the productivity of which would increasingly lag behind those of the West.

11. Disillusionment could quicken into even more dissatisfaction. Anger at the system might grow among the more assertive, such as the Poles and Hungarians, and among all intellectuals and many professionals, while fear for their status and power would increase among the rulers, both in Eastern Europe and in Moscow. This "failure scenario" of restructuring would point to continued polarization, regression, and eventually even crisis in East-West relations.

The Balkan Factor

12. Neither the scenarios depicted above, nor the U.S. policy choices they imply are likely to occur so starkly in Bulgaria. While on paper Bulgaria's may be among the most impressive sets of reforms, at least in the economic and administrative spheres, the BCP is dragging its feet on glasnost and democratization. It carefully modulates its rhetoric while keeping a close eye on shifting developments in Moscow, and Bulgarian officials from Zhivkov to the MFA desk officer will candidly admit that democratization and glasnost, even Soviet style, are not yet for Bulgaria.

13. Both this conservatism and the special relationship to the Soviet Union relate to the peculiar circumstances of Bulgaria's history and geography. Bulgaria is an Eastern European country by virtue of its membership in the Warsaw Pact and CEMA and by its "social system" and ideology. It is at the same time, however, a Balkan country, with a different set of baggage, and playing in a different game with different rules from those of the countries of North-Central Europe.

14. As a Balkan country, Bulgaria is a latecomer to the modern community of European nations. Poor, politically and socially underdeveloped, it emerged into nationhood from Ottoman rule more the result of European power politics than its own efforts. After its independence, it failed ever to establish any stable political consensus internally, and experienced foreign affairs mostly as a dismal series of quarrels and futile wars with its neighbors over quixotic, irredentist goals. A major consequence for Bulgaria has been a weakly developed sense of national identity, low national self-confidence, and uncertainty about its place in the world.

15. In addition, Bulgaria operates in a much more complex strategic environment than that of its more northerly neighbors, whose role is largely defined by their location on the traditional east-west invasion route where Western and Eastern security concerns are of a different level and kind. This requires Bulgaria to perform a complex international role, which must, moreover, be played out in a community of very diverse countries whose relations represent not only a more subtle regional interplay of the two alliances' interests, but which also have more scope individually to pursue their own sharply clashing claims and interests. This is the arena in which Bulgaria must fulfill its obligations to the Soviets while at the same time pursuing its own, regional goals.

16. These circumstances severely complicate Bulgaria's choices—in its relations with the USSR and other countries of the East Bloc and with the U.S., as well as in the matter of internal restructuring. Bulgaria views its ties with the USSR as a client-patron relationship. It has aggravated that dependency, however, by pursuing regional policies that

irritate its larger neighbors, at least up until the recent Balkan Foreign Ministers meeting in Belgrade. Bulgaria adopted a more conciliatory stance at that meeting as a champion of Balkan cooperation, which it dramatized by concluding a protocol with Turkey intended to upgrade their bilateral relationship on the eve of the meeting. While it is still too early to judge whether that protocol and other conciliatory statements at the meeting portend any real measures to improve relations by alleviating the Turkish minority problem through family reunification, there can be little doubt that Bulgaria is promoting Soviet interests in the Balkans as well as its own. This aspect of its policy most likely focuses in addition on newly emergent Albania, as well as the GOB's continuing intrigues and overtures to Yugoslavia and its courtship of Greece. This special role as representative of Soviet interests in the Balkans, reinforced by nationalistic predilections, creates a bond with the USSR that would be hard to loosen under any conceivable scenario of restructuring in the near term. That bond, of course, is strengthened further by the fact that Bulgaria considers the USSR the ultimate guarantor of its territorial integrity and, in extremis, of its national survival.

17. As to the rest of Eastern Europe, there is little likelihood of spinoff from developments in Bulgaria, given its many differences from those countries. Bulgaria's Balkan identity also limits its possibilities for broader relations with the U.S., quite apart from the vitality of the special relationship with the USSR and despite the GOB's professed desire especially to expand commercial relations with the U.S. Bulgaria's isolation until very late from the events of nineteenth century Europe that prompted emigration to the U.S. means that it lacks the multiplicity of historic ties and interests with the U.S., based on large ethnic communities in that country, such as the Poles and others enjoy. Bulgaria's economic relations with the U.S. have traditionally been marginal, and Bulgaria lacks those shared Western political and social values that resulted from earlier development, in closer contact with the West, of such countries as Czechoslovakia and Hungary. On the U.S. side there is less ability to support those values, even to the meager extent they exist in Bulgaria. Thus any American policy seeking to encourage the seeds of restructuring and glasnost in Bulgaria and to nudge those developments toward greater liberalization starts on much rockier soil.

U.S. Security and Political Interests

18. Nevertheless, it is precisely in its Balkan aspect that Bulgaria is of most interest to the United States. On the negative side, US policy aims at blunting Bulgarian effectiveness as a Soviet cat's-paw in an area where by dint of great effort Soviet expansionism has been contained. This effort has aimed appropriately at keeping southeastern NATO allies Greece and Turkey well-armed and amicable; Yugoslavia solvent and

nonaligned; and Romania a Warsaw Pact gadfly. Only Albania's impartially hostile neutrality, the last stone in the dike blocking free Soviet basing of forces on the Mediterranean, has come cheap for U.S. policy.

19. On the positive side, Bulgarian geography dictates a policy of pressing the GOB for greater cooperation in a number of fields, not the least being narcotics interdiction and the movement of terrorists. These aims—plus a desire to limit the effects of Bulgaria's courtship of Greece and overtures toward Albania, to lessen the tensions between Bulgaria and Turkey, and to reduce Bulgaria's threat as a Soviet proxy to Yugoslavia—are all excellent reasons for active USG engagement with Bulgaria. They also require USG support for such forms of Balkan cooperation as the Belgrade foreign ministers' meeting in which Bulgaria can be drawn into a more pluralistic regional cooperation and consultations environment not wholly dominated by Warsaw Pact goals.

Restructuring in Bulgaria: Limits and Perspectives

20. Bulgaria has felt the same pressures for economic reform as its more advanced neighbors to the north: stagnant growth, low productivity and the incapacity of its rigid economic structure for technological innovation; increasingly exigent Soviet demands for better grade performance; and growing loss of confidence by the people that the system can improve their lives. Bulgaria's responses have also been similar to those of other East Bloc countries. Economic administration has been decentralized, centralized planning and trade relaxed, and pricing and foreign currency rules reformed in an effort to introduce "self-management" by firms and encourage economic creativity. On paper, it all looks more radical than reform elsewhere in Eastern Europe, but to the extent it has been implemented it was haphazard and hasty enough to draw criticism from Gorbachev and lead to confusion and production slowdowns. At the January national party conference, Zhivkov underscored the conservative tendency of recent months to backpedal and to identify restructuring with the traditional "line" of the April (1956) plenum that brought him to full power. Journalists and officials here have been publicly rebuked recently for overstepping the narrow local bounds of glasnost. The leadership gives the appearance of having settled back into doing what it likes best—making the minimal substantive change possible and packaging it as the maximum.

21. Moreover, this is not a situation likely to change pending the departure of Zhivkov, who shows no inclination to retire soon despite his broaching at the party conference the possibility of splitting his party and state leadership functions and placing limits on terms of service. He also has the succession question under such firm control that it

is not possible, except in the most speculative way, to identify any leading contender. The only other plausible impetus toward change would have to come from the Soviets, since even when Zhivkov is succeeded it will not necessarily be by a proponent of reform. It is not clear from Sofia's vantage point, moreover, that Gorbachev is ready yet to push harder for the replacement of such guarantors of stability in the East Bloc as Zhivkov, the Husak example notwithstanding.

Implications for U.S. Policy

22. Despite the continued obstacles to any basic liberalization in Bulgaria in particular and in Eastern Europe in general, that has, nonetheless, been a major U.S. policy goal. American policy makers should be poised to take advantage of any opportunity to press toward that end that restructuring may offer. The problems, especially in Bulgaria, are daunting. The low level of political development in Bulgarian society—in fact, the stagnation under Zhivkov—combined with the absence of real opportunity for economic reorientation toward the U.S. or the West in an economy in which eighty per cent of foreign trade is with CEMA, including sixty per cent with the USSR, offer little purchase for our policy measures.

23. For its part, the U.S. cannot offer Bulgaria sufficient incentive to break out of that East Bloc grip. There is too little interest on the part of American business in going to the trouble, in a setting posing so many difficulties for trade transactions, to pursue the few opportunities that exist for expanding trade in those items not ruled out by COCOM restrictions. An analogous argument works against scientific and technical cooperation: even in those areas where it is possible, there is too little payoff to interest the American private sector. There can also be marked reluctance on the Bulgarian side to expand cooperation, as the Embassy has discovered in trying to sell the idea of drug abuse treatment and prevention exchanges. The GOB remains very wary of entering into any arrangement that might expose sensitive weaknesses in the society.

24. Thus any real upturn in either economic or scientific-technical relations would require a basic U.S. decision that the increase has sufficient bearing on the national interest for the U.S. to take the lead. If so justified, it would be necessary to review the policy of telling the GOB it must work directly with American firms. But with the difficulty of identifying potential concrete gains in Bulgaria that would make such efforts worthwhile, the argument against increased U.S. effort on behalf of Bulgarian restructuring gains strength, and the "horo" comes back around again.

25. Yet, if only to preserve the framework of the policy of differentiation, U.S. diplomacy must not neglect even the slender prospects that restructuring in Bulgaria may present over the short run. The

Bulgarians have expressed readiness for openness to the West, and we should seek opportunities to expand it. The progress in our bilateral relations over the past two years from the days when the Embassy was fenced off from the public by metal barriers until now, when there is perceptible forward movement in dialogue on such issues as narcotics and terrorism, argues for that much. Whether from “restructuring” or from our success in inducing Bulgaria to improve relations with us, the Embassy now has more and better access. Any increase in that access attendant on restructuring, and there has been some increase, would make it possible to press harder for the kind of exchanges needed to open Bulgaria and the East more to U.S. ideas and values; to promote more effectively and refine across the board the U.S. CSCE agenda on human rights, contacts, and emigration; and to move from political dialogue to expanded political interaction in which the U.S. could more persuasively press on all issues, including East-West issues. It might then be possible, for example, to exert more suasion, if not leverage, on such problems as name-calling votes at the U.N., GOB’s uncritical support for radical states and Soviet policies in areas of the world where Bulgaria has little objective interest, and GOB support for terrorist states and groups.

26. Concretely, in the case of Bulgaria, the U.S. might take small, but significant steps to lessen the Soviet stranglehold over the Bulgarian economy dramatized by the “joint scientific-production enterprises.” USDOC and other agencies could, in fact, be more supportive of the Bulgarian-American Trade Council and business contacts, primarily through greater attention to trade fairs, exhibits, and such exchanges as those involving management training, dissemination of information, and identification of trade opportunities.

Similarly in the area of scientific-technical exchanges the Department of State could coordinate efforts of the relevant agencies to help identify those non-controversial areas such as ecology and AIDS that correspond to emerging GOB official and popular concerns, and would capture public attention. Without fanning Bulgarian nationalism, USIA could devise programs to acknowledge positive aspects of Bulgarian culture in events, customs, and holidays, and cultural achievements that would build on basic popular goodwill toward the United States.

27. On another level, serious attention should be paid to new developments in Balkan politics centering on the Belgrade meeting. Bulgaria claims to have played a major role there on such issues as guns, drugs and terrorism; something the U.S. should continue to encourage. True, much of the GOB behavior in that forum, as in others, is in support of the Soviets. But the role gives Bulgaria responsibilities and perhaps some latitude in shaping its own policies in accordance with its own

national interests. The U.S. should hold the Bulgarians to the former while encouraging them toward the latter.

28. More specifically, U.S. near-term goals in dealing with the GOB should be to achieve concrete results, as seen in:

- real economic reform, measured by trade performance, before the U.S. reconsiders its position on GATT;

- a more candid and independent approach in international forums on non-Eastern European concerns;

- the continuation of the relative truce in the GOB's vituperative anti-U.S. media treatment;

- better access at all levels and in all areas of Bulgarian society;

- routinization of family reunification, emigration and foreign travel;

- marked progress toward implementation of international standards of human rights;

- a more prompt address to Embassy administrative problems, including providing an adequate chancery site and construction facilitation; and

- meaningful and increasing cooperation against international terrorism and narcotics and arms trafficking.

While even under the best of circumstances, progress in these areas is bound to be uneven and incomplete, it could be made in all of them without running counter to any truly fundamental Bulgarian national interests. Thus the foregoing goals are realistic targets to shoot for and against which to measure progress.

29. As for the Soviets, they could be left to read the non-radical, non-threatening nature of U.S. policy in Bulgaria, and in Eastern Europe generally, in the openness and consistency of its application. In fact, it would also apply to them in general terms, with details tailored to the USSR's specific situation. The Soviets are aware, if only from the USG's persistent pursuit of CSCE goals, that what the U.S. wants is a more open and humane Eastern Europe, but the USG could discuss it with them again in regard to the Soviet Union and our bilateral interests. There is, in fact, ideological and even geopolitical challenge in this posture—there is a call to Moscow to show whether it can adapt its institutions to compete economically and politically with those of free countries, and whether it can maintain its influence in Eastern Europe and elsewhere by means other than coercion, whether veiled or overt. The Soviets' dilemma, however, is of their own making; the choice between the maintenance of the system as it has evolved and the flexibility and openness necessary to stem its decline is not one we can make. They must choose the appropriate balance of risk and gain consistent with their means and their desire fully to enter the community of modern countries.

30. Conclusion: This approach toward fuller bilateralization of U.S. relations in Eastern Europe in general and in Bulgaria in particular—as restructuring may permit—offers U.S. diplomacy the opportunity to be engaged without meddling—to encourage those striving toward normalization of bilateral and multilateral relations, as well as of their own lives—without provoking either reaction or crisis. It puts the USG, above all, on the right side of any crisis-change situation, as one dancer has already noted, and it would effectively counter in all of Europe Gorbachev’s claim to be the leader of progress as the purveyor of “new thinking”. It might even make the “horo” less monotonous someday.

31. The Ambassador has seen earlier drafts but not this version of the foregoing message.

32. Moscow and Leningrad minimize considered.

Rickert

400. Information Memorandum From the Acting Assistant Secretary of State for Intelligence and Research (Kamman) to Acting Secretary of State Whitehead¹

Washington, July 8, 1988

SUBJECT

Bulgaria: Trying To Change Its Image

Reverberations of Gorbachev’s perestroika and glasnost are being felt in Bulgaria, as in the rest of the bloc. Sofia has recognized the need for economic change and its inability to achieve it in isolation from the West. This in turn has spawned increased sensitivity to international opinion and efforts to better Bulgaria’s public image.

Tarnishing the country’s reputation are a number of factors:

—*Nationality policies*: Sofia has for years forced assimilation on its minorities, denying their existence and claiming that the country’s population is ethnically homogenous.

¹ Source: Department of State, Records of the Deputy Secretary’s Office, 1982–1993, Lot 95 D 334, Bulgaria. Secret; Noform; Nocontract; Orcon. Drafted by Dorothea Rosen (INR/SEE) on July 7. A stamped notation indicates that Whitehead saw the memorandum. Shultz was in Thailand, July 6–9, attending the ASEAN post-ministerial conference. INR issued Intelligence Research Report No. 180 on August 5 entitled “Bulgaria: Trying To Change Its Image,” which covered in detail the issues outlined in this memorandum. (Reagan Library, Lisa Jameson Files, Bulgaria)

—*Repression of religion and dissent:* Tolerance of dissent and religious practice is conditioned by regime self-interest. As long as they see no political threat, the authorities are prepared to exercise control more subtly in order to minimize outside criticism.

—*Arms sales, narcotics and terrorism:* Bulgaria's links with international terrorism, including past sales of arms which have reached terrorists, continue to cloud its reputation, despite regime efforts to change public perceptions. The Sofia government's apparent willingness to cooperate in fighting terrorism and also narcotics is always with an eye to preserving its own interests.

Domestic reforms were precipitated by the economic stagnation and Soviet criticism of Bulgarian performance. The pace and scope of the regime's initial approach apparently aroused Soviet concern: following a sudden visit to Moscow Zhivkov publicly reaffirmed the Party's leading role in society and noted the need for a more measured reform pace to avoid confusion. Nevertheless, the major stumbling block for reforms still seems to be domestic inertia and confusion rather than pace, method, or Moscow's criticism.

Bulgaria has expanded its international contacts recently, probably more for economic than political reasons.

—It has sought support for its admission to GATT, particularly from some of the smaller European countries perceived as more sympathetic.

—Promotion of cultural and economic relations with Bonn is encouraging improved political ties with the FRG.

—Relations with Greece have warmed dramatically in the past year.

—Bulgaria joined in the show of Balkan cooperation at the 24–26 February conference of Balkan foreign ministers, the highest-level gathering of the six Balkan states since World War II.

—Sofia's dispute with Ankara over the ethnic Turk issue led to discussions culminating in the Bulgarian-Turkish protocol on the "promotion of good-neighborliness, friendship, and cooperation" signed on the eve of the Balkan Conference in Belgrade. This has not been followed by any change in Bulgaria's nationality policy, however.

Presumably Sofia calculates that an improved international atmosphere will open doors to much needed economic cooperation. Nevertheless, its implementation of proposed reforms appears slow and limited, with substantive change lagging well behind rhetoric.

**401. Telegram From the Embassy in Bulgaria to the
Department of State and the Embassy in Belgium¹**

Sofia, October 19, 1988, 1437Z

4951/Depto 4071. Subject: Deputy Secretary's Meeting With Todor Zhivkov, October 18.

1. C—Entire text

2. Summary. In an animated two-hour meeting at his private residence in Pravets the evening of October 18, Bulgarian Chairman Todor Zhivkov explained to Deputy Secretary Whitehead his program for Bulgaria's economic restructuring; justified recent personnel changes; dismissed the significance of the Turkish minority question; and asked for closer cooperation with the United States. Zhivkov closed the exchange by boasting that, with or without U.S. assistance, his country would by the year 2000 have the highest per capita income of any socialist state in Europe. End summary.

3. President of the State Council of the People's Republic of Bulgaria, Todor Zhivkov, greeted the Deputy Secretary warmly and said he was pleased to welcome him to his native village. He said he was happy the Deputy Secretary had come to visit him again. Mr. Whitehead was, in his view, a good personal friend and a strong supporter of closer U.S.-Bulgarian relations. Joining Chairman Zhivkov were Bulgarian Foreign Minister, Petur Mladenov, and an assistant to Zhivkov named Goranov Philos. Joining Deputy Secretary Whitehead on the American side were Ambassador Polansky and NSC Senior Director Nelson Ledsky.

4. After an exchange of pleasantries and picture taking, Zhivkov joked briefly about when he would retire. He said he hoped to keep going until the age of 95. Mr. Whitehead recalled during his last visit² that the Chairman had boasted that he would be around for five more five-year plans. This meant he would retire in the year 2008. Zhivkov merely smiled, and said he would like to talk today about the next five-to-ten years, by which time he thought it would be time to turn over the reins of government to a new generation. Indeed, he confessed, some of his older friends and colleagues in Bulgaria were leaving office. This is why he needed foreign friends more than ever.

5. In response to a question from Mr. Whitehead about the pace of economic reform in Bulgaria, Chairman Zhivkov conceded that since

¹ Source: Department of State, Central Foreign Policy File, D880929-0263. Confidential; Immediate; Exdis. Sent for information to Eastern European posts.

² See Document 398.

February restructuring of the Bulgarian economy had slowed down. The slowdown was required to correct problems which had developed in trying to implement the 1987 restructuring concepts in agriculture and industry. The plans themselves had looked good, but translating them into action had proven difficult. The first problem was that Bulgarian industrial organizations were poorly set up. For example, there were 11,000 people in economic management concerns and from 18,000 to 20,000 individuals in foreign trade organizations. All of these people were disconnected from the manufacturing process. The managers and sales personnel wanted trips and bonuses and other special privileges, but they had no connection with the products they were supposed to be making or selling. Bulgaria would therefore be reorganizing its companies so that each has its own trade department and management elements. These elements will be responsible for the entire organization. The separate trade promotion and management organizations formed earlier would be eliminated. All of this will be done next month, Zhivkov boasted, and your Ambassador will be able to read the announcement.

6. The second problem encountered was related to the question of how socialist property was to be turned over to the workforce, so that it could manage and operate the property successfully. Bulgaria could find the right people at the top of the structure, but there were not enough good people at the bottom. So something new had to be found. Zhivkov said the answer will be to develop a system of shareholding, whereby each employee will be able to buy shares in the company in which he works. The net profit of such companies will be divided, 75 percent for the state and 25 percent for the shareholders. Some 10 percent of the shares of these companies will be available for purchase to those who do not work in the plant, and another 10 to 15 percent will be available for sale to individuals or companies abroad. Chairman Zhivkov said he did not believe that this new system would divide people into rich and poor. There will be restrictions. People will have to work somewhere, and will not be able simply to clip coupons or live on interest payments alone. Investments in these companies will be guaranteed by legislation. Thus, the worker will get paid for his labor and will stand to gain a second income if his company shows a profit.

7. Chairman Zhivkov said he had other ideas in connection with his shareholder plan. The system would be extended to agricultural workers and to collective farms. Family farming would remain possible and certain farmers who lived in marginal farming areas would be exempted from all the taxes.

8. Chairman Zhivkov said there would also be new procedures for management. Management boards would be elected by representatives from workers, shareholders, trade unions, etc. Boards would in turn elect managing directors as occurs in the United States. Moreover, Zhivkov said, Bulgaria would move to a system of convertible currency

at least on a national scale, though not immediately to a convertible international currency. We will soon be doing, claimed Zhivkov, “what no other socialist country has done. We have already started down the road to deregulation and decentralization.” Five ministries have been closed, and we have gone from 28 districts to 9 regions. The regions will work like local governments, patterned like the Lander in the Federal Republic of Germany.

9. All of this, Zhivkov claimed, would revitalize and not destroy socialism. These plans would be announced shortly, though some members of the Politburo—including the Foreign Minister who was sitting next to him—had not been briefed fully on them.

10. Deputy Secretary Whitehead said these sounded like exciting developments. It reminded him of the program that President Reagan had adopted in 1981, when he had moved to decentralize and deregulate the economy. Mr. Whitehead suggested that Chairman Zhivkov was adopting the same principles.

11. Zhivkov seemed eager to agree. He said what was underway in Bulgaria was a restructuring of the socialist system. Bulgaria will eliminate those organizations that do not work. Some will be allowed to go bankrupt; others will be changed to operate more efficiently. One company will be allowed to invest in another, and there will be a free flow of capital in the society. Bulgaria will also open itself to foreign investment. Investors will be able to put their money in some 500 Bulgarian companies. Both socialist and non-socialist investors would receive an initial government guarantee, not to insure that profits will be earned, but against the possibility that the organization will go bankrupt. Chairman Zhivkov concluded that what was going on in Bulgaria was a slowdown, not a reversal of restructuring. Mistaken or failed policies were being rectified. All of this, to be sure, was occurring amid domestic criticism. Zhivkov joked that farmers complained when they were asked to join cooperatives, and will complain again once they are asked to leave them. The farmers have gotten used to guaranteed wages and will not want to be left more on their own. Thus, there is need for protective legislation, Zhivkov said, which would be issued next month through a series of decrees. Zhivkov joked that Deputy Secretary Whitehead was the first foreigner to have this new concept of socialist policy explained to him.

12. Deputy Secretary Whitehead thanked Chairman Zhivkov for his explanation, and then turned the conversation to recent personnel changes in the Bulgarian Government. Whitehead asked the Chairman if he could explain the significance of these changes.

13. Chairman Zhivkov said what has occurred was merely a surface scratch. He recalled that in the 1960's some 19 members of the Central Committee were removed at one time. There was no intention now of removing people. Indeed, more individuals were needed in the Central Committee to manage the kinds of programs the Chairman had

outlined. People of talent were required to carry out change, but that meant a few people with old-fashioned ideas who resisted change had to be dropped. So in a sense, Zhivkov concluded, the changes had been made to maintain continuity and progress.

14. Deputy Secretary Whitehead said he would like to spend a minute or two talking about Bulgarian relations with Turkey. He had heard the talks between the two countries had broken down, and wanted to know whether anything was being done to resolve problems between the two countries.

15. Chairman Zhivkov then began a long, animated, rambling explanation of how Bulgaria was misunderstood. He began by recalling a conversation he had with Charles de Gaulle, who seemed to him the only European statesman in recent years with a historical view and the recognition of how Bulgaria had been squeezed on all sides by its neighbors. Zhivkov noted that all kinds of ethnic groups reside within Bulgaria and along its borders. There were probably 400,000 Bulgarians in Turkey and another 100,000 in Romania. Countless Bulgarians have been assimilated into the Soviet Union. Turkey, Zhivkov explained, insists that it has a large minority in this count [garble] had reached an agreement on resettlement. Mr. Whitehead then asked the Chairman if he would comment on how well General Secretary Gorbachev was doing in the Soviet Union. Was he moving too quickly or too slowly? Would he be successful?

17. Chairman Zhivkov did not respond directly to this question. He said Gorbachev's major accomplishment thus far had been in the field of foreign affairs. The Soviet leader's strength arose from his insight into the historical context in which he was operating. He had made no foreign policy mistakes and had worked diligently and effectively to prevent nuclear war and assuring that the Soviet Union worked cooperatively with the United States to solve world issues.

18. Chairman Zhivkov said Bulgaria and the Soviet Union saw eye-to-eye on most things. Particularly since the 19th Party Congress, Bulgaria has "only the most minor differences with the USSR." Restructuring is the correct path, and both states are embarking on it. The Soviet leadership, to be sure, has its special difficulties. This is only natural, said Zhivkov, given the enormous undertaking in which they are engaged. Some of the difficulties also spring from the new openness, but this is a necessary problem since in the long run people need to be told the truth.

19. Deputy Secretary Whitehead commended Zhivkov for his diplomatic answer to this question, but said he had an even more difficult question for the Chairman. Mr. Whitehead said that he had heard recently that a new human rights organization had sprung up in Bulgaria, and he wanted to ask what the attitude of the government was towards these human rights activists.

20. Chairman Zhivkov said this was not a difficult question to answer. The individuals were no problem. They were insignificant. He challenged the United States to meet with these individuals if we wished, but he also suggested that he be allowed to publish information on these people so that everyone will know their background and status. "Keep your contacts if you want," Zhivkov said, but he labeled the individuals "criminals and fools," all of whom, except for one woman, had served terms in prison. Zhivkov suggested that the U.S. not support these individuals, and said he could assure us that support for the Bulgarian Government in society, and especially among the young, was not diminishing. Bulgaria had no problem recruiting people into its youth movement or Communist Party. Indeed many volunteers have to be screened out.

21. Chairman Zhivkov conceded there were some difficulties in Bulgarian society. Changes in many fields were required. He mentioned the need, for example, of a total reorganization of the study of science. Somewhat defensively, Chairman Zhivkov, then took up the issue of Western propaganda and human rights. He claimed Western talk did not bother him. It was Eastern propaganda that was dangerous because Bulgaria had idealized the East for so long.

22. Chairman Zhivkov said that what he sought was a reliable partnership with the United States. He knew that Americans made good partners. One existing partnership—the Sheraton Hotel in Sofia—worked extremely well. The country needed assistance, and Bulgaria was a good place for American companies to come and operate. In response to a question from Mr. Whitehead, he confirmed again that Americans could buy up to 50 percent of selected Bulgarian companies. Chairman Zhivkov then touched on the question of Bulgarian membership in GATT. Bulgaria wanted normal relations with the world. Why was the United States blocking Bulgaria in such an important area?

23. Deputy Secretary Whitehead expressed pleasure that Chairman Zhivkov had raised this issue. He observed that the United States had nothing against Bulgaria joining GATT, if Bulgaria was truly on the road to a free market system. Zhivkov interrupted and asked what additional evidence the United States needed. Before the Deputy Secretary could answer, Zhivkov raised his hand and said "let's just leave this subject for now and talk about other areas where the United States may be of assistance." Could Bulgaria, for example, send a delegation to Washington to study how the shareholding system in the United States operates. Perhaps a team of three specialists could be allowed to see for themselves how U.S. institutions operated.

24. Mr. Whitehead said the United States would welcome being of assistance in this area, and thought such a Bulgarian team could visit the stock exchange and study U.S. corporate law and our regulatory

system. Mr. Whitehead said that we would be glad to help arrange this kind of visit.

25. Chairman Zhivkov then inquired about the possible establishment of a management training center. He observed that there was already such a center in Britain, to which Bulgaria was sending a few students, but the country wanted such an institution inside Bulgaria.

26. Deputy Secretary Whitehead noted that a center for management training was being established by the United States in Hungary and challenged Zhivkov to "supply the place and we'll help supply the faculty."

27. Encouraged by these responses, Chairman Zhivkov said he wanted to send many more people to the United States and to cooperate with the United States on a wide scale. Let's hope, he said, that a new historical context between our two countries will develop. "Please stop looking at Bulgaria as the living devil," Zhivkov pleaded: "Stop creating difficulties for us in international forums."

28. Ambassador Polansky said he would like to say a word about education. He recalled that the United States had a long tradition of educational assistance in Bulgaria. Many of the first educators were missionaries and a good part of the education was church-oriented.

29. Chairman Zhivkov interrupted to suggest that American educational assistance be restored. He pleaded, however, that we take this issue step-by-step and not jump too fast into too many areas at once. *[less than 10 lines not declassified]* He went on to ask again for U.S. assistance, but said if the U.S. did not want to provide this assistance, "our only option will be to stick closely to the strongest socialist country in the region. A small country like Bulgaria has no other option."

30. Bulgaria wants to live like all other nations. We cannot be squeezed further, for there is no space behind us to retreat. Whether the United States helps us or does not help us, Zhivkov boasted that his country by the year 2000 would have the highest per capita income of any socialist state in Europe. We will do this alone, but we are eager to learn from you, Zhivkov continued. We especially want to have U.S. experience in management, and the best training system is provided by IBM in the United States.

31. Deputy Secretary Whitehead asked if the Chairman wished to send a few students to the IBM training center in upstate New York. Chairman Zhivkov responded that he would be glad to send several dozen. The Deputy Secretary noted that all would have to know English and be available for a six-month training course. When Zhivkov nodded his agreement to these conditions, the Deputy Secretary said he would ask IBM if they would take a contingent of Bulgarian students.

32. Chairman Zhivkov expressed his thanks for this assistance. He said he would like to ask the Deputy Secretary to give him some informal impressions of his just-completed trip to Eastern Europe. Could the Deputy Secretary say a word or two about Hungary and Romania, in particular, since he was somewhat alarmed by developments in Hungary and disturbed by some of the news about events in Romania.³

33. Deputy Secretary Whitehead then reviewed his impressions from his visit to Romania, Hungary, the GDR, and Poland. He outlined the Romanian policy of destroying villages and moving people to cinder-block buildings several miles from their farms.

34. Zhivkov said Bulgaria had never discussed publicly the Romanian policy of "systematization." Some were trying to link this with minority issues, and Chairman Zhivkov thought this a mistaken idea. There was, in Zhivkov's words, a hint of an anti-Hungarian attitude.

35. Deputy Secretary Whitehead said the United States was very impressed about what was going on in Hungary. General Secretary Grosz seemed an energetic leader who had developed an excellent plan for moving his country forward. The future in that country looked very promising.

36. As something of an afterthought, Chairman Zhivkov said he would like to say a word about Bulgaria's plan for future democratization. The Chairman said he had plans to decentralize his country and give greater power to municipalities who would enjoy new rights and responsibilities. Cities will be allowed to buy shares in the industries located within their boundaries. Individuals would feel they were participating more fully in government, if government was moved closer to them. These changes, Chairman Zhivkov suggested, were not ready for implementation, but would be announced in 1989 or 1990.

37. The formal meeting closed at this point with an exchange of jokes which Chairman Zhivkov said were being circulated in recent weeks in his country.

Polansky

³ See Documents 184 and 365.

402. Telegram From the Department of State to the Embassy in Bulgaria¹

Washington, October 25, 1988, 2247Z

348449: Subject: Deputy Foreign Minister Popov Meets With DAS Simons. Ref: State 346882.²

1. Confidential entire text.

2. Summary. Deputy Foreign Minister Popov and Ambassador Velichkov paid a courtesy call on DAS Simons. Popov spent most of the meeting describing his role in the Foreign Ministry as director of religious matters. DAS Simons informed the Deputy Minister and the Ambassador that the Deputy Secretary had a very good visit to Bulgaria.³ Simons stated that the one negative aspect to the visit was the non-appearance of five non-official Bulgarians who had been scheduled to meet with the Deputy Secretary. He said that we have heard allegations that these individuals were prevented from attending the meeting. Simons said that we find such allegations difficult to understand, and, if true, they would be very disturbing. End summary.

3. On October 24, Bulgarian Dep Foreign Minister Lyubomir Popov and appointed Ambassador Velichkov met with DAS Thomas Simons. EEEY Deputy Director Seymour and Bulgarian Desk Officer Cloud also attended the meeting.

4. Popov began the meeting by noting that his visit was partially private (i.e., to visit his son in the Bulgarian Embassy in Washington). He explained that he had twice previously been accredited to the United States and that he now was responsible for religious affairs within the Foreign Ministry. Popov said that his office was somewhat similar to the office of religious affairs in other socialist states. However, he noted that his office does not register the three major religious affiliations in Bulgaria (Orthodox, Islamic and Catholic), but only the smaller, mainly Protestant churches. Popov stated that the Orthodox Church receives most of its funds from the operation of certain monopolies (e.g., the production of candles, publication of Bibles) and donations. He did confirm that both the Orthodox Church and the Jewish community receive support from the GOB. He asserted that there were no

¹Source: Department of State, Records from Ambassador Thomas W. Simons, Jr., Lot 03 D 256, Chron October 1988. Confidential; Immediate. Drafted by John A. Cloud (EUR/EEY); cleared by Jack Seymour (EUR/EEY) and Timothy Deal (EUR/EEY); approved by Simons.

²Telegram 346882 to Sofia, October 24, was the original, uncorrected copy of this telegram. (Department of State, Central Foreign Policy Files, D880945-0278)

³See Document 401.

difficulties with other churches over the Orthodox Church's monopoly in the publication of Bibles. He acknowledged that Protestant churches have requested (and apparently received) permission to publish hymn books and other religious materials.

5. DAS Simons said that the Deputy Secretary's recent visit to Bulgaria had been a very good one and more productive than the last. He noted that both sides agree that relations are improving, but that further potential remains. Simons said that he was impressed both with the reforms now being implemented and those scheduled for implementation on 1 January.

6. Simons noted that the Deputy Secretary had been looking forward to the opportunity to meet with five non-official Bulgarians and that Foreign Minister Mladenov had been informed of the meeting. Simons said that none of the people appeared at the meeting and that we have received information that these individuals may have been arrested or expelled. He stated that such meetings were standard practice during the Deputy Secretary's visits to Eastern Europe and have proven very helpful. Ambassador Velichkov was taken aback by these allegations. Velichkov promised to check into this. He said that this was not "five years ago."

7. Popov then asked what the current prospects were for most-favored nation tariff treatment (MFN), noting that when he had been Ambassador MFN had seemed attainable. Simons responded that MFN seemed a long way off. Bulgaria would have to meet the requirements of Jackson-Vanik before the administration could consider granting MFN status. In response to a question from Popov, Simons acknowledged that the Nixon administration had originally opposed Jackson-Vanik. However, Simons stated that Jackson-Vanik is now accepted by all, and while the administration has fought successfully to keep the narrow Jackson-Vanik criterion of emigration intact, as a practical political matter the whole range of human rights concerns, including religious freedom and minority rights, would be taken into account in making decisions in the future.

Whitehead

Czechoslovakia

403. Memorandum From the Executive Secretary of the Department of State (Bremer) to the President's Assistant for National Security Affairs (Allen)¹

Washington, June 16, 1981

SUBJECT

Czechoslovak Claims Negotiations

The Department is preparing an analysis of the options we now confront on this issue. You may be approached in the coming days by the Czechoslovaks or by lawyers for the American claimants and we thought you would find it useful to have this information for background.

Since March, United States negotiators headed by Ambassador Rozanne L. Ridgway have been seeking a settlement of the 33-year-old US nationalization claims against Czechoslovakia. A 1974 40% settlement was blocked by Congress, and under the 1974 Trade Act, any new agreement must be approved by Congress. This effort has been given impetus by strong Congressional support for legislation to vest 8.4 tons of Czechoslovak monetary gold held in New York, part of 18.4 tons held by the US, UK and France under the post-war arrangements for restitution of monetary gold looted by the Nazis. Under this legislation, the gold would be sold, the proceeds invested, and the income used to pay the nationalization claims together with claims of persons who were not US citizens when the claims arose and possible holders of defaulted Czechoslovak bonds.²

We have opposed the legislation, and have urged Congress and the claimants to give us time to pursue a negotiated settlement. Seizure and sale of the gold would cast a permanent pall over US-Czechoslovak relations and deny us opportunities to increase our influence in Prague for years to come. The legislation would violate our international legal obligations to France and the UK as well as to Czechoslovakia. Moreover, the Bill's coverage of some of the additional claimants not

¹ Source: Reagan Library, Robert Kimmitt Files, Legal: Czechoslovakia. Confidential.

² Reference is to two bills: one introduced into the Senate by Daniel Patrick Moynihan (D-New York) and one introduced into the House of Representatives by Jonathan Bingham (D-New York). The legislation would have authorized the liquidation of Czech gold in U.S. possession, with the proceeds being paid to certified claimants.

entitled to our protection under international law could weaken our legal position in protecting US investment abroad.

The total principal value of the US claims adjudicated by the Foreign Claims Settlement Commission was \$72.6 million. (There is also an unknown amount—perhaps \$3–5 million of post-1958 claims.) Interest through the date of adjudication brought the total to \$113.6 million. Subtracting \$8.5 million from the vesting and sale of a Czechoslovak-owned steel mill in 1962 leaves \$105.1, our opening proposal to the Czechoslovaks. The present value of the gold sale legislation to the claimants is about \$95 million. We have come down to that amount, which we believe would be fully acceptable to Congress and to the claimants.

During the third round of negotiations on June 12, the Czechoslovaks offered a lump sum cash settlement of \$64.1 million. Together with the money received from the steel mill, this covers 100% of the principal of the adjudicated claims. This proposal resulted from a high-level Czechoslovak political decision, and we believe that the Czechoslovaks do not have much or any additional flexibility, although we cannot be sure.

The Czechoslovak proposal is a 300% improvement of the 1974 agreement rejected by Congress. A settlement of 100% of principal is probably unparalleled in international claims settlement practice. (The 1979 China agreement³ was about 40% and even in the case of Yugoslavia, where we held substantial Yugoslav assets, we got only 91%.⁴) Moreover, if approved and implemented, the lump sum settlement would get much more cash immediately into the claimants' hands. Nevertheless, the present value of the settlement to the claimants is considerably less than the present value of the future income to them under the gold sale legislation, and a settlement at about this level will be opposed by some claimants and their Congressional supporters. An agreement at this level could be approved by Congress, if at all, only if the Administration firmly supported it and made clear it would veto the legislation.

We are consulting with Congress and the claimants, and will be formulating the options for possible Administration action.

L. Paul Bremer, III⁵

³ See *Foreign Relations*, 1977–1980, vol. XIII, China, Document 222.

⁴ TIAS 1803.

⁵ Printed from a copy that bears this typed signature.

**404. Memorandum From William Stearman of the
National Security Council Staff to the President's
Assistant for National Security Affairs (Allen)¹**

Washington, June 19, 1981

SUBJECT

Czechoslovak Claims Negotiations

We need White House positions on two basic and interdependent aspects of the Czechoslovak claims issues: (Details are in State's memo to you at Tab I² and attachment at Tab II.)³

(1) Do we accept the virtually unprecedented Czechoslovak offer to pay 100% of the principal owed US claimants or do we try to press them to pay some interest as well? (Treasury wants to squeeze them for more. State says take the money and run.)

(2) Will we oppose (including a threat to veto) pending legislation (scheduled for *markup June 24*) to meet claims through a sale of Czechoslovakia's gold held here? (Treasury seems ambivalent and State opposes on the grounds that this violates international agreements and would critically damage relations with Prague.) Our determined opposition to this legislation would encourage claimants to accept the Czech offer or something like it. Congressman Bingham,⁴ sponsor of the bill, is reportedly prepared publicly to go along with the Czech offer, if the Administration strongly supports it.

The over 2,500 claimants seem divided between a majority ready to accept the Czech offer and a group of heavy-hitters (including the biggest claimant, Mobil Oil) which has retained a battery of lawyers who want to fight for as much interest as possible—in addition to the 100% principal. (The more litigation, the higher the fees.) The latter group would be happiest with the gold solution. On the other hand, this solution would shaft many small claimants, especially the old, because the gold vesting approach would take 12 years to pay off all claims. (Payments would come from the interest on the dollars yielded

¹ Source: Reagan Library, Executive Secretariat, NSC Country File: Czechoslovakia 6/5/1981–12/2/1983. Confidential. Sent for action. Pipes and Dobriansky signed their concurrence beneath the recommendations. Allen initialed the top right-hand corner of the memorandum. "RVA has seen" is stamped at the top of the first page of the memorandum.

² Not found attached. See Document 403.

³ Not found attached.

⁴ Reference is to Jonathan Bingham (D–New York).

by the gold sale.) This would not bother Mobil Oil, but would distress those in their seventies, for example.

Position on the Czechoslovak Offer

The Czechs insist that they have made a final offer. No one is sure how much more, if any, additional money can be squeezed out of them—probably at most a few million. As the State memo points out, the Czech offer is “probably unparalleled in claims settlement history”, and is up 300% from their last (1974) offer.

Why are they doing it? Probably to increase their Dun and Bradstreet rating in order to promote trade with the US. Do we want to encourage trade with the CSSR? You know all the pros and cons of trade with Eastern Europe. There are those who claim that extensive economic relations with the West emboldened the Poles to do what they’re doing. Are there those in Prague who would like to reduce economic dependency on the USSR for political reasons? Maybe.

Do we desire improved relations with the ČSSR at this juncture? If we do, we should reject the gold solution and accept the Czech offer or something like it. The Czech negotiator maintains that taking the opposite course would severely affect US-ČSSR relations and might well result in the recall of their Ambassador here. As the Czechs would see it: first the Nazis take their gold, then the Americans. Unfortunately, this decision comes at a time when we are still formulating our basic policy towards Eastern Europe.

The Gold Solution

Apart from aggravating the Czechs, the gold solution would irritate our British and French allies who, with us, are parties to the 1946 Reparation Convention and 1946 Tripartite Commission Agreement, both of which would be violated by this legislation. The legislation also would compensate some who were not US citizens when their property was seized. This is also contrary to international law.

On balance, I believe we should leave it up to State and its able negotiator, Roz Ridgway, to decide whether or not to press the Czechs for more money, and we should oppose the gold vesting legislation. I believe this approach would be most fair to the majority of claimants and would be most consistent with US foreign policy interests.

I have just learned that State is asking for a delay of the Bingham Bill markup (schedule for June 24) in order to work out a position on further negotiations. Jim Symington, one of the lawyers for the Mobil Oil, etc group, contacted Frank Hodsoll in Jim Baker’s⁵ office to protest

⁵ White House Chief of Staff.

any delay in the markup. You might want to relay your decision on the Bingham Bill to Hodsoll.

Recommendation

1. We should inform State that it should determine whether or not to continue negotiating with the Czechoslovak side in order to win interest payments for the claimants. Marc Leland of Treasury should also be informed of this decision.⁶

2. We should oppose the Bingham Bill and other Congressional attempts to meet US claims against the ČSSR Government by vesting Czechoslovak gold held in the US. You will inform Max Friedersdorf that this is the NSC Staff position.⁷

⁶ Neither "Approve" nor "Disapprove" was selected.

⁷ Neither "Approve" nor "Disapprove" was selected.

405. Telegram From the Department of State to the Embassy in Czechoslovakia and the Embassy in the United Kingdom¹

Washington, September 16, 1981, 0206Z

246323. Subject: Czechoslovak Claims/Gold: Aide Memoire to UK and G.

1. (C—Entire text)

2. On September 15 Ambassador Ridgway called in Czechoslov Ambassador Johanes and British DCM Fretwell for separate discussions of options confronting U.S. and others given current state of play on claims/gold. She handed them identical texts of aide memoire transmitted below.

3. As the aide memoire makes clear, we are near the eleven hour in our effort to resolve satisfactorily the Czechoslov claims/gold issue. On September 14, over the opposition of the Departments of State and Treasury, the Senate Finance Committee reported out the Moynihan bill² to seize and sell the "Czech gold". By pre-arrangement between committee chairmen, the bill has been referred to the SFRC for 12 days,

¹ Source: Reagan Library, William L. Stearman Files, Subject File, Czechoslovakia (1 of 2). Confidential; Immediate. Sent Priority for information to Paris and Brussels; sent for information to Zurich and Bern.

² See footnote 2, Document 403.

following which it could be brought to the Senate floor at any time. The move by the SFC was primarily tactical—to pressure the British and the Czechoslovaks—but it reflects rapidly growing sentiment among interested parties on the Hill and counsel for the claimants that the claims issue must be resolved, one way or the other, this year, in this session of the Congress.

Begin text.

4. Aide memoire

The British Government has stated that it will not consent to a further advance of gold to Czechoslovakia by the Tripartite Gold Commission until it has satisfactorily resolved outstanding claims issues with the Czechoslovak Government. In view of this position by the British Government, final action on, and implementation of, the prospective U.S.-Czechoslovak claims agreement appears to depend, critically, on the successful conclusion of British-Czechoslovak claims negotiations.

Although the U.S. Government is pleased by the reports it has had that progress was made during British-Czechoslovak talks in Prague September 3–4, the U.S. Government has had no indication from either participant in those talks of when an agreement, even in principle, might be expected. The U.S. Government fully appreciates the difficulty of providing such an indication as well as the difficulty of rapidly resolving the complex issues involved in a claims negotiation. The U.S. Government has no desire to involve itself in any way in the British-Czechoslovak negotiations, nor would it wish, without serious cause, to add to the pressure either participant in those talks may feel to reach a rapid conclusion.

Nevertheless, the U.S. Government would be gravely remiss in not bringing to the attention of both governments certain important considerations. Specifically, there are mounting pressures in the U.S. Congress to reach a final resolution of the claims issue this year. Most interested parties in the United States would be favorably disposed toward the prospective U.S.-Czechoslovak claims agreement—if that agreement were submitted for congressional action promptly during this session of the Congress. At present, the House of Representatives is scheduled to adjourn this session on October 23. Fearing that the administration may not be in a position to submit the agreement during this session, those parties determined to resolve the claims issue this year have under active consideration various alternatives to the negotiated claims settlement. These alternatives include passage of legislation still pending in the Congress, legislation to which all governments with an interest in this matter have expressed their strong opposition. Indeed, despite an administration request that it

not do so, the Senate took further, important action on one such piece of legislation September 14.

Lest the claims agreement painstakingly negotiated by the United States and Czechoslovakia be lost, the administration believes it must submit the agreement to the Congress on or about October 1. The U.S. Government trusts that by then it may receive sufficient assurances from the British and the Czechoslovak Governments to permit it to proceed.

The U.S. Government again strongly urges the British Government and the Czechoslovak Government to reach without delay some settlement of outstanding differences which will permit the British Government to consent to the further advance of gold to Czechoslovakia by the Tripartite Gold Commission. Such a settlement is vital if the U.S.-Czechoslovak claims issue is to be finally resolved in a manner consistent with the clear interests of each of our governments.

In view of the aforementioned circumstances, the U.S. Government would appreciate receiving at an early date any assurances, comments, or proposals that the British Government or the Czechoslovak Government may care to render.

End text.

5. Ridgway-Johanes discussion. After covering the points in the aide memoire, and informing Johannes of the SFC action of September 14 over our express opposition, she said that the administration has essentially two options: either not to send to the Congress the U.S.-Czechoslovak agreement, or to send the agreement to the Congress. If we do not send it up, we face the near certainty that the Moynihan bill or something close to it would be passed in this session. If we do send the agreement up, we will likely need to do so without firm British assurance of their readiness to consent to the delivery of the gold. In the latter case, the Senate would likely amend the Moynihan bill to provide for approval of the \$81.5 million settlement, subject to U.S. receipt of the \$81.5 million by a date certain, e.g., December 31, 1981, failing which the Moynihan bill would enter into force automatically.

She stated that we feel we have little alternative but to send the agreement up on or about October 1. She noted, however, that in view of gloomy report on UK-GOC negotiations she had received from Prague (Prague 3771)³ she did not feel optimistic about the prospects for a favorable outcome. She acknowledged likelihood of slippage in

³ Telegram 3771 from Prague, September 15, reported on the Czechoslovak-United Kingdom claims negotiations. (Department of State, Central Foreign Policy File, D810433-0227)

House's projected October 23 adjournment date, but re-emphasized Congress' growing determination to resolve the issue in this session.

6. Johanesh's initial inquiry was on status of Bingham bill⁴ in the House. Ridgway responded that for the moment interested parties in the House seemed more preoccupied with questions about how to distribute \$81.5 million equitably. Specifically, they were focused on the problem of the so-called "Benesh group" of claimants. She noted the apparent readiness of backers of the Moynihan bill, if necessary and after the Senate had passed the bill, to attach the bill to a piece of important legislation already passed by the House to ensure House approval. While no action has been taken by the full HFAC on the Bingham bill, Ridgway indicated it was simply a matter of time until interested parties in the House considered their options in the light of limited time remaining in this session.

7. Ridgway stated that the condition in the conditional approval-Moynihan bill option was not complete execution of the U.S.-GOC agreement as now drafted, specifically annexes A and B, but simply receipt by the U.S. of \$81.5 million by a date certain. She commented that U.S. had seen no evidence of GOC readiness to consummate claims settlement for delivery of gold held in U.S., adding, however, that the administration itself would have difficulty considering such an option in view of its consistent position on the TGC gold. The possibility of obtaining a delay in congressional consideration of the agreement until the next session, however dubious on its face, was seriously undercut by our inability to give the Congress any commitment that even then we would be in a better position to proceed.

8. Johanesh began by stating that situation had been created by UK's abandonment of the 1964 agreed minute procedures and that UK position in the current negotiations amounted to "blackmail tactics". Clearly, he said, UK was seeking a "ransom" for the gold. This was evident in UK's insistence on receiving a "global figure", its desire to avoid an examination of such specifics as the "Munich loan". (Johanesh stated British counter request in September 3–4 session had been 39 million pounds.) Johanesh said GOC would "not like what happened in the Senate" September 14 or see it as other than "a step to increase the pressure" on GOC. He characterized situation as "really very bad".

9. Ridgway interjected that despite current gloom, U.S. hoped that few outstanding technical issues in U.S.-Czechoslovak agreement would be quickly resolved and that we might move to an initialing of the agreement as soon thereafter as possible.

⁴ See footnote 2, Document 403.

10. Johanes, without suggesting whether GOC would be prepared to initial an agreement under the circumstances, noted that our governments had initialed two previous agreements. The responsibility for failure this time would be on "the shoulders of the U.S.", perhaps more accurately on the Congress, but on the U.S. Government nonetheless, Johanes said. "We will let the international community know what has happened to our gold, taken from us by the Nazis." U.S. "might call it propaganda", but "we will tell our story", and "we will do it very well." In noting he would send aide memoire to Prague, he said he had no idea what kind of "assurances, comments, or proposals" GOC might make, but he was sure the SFC move would be seen very negatively. He cautioned that the GOC response to enactment of the Moynihan bill would be "very strong".

11. Ridgway assured Johanes that we would be delivering the same message to the British, and that we thought it best to continue to share with all parties our candid views as to where we are headed.

12. Ridgway-Fretwell discussion. Ridgway's introductory remarks were similar to those with Johanes, including outline of options confronting U.S. and U.S. conclusion re need to send agreement to Congress by or about October 1. Fretwell opened by noting that UK had proposed a continuation of UK-GOC negotiations in London next week, implying that UK awaited GOC response on this timing.

13. Emphasizing pessimistic current prospects for U.S.-Czechoslovak agreement, and likelihood of conditional approval, Ridgway pointed out that if U.S.-Czechoslovak agreement were lost, any UK-GOC agreement, or possibility for an agreement likely would be lost as well.

14. Fretwell, "thinking out loud", inquired why the Congress could not wait until e.g., "February-March 1982". Ridgway said we could not give the Congress any assurances that would then be in a better position than we are now; a volatile gold market could greatly alter Czechoslovak or U.S. attitudes toward level of settlement acceptable; there was general feeling that in the Congress that it was being had, that there simply would never be the long-sought global settlement. She concluded by restating assumption that UK would not wish to proceed toward an eventual agreement with GOC only at that time to look back and realize that it had been effectively doomed with the loss of the U.S.-Czechoslovak agreement. The time for such a realization was now.

Haig

**406. Telegram From the Embassy in Czechoslovakia to the
Department of State¹**

Prague, November 6, 1981, 1425Z

4584. Subject: Czechoslovak Claims Agreement.

Claims agreement was initialed November 6 by Charge and Director Kral of MFA legal office. Initialed English and Czech texts will be pouched November 10 and should arrive Washington November 13.

Matlock

¹ Source: Department of State, Central Foreign Policy File, D810527–1058. Confidential; Immediate. Sent for information to Bern, Brussels, London, Paris, and Zurich. The text of the claims agreement was sent to London on November 13 in telegram 302976. (Department of State, Central Foreign Policy File, D810540–0471)

**407. Telegram From the Embassy in Czechoslovakia to the
Department of State¹**

Prague, May 15, 1984, 1430Z

2238. Subject: A Conversation With Prime Minister Strougal: Bilateral Relations.

1. C—Entire text

2. Summary. During the Ambassador's lengthy May 14 meeting with Prime Minister Strougal (the first such conversation since 1978), the Czechoslovak Premier lamented the failure of the two governments to improve their relations, which he characterized as "stagnating", and observed that progress was made even more difficult now because of the "rockers." Nevertheless, he urged that something be done, perhaps more meetings, perhaps by "inventing" something. Strougal briefly reviewed Czechoslovak bilateral complaints but surprisingly agreed with U.S. criticism of the Czechoslovak press, blaming this on "others" in a leadership which was not united. He asserted, however, that the man above him (i.e., Husak) shared his attitude on this question. As

¹ Source: Department of State, Central Foreign Policy File, N840007–0113. Confidential; Immediate; Nodis.

a "realist", Strougal said he understood that MFN was not obtainable at this time, and that all that was left on the table was the recent U.S. draft for an exchanges agreement,² which he indicated had been favorably received by the GOC. The question was "what next?" To explore this further Strougal expressed his willingness to meet again with the Ambassador after the latter's return from Washington on consultations. In contrast to the rote repetition of the Czechoslovak line on bilateral relations which we often hear from lower-ranking officials, Strougal seemed genuinely interested in exploring ways to improve relations, although he himself confessed that in present circumstances he saw no easy way to accomplish this objective. It is an avenue and an opportunity which we should pursue. End summary.

3. In his discussion of bilateral affairs during his two and one-half hour May 14 conversation with the Ambassador, Prime Minister Strougal complained of his lack of information and contacts with regard to the U.S. He said that he had not spoken with American officials for some time and, although he had met twice with Mr. Nixon, neither meeting had occurred during Nixon's Presidency. He recalled the visit of Secretary Rogers to Prague (1973)³ and remarked that he was more optimistic at that time about improving relations than he was now. In those years he had also met with some members of Congress. He claimed to read U.S. policy statements and other materials regularly, but regretted his sources of information were limited to this, the newspapers, or reports of Czechoslovak diplomats in Washington. These were not enough. He stated that he hoped to have further, even regular, talks with the Ambassador, since even if the situation was complicated, he refused to accept that there was "no way out."

4. Strougal recalled that after the settlement of the gold/claims dispute, he "did not expect miracles", nor did he believe that MFN would follow the "next morning." Nevertheless, he had not expected things to get worse. But they had following the NATO INF deployment, a factor which placed a great burden on the bilateral relationship, as well as on the international environment, and U.S.-Soviet relations in particular. He complained of the lack of "official" political consultations, the low-level of access to U.S. officials that Ambassador Suja faced in Washington and the negligible amount of trade between the two countries, noting that the only "star on the horizon" was the proposed agreement on "scientific and technical" exchanges. Strougal said that the recent U.S. draft on this subject had been greeted positively by the GOC, and he saw no obstacles to its favorable consideration. "But that was it." The Prime Minister said that he realized that it was "unrealistic" to talk of

²Not found.

³July 8-9, 1973.

MFN today since the conditions simply do not exist. There might be some developments on the legal side, and perhaps more meetings of the U.S.-Czechoslovak Trade and Economic Council, but “realistically” there was not much to be done.

5. The Prime Minister said that his desire to improve relations with the U.S. did not stem from any egotistical motivations, or simply “to make business.” He claimed to be quite satisfied with the situation of the Czechoslovak economy, particularly its low debt repayment position, and said that the GOC balance of payments situation was the best of all the “socialist” countries. Not only the West, but also vis-a-vis the other CEMA nations. The only exception to this was the current account balance with the Soviet Union. He claimed that if one took account of other factors such as Czechoslovak investment in the CSSR, even with the Soviets the overall balance was positive.

6. Strougal observed that the Czechoslovak people thought that relations with the U.S. were bad, and they were correct, adding that since it was necessary to respond to public opinion any small step or measure to improve the situation would be welcome. Surprisingly, Strougal then expressed his agreement with U.S. criticism of the Czechoslovak press, stating that he did not approve of “certain things” that were done. He felt it correct to argue over politics and policy differences, but stated that in his view this should not include insulting leading U.S. personalities. The Prime Minister observed that the U.S. view of his government was too often that there was a unified leadership. This was incorrect. He claimed to have argued with his colleagues on this point and that “the man above me”, (i.e., Husak) was of the same opinion. Strougal said that those who opposed him replied that he should read the U.S. press, but his answer was that this was of no relevance since his own norms and standards did not depend on those of others. Strougal also claimed to have argued internally that the Soviet press was at times more lenient on the U.S. than that of his own country, asking why “we” should attack the U.S. in forms which “exceed the limits of decency.” He agreed that such things constituted a burden on our relationship and that they were foolish and useless. The Prime Minister asserted that the “authors” of these articles were held to account, but that these “authors” had other people who backed them. Thus, there is no unity of view on this question.

7. Concluding his long monologue on this subject, Strougal characterized U.S.-Czechoslovak relations as being in a state of “stagnation”, a situation harmful to both societies and individuals. He asserted that even if he does not know the U.S. well, he tried to understand it, and what limited contacts he had had with American officials were always open and frank. (He last met an American Ambassador in 1978.) He urged that both sides attempt to do something to improve the relationship, if only for future generations, noting that President Husak had

specifically asked him to hold this conversation with the Ambassador, and to work out a plan with the Ambassador. He said that, despite everything, his one source of hope was the fact that there was a period of time before the war and up to 1948 when relations has been good. He realized that since that time relations had worsened, and that the image of Czechoslovakia in the U.S. Congress, for example, was an extremely negative one.

8. Strougal suggested that he and the Ambassador continue their contacts and discussions at a later date, adding that the GOC would be glad to sign a "scientific and technical" exchanges agreement, but needed to know where we might go next. Perhaps more meetings of the bilateral Trade and Economic Commission, perhaps it would be necessary "to invent" something. There was no clear answer on this, even though he had consulted a variety of ministers and asked for their suggestions.

9. Following Strougal's long and unprovoked monologue on bilateral relations, and other subjects, the Ambassador reviewed with him the talking points on U.S.-Soviet relations (State 140525),⁴ handing him a non-paper⁵ containing these, and some further points on bilateral relations (which we will pouch to EUR/EEY), including reference to the U.S. draft exchanges agreement, the proposed consular agreement, the success of the Judaica exhibit and our satisfaction with the release of the Czechoslovak citizens held by UNITA and the recent CSCE consultations by DAS Dobbins. The points also included our concern with the distorted attitudes expressed daily in the Czechoslovak press and regret at the decision of the Czechoslovak Olympic Committee not to participate in the Los Angeles games. Strougal expressed particular pleasure in receiving the points related to U.S.-Soviet relations, remarking that it was not often that he received a "serious" document during such conversations.

10. The Ambassador expressed his appreciation for the Prime Minister's candid remarks, and for the fact that he appeared seriously committed to improving bilateral relations. He agreed to meet with the Prime Minister again following his return from Washington on consultations at which time they could further explore ways to improve the relationship.

11. Comment: Despite the Prime Minister's reputation as a "closet liberal" (within the Czechoslovak context) and his apparent inclination sometimes to unburden his soul to an occasional interlocutor, we were neither prepared for the length of the session (almost two and

⁴Telegram 140525 to Prague, May 12, outlined the areas in which the United States had injected new ideas into the U.S.-Soviet bilateral dialogue. (Department of State, Central Foreign Policy Files, N840007-0086)

⁵Not found.

one-half hours), nor for some of Strougal's candid remarks (no matter how self-serving they may have been) during this fascinating conversation. Whether Strougal really does have a mandate from the President to improve relations, as he hinted, or was simply winging it, remains to be seen. In any case, it is clearly in our interest to try and develop this situation and opportunity to the extent possible.

12. It is possible (although we must await further developments) that this may be a probe from Strougal and Husak to demonstrate at least some flexibility in their foreign policy, given what appears to be increasing frustration with some aspects of Soviet policy (the Olympic boycott, INF countermeasures, CEMA). Even if it is nothing of the kind, however, improved access to the Czechoslovak leadership, which use of this channel implies, may provide us with some much-needed insight and information on intra-bloc politics and make possible the sowing of a little more doubt and confusion in this time of flux in Eastern Europe.

13. We will provide the Department with some ideas on how we might best respond to Strougal, and the Ambassador will discuss this further in his Washington consultations.

14. The Department may wish to pass this cable to Moscow and EE posts. I am not planning to brief colleagues here on the details of these conversations and would prefer they not be provided to foreign officials or given wide distribution.

Luers

408. Telegram From the Embassy in Czechoslovakia to the Department of State¹

Prague, May 18, 1984, 1412Z

2310. Subject: Dealing With Czechoslovakia: Implications of Strougal Conversation. Refs: Prague 2283² and Previous.

1. S—Entire text.

2. The Strougal outpouring to me was, for this Embassy, a landfall after a very long voyage. Even if it turns out to be a small barren island

¹ Source: Reagan Library, Executive Secretariat, NSC Cable File, Europe (State) NODIS IN (04/24/1984–11/30/1983). Secret; Sensitive; Nodis.

² Telegram 2283 from Prague, May 17, provided a description of Strougal and the tenor of Luers's May 14 meeting with him. (Department of State, Central Foreign Policy File, D840323–0770)

in this monotonous sea, as it may well, at least it breaks the boring seascape, and sparks the mind. That we have dumped six long telegrams on the Department as a result of this minor event is an indication of how rare it is that we hear anything of note. During my first months in Prague, I was tempted to send a message "There is not now and is not likely to be anything new from this post. This, therefore, is the last message from Prague until there is a change of leadership".

4. Now we have in Strougal's comments an opportunity at least marginally interesting:

—He was remarkably critical of recent leadership confusion in Moscow, the heavy influence of "the marshals" there, and the Soviet decisions on INF/START, CEMA and the Olympics.

—He believes that once a "face-saving" formula can be found to get the Soviets back to the negotiating table with the U.S. "they will never leave again". He thinks he and other EE leaders can be of some help.

—He wants to do something to improve relations with the U.S. and said he has a green light from President Husak to "make up" a plan for me.

5. As I noted in an earlier cable, this was a meeting I do not fully understand or trust. There is an aura of a "Banana Republic" in the way this small Soviet dependency manages what they call a foreign policy. Strougal had been promising to meet with me earlier. It accidentally happened this week. Yet in order to bring a bit more pressure on Moscow, sow a little more knowledge and confusion in the Warsaw Pact, and continue to have access to this unexpectedly candid and well-positioned observer, I hope the Department will support my desire to have something to talk to Strougal about:

—I would like to propose to him in our next meeting, if it ever happens, a summer visit by you, a visit of Paul Nitze or another senior arms control expert, and a subsequent official visit to Washington of a Deputy Foreign Minister—either Johanes or Murin, who received Dobbins—and will be at the UNGA in the fall.

—I would like to offer periodic detailed briefings on international issues like the one I was able to offer him on East-West relations. EUR had prepared, fortuitously just in time, a first-class summary of US-Soviet relations.³ Papers on US-China relations, on nuclear issues, on Southern Africa, on the Middle East, plus a periodic update on US/Soviet relations which are specially tailored for them, even if largely public policy, would allow us to insert into the Warsaw Pact equation some clarity on U.S. policy. Communist leaders like to think they are reading classified U.S. documents.

³Not found.

—I would like to propose to them bilateral discussions in other areas—ecology/pollution (a major problem for them), peaceful uses of nuclear energy (they are beginning a major program with the Soviets which we would like to learn about; it is also one of the very few areas in which we have worked with this government constructively, i.e. at the IAEA), and terrorism (a more controversial area but one that we should, I believe, engage even with these governments).

—I will come to Washington next week with some additional ideas in the trade, scientific and cultural fields. This cable is simply to lay out some of my thinking before we meet on Friday, June 1.⁴

Luers

⁴ No memorandum of conversation of this meeting was found.

409. Telegram From the Embassy in Czechoslovakia to the Department of State¹

Prague, September 24, 1984, 1621Z

4530. Subject: US-Czechoslovakia Relations: Conversation With Strougal (Cable III).²

1. Summary: At the end of the September 24 talk, Prime Minister Strougal and I discussed US-Czechoslovak bilateral relations. I had nothing to say since the Department had provided me no guidance. But I spoke candidly about our “differentiation” policy and hinted at some small measures that I might propose later. I said that the Washington attitude was negative toward doing much with Czechoslovakia and that he knew why this was not likely to change in the near term. Strougal listened and said my analysis was probably realistic. He did talk about expanding contacts and said that my channel to him would remain open. He gave no hint of whether or when the GOC would respond to

¹ Source: Department of State, Central Foreign Policy File, N840011–0087. Secret; Immediate; Nodis.

² Cable I, telegram 4528 from Prague, September 24, described the meeting between Strougal and Luers on September 24, focusing particularly on Strougal’s views on U.S.-Soviet relations. (Department of State, Central Foreign Policy File, N840011–0092) Cable II, telegram 4529 from Prague, September 24, described Strougal’s views on CEMA as presented at the September 24 meeting. (Department of State, Central Foreign Policy File, N840011–0089)

our offer to negotiate an exchanges agreement. This is the third of four cables reporting this discussion. End summary.

2. At the end of an hour and a half conversation on September 24 with Prime Minister Strougal, we turned briefly to the state of US-Czechoslovak relations. This followed a discussion on US-Soviet relations and CEMA developments which are being reported separately. This is the third cable in the series on this discussion.

3. Since Strougal did not seem intent on pursuing our bilateral relations, and, more to the point, since the Department had given me no instructions on what I could say, I spoke in general terms about U.S.-Czechoslovak relations. I outlined with some candor the shape of our differentiation policy which I said had become the subject of Soviet and Eastern European criticism over the past few months. I said we are pursuing a policy of self interest to improve bilateral relations with those countries in Eastern Europe that demonstrated they were prepared to pursue them with us. I said even though Czechoslovakia was now the country closest to the Soviet Union and furthestest for us, there was every reason to believe that it could conduct sensible relations with us as Hungary has been doing for some time and as East Germany has begun to. There are interesting developments in Central Europe that suggest it was possible for nations to pursue some independent self interests in this part of the world and still not leave the Warsaw Pact. I told Strougal that it is not U.S. policy to impose our form of democracy on Czechoslovakia (as Strougal had said in a recent speech), but it is in our interest to conduct mutually beneficial relations. I said quite frankly there was a good deal of reluctance in Washington to undertake even some minimal measures with Czechoslovakia until things change here for reasons which he knows well and which we have already discussed.

4. Nonetheless, I said that we were still seeking some very small steps to see what possibilities are open. I referred to our desire to see a response to our proposal to negotiate an exchanges agreement and spoke of the possibilities for a more open exchange of people. I said I hoped to be able to discuss within the next few weeks the possibilities of exchange of visits at the Deputy Foreign Minister/Assistant Secretary level and perhaps a discussion in depth of certain foreign policy issues on which the U.S. and Czechoslovakia differ. I said that there was considerable reluctance in Washington, however, to proceed with even this level of contacts with Prague. I concluded by saying that I thought, if in fact the Soviets were to respond to our initiatives and begin having the dialogue we sought following U.S. elections, there might be some improved opportunities to open up US-Czechoslovak relations ever so slightly. I said I was not the least bit optimistic over the short run, however.

5. Strougal listened carefully and said that he thought my analysis was a realistic one. He said he did not see much short-term reason for

optimism in our bilateral relations but assured me that my dialogue with him and with ministers should continue. He discussed as well the need for more lower level exchanges of professors, political scientists, experts and “Americanologists” such as Arbatov from the Soviet USA Institute. (Comment: Here he entered a digression on Arbatov which I have reported separately³ and which took him away from US-Czechoslovak relations). He had to move on to another meeting so we left further discussion of the bilateral relationship until the next time.

6. Comment: As in so many areas, Strougal is simply marking time on this matter. He is probably hoping that some softening will be possible in their own policies if US-Soviet relations improve. He did not, however, suggest any movement toward negotiations on exchanges or indicate that he had any creative ideas of his own as he suggested he might last May. Creative ideas and the Czechoslovak Government are contradictions in terms.

Luers

³ Not found.

410. Telegram From the Embassy in Czechoslovakia to the Department of State¹

Prague, September 26, 1984, 1154Z

4562. Subject: Strougal: Thoughts on His Agenda and Ours. Ref: A. Prague 4528,² B. Prague 4529,³ C. Prague 4530 (Nodis).⁴

1. S—Entire text.

2. Summary. Strougal’s comments to me on September 24 contained several interesting oddities: He was extremely negative on CEMA cooperation; defensive and confused about Kremlin politics, down on Gromyko, and very high on Gorbachev, whom he said “heads the CPSU Secretariat”. That he stayed away from our bilateral relations, declined to discuss the possibility of economic or other

¹ Source: Department of State, Central Foreign Policy File, N840011–0150. Secret; Immediate; Nodis.

² See footnote 2, Document 409.

³ See footnote 2, Document 409.

⁴ See Document 409.

reforms here, and avoided inner-German relations, I also found interesting. He welcomed my activist approach, urged me to keep up my "protests" to his government when Czechoslovak leaders (Bilak and company) criticized President Reagan and he welcomed my article in *Rude Pravo*. He said I will continue to have access to him if we manage this discreetly. My conclusion is that Strougal is probably doing this on his own with the tacit approval of President Husak and that he does not want anything more from us now except for occasional briefings. I still want to press for the moderate increase in official dialogue with this government that I have recommended separately. See action requested at end of cable. End summary.

3. In the first three cables in this series (reftels), I tried to convey as accurately as possible Strougal's remarks to me of September 24. In this cable I discuss some of the odd but important aspects of what he said, review what he stayed away from, report on his explanation of why he is seeing me and submit some analysis of this Strougal phenomenon. As in the case of the earlier cables, I request that distribution be limited. I suggest it be repeated to Moscow.

Some Odd But Important Aspects of Strougal's Remarks

4. In reviewing my notes of the conversation there are a series of points which I find particularly noteworthy either for being unusual coming from a communist leader or odd coming from this particular country. Keep in mind that Strougal has been managing this government and economy for over 15 years during which time he has had a relatively close, if not intimate, relationship with the Soviet leadership. Here are some of the noteworthy oddities:

—Strougal's extremely negative view of CEMA economic cooperation and the economic future of the region (Ref B) sounds more like an analyst from Wharton econometrics than the leader of an orthodox communist state. He seemed fed up and discouraged about the economic potential of this region.

—His remarkably candid comments about the Soviet leadership reveal defensiveness about his closest ally. Also he seemed to act like an outsider (like all the rest of us) rather than a trusted loyal confidante of the Kremlin rulers. He has had considerable access but the insights he reveals to us are only a little better than our own perspective. His perspective seems remarkably "Western".

—Strougal was determined to give us guidance on handling Gromyko. Throughout the conversation he said that the "Soviet leaders" or "Soviet delegation" should leave the meeting with the President⁵

⁵ Reagan met with Gromyko in Washington on September 28. See *Foreign Relations, 1981–1988*, vol. IV, Soviet Union, January 1983–March 1985, Documents 286 and 287.

convinced that there was hope for negotiations. He avoided suggesting we had to convince Gromyko. His strong pleas for not revealing too much to the press after the meeting and his strange defense of Arbatov suggested ways to communicate with Moscow.

—His forceful defense of Gorbachev and particularly his repeated statement that Gorbachev “heads the Secretariat” of the CPSU is befuddling since Chernenko as General Secretary virtually by definition heads the Secretariat. Strougal is neither dumb nor uninformed on such issues. What does he mean by that? Moreover, Romanov, it is said here, has the watching briefing in the Kremlin over Czechoslovak-Soviet relations. It is interesting that Strougal is so high on Gorbachev.

What Strougal Did Not Say

5. The discussion went on for one hour and forty minutes and a great deal of ground was covered, but Strougal avoided a number of interesting topics.

—U.S./Czech relations. He was not prepared to discuss our bilateral relations nor did he have this on his agenda. I am particularly struck by his failure to respond to my candid explanation of our “differentiation policy”. He may have just been too much of a gentleman to discuss it, but I am inclined not to give him that credit.

—Despite his strong statements regarding the weakness of the CEMA economic system, he declined to give any hint of what might or might not be happening in reforms in this country suggesting, as usual, that nothing is happening.

—I gave him several openings but he refused to be drawn into a discussion of inner-German relations. I find that surprising given importance and sensitivity of that issue here and given his candor on other points.

Strougal On My Activities

6. Some of the more interesting information in the discussion related to his comments about my activities:

—His opening remarks of the conversation were “I read your letter⁶ to the Foreign Minister protesting criticism of President Reagan in *Rude Pravo*.⁷ That was awful.” I asked him, “What was awful? My letter?” He replied, “Oh, no, your letter was excellent. It was the criticism in *Rude Pravo*.” He said that type of thing should not happen and when it does happen “you should protest.” (He was referring to my

⁶ Not found.

⁷ *Rude Pravo*’s criticism of Reagan’s “inadvertent voice test remarks” before his August 11 weekly radio address, in which he suggested that the United States was about to bomb the Soviet Union, was reported in telegram 3770 from Prague, August 15. (Department of State, Central Foreign Policy File, D840520–0940)

protest letter to Chnoupek of July 6 regarding the published speech of Bilak—Prague 3104).⁸

—He congratulated me on the article in *Rude Pavo* and *Pravda* on the U.S. role in the Slovak national uprising.⁹ He said it was written with just the right tone to get it published and yet still carry the U.S. message in the papers with the largest distribution in the country.

—Strougal asked again that the information he provides me not appear in the press. He said he was pleased there was no public feedback from our last meeting. I told him that my report of our meetings receives limited distribution and that I had not discussed our meeting with any of my colleagues in Prague or shared the information with other governments. He said the substance of my conversations he shared only with President Husak and only indirectly, without citing me, in his meetings with other ministers.

—He said that I would continue to have regular access to him keeping in mind that he had to be “careful” with his Foreign Minister and be discreet with other ambassadors. He said he and the President welcomed my activist approach which has been made even more difficult by the fact that this was one of the most troubled periods in U.S./Czech relations since he has been Prime Minister.

What Does Strougal Want?

7. This apparent open door to the head of a communist government is unusual and difficult to evaluate. The situation gives rise to several questions:

—Is Strougal acting on his own or under instructions? I suspect that he is acting more or less on his own trying to inform himself better and to pick up whatever scraps from us he can use to ingratiate himself to his President, the Soviets or someone else. He may also want to arm himself first-hand with facts and argumentation about our positions on central issues to use in his presumed ongoing policy tussles with Vasil Bilak, party ideologue and Slovak rival. The way the meetings have come about and the personal style suggest that he is free-wheeling possibly with the tacit approval of the President.

—What is Strougal’s agenda? As a tired cynic who may be looking at the end of his career, he seems confused by Kremlin politics and deeply concerned about the future of the economy. To be charitable he may be reaching out tentatively to a part of the world with which he has had less contact than he, as a Czech, would like. To be unkind, he may simply be bored.

⁸Telegram 3104 from Prague, July 6, conveyed the text of Luers’s letter. (Department of State, Central Foreign Policy File, D840434–0112)

⁹Not found.

—Does Strougal want anything from us? Probably nothing except some information. Should U.S./Soviet relations perk up a bit he may ask for a slight upturn in our dealings with Czechoslovakia. Now he is simply keeping his ears and options open.

Strougal's Health

8. He did not seem much different from his appearance in May. Although he seemed to bulge a bit more at the waist and was possibly a little more stooped, he looked reasonably fit. I had a report that he was worried about his health problems since his early July illness. The only hint of this was that he did make reference to his age several times. His close aide, in a conversation prior to the meeting, said in response to my question about the Prime Minister's health that he was "getting old".

Conclusions and Policy Implications

9. If access to Strougal can be maintained without cost we have nothing to lose and perhaps something to gain. This meeting was not publicized in *Rude Pravo* as the earlier one had been. So he is trying to keep our contacts discreet. His aide assured me the following day that the Prime Minister would help in getting us access to visiting officials, businessmen and even for a three-star general who will be visiting me here next month. We should, therefore, continue to try to provide Strougal interesting periodic briefings to sustain this access and get his rather candid views on events in Moscow and elsewhere. After all, we are primarily a "listening post" so we should take every opportunity to listen.

10. It is also in our interest to keep up an active effort to bring information on U.S. policies to this leadership more broadly than Strougal. Some slightly higher level contact such as an exchange of visits as proposed at the Assistant Secretary/Deputy Foreign Minister level hardly falls in the category of destroying our policy of differentiation. Clearly, my talk with Strougal about how troubled the Soviet leadership is and how desperate CEMA cooperation has become cannot be considered bestowing prestige on the Czechoslovak Government. In fact, such information, if it proves accurate, should enable us to formulate better tactical approaches to the Soviets and to the region. Therefore, I reiterate my interest in pursuing my earlier recommendations to open slightly a dialogue with this wretched—but well connected—government.

11. Action requested:

—EUR, INR and Embassy Moscow provide feedback on Strougal's remarks and my analysis of them. Do they track with other information?

—Provide me authority soon to approach Strougal or Chnoupek on an invitation to a Deputy Foreign Minister to visit Washington and on a visit of Assistant Secretary Burt.

411. Telegram From the Embassy in Czechoslovakia to the Department of State¹

Prague, February 3, 1987, 0754Z

618/Depto 10017. Subject: Czechoslovakia: The Government Go-Round; A Mild Surprise.

1. Secret—Entire text.

2. After a day of sightseeing on Sunday,² it was back to work today with a vengeance with six hours of serious meetings with Party Secretary Bilak—who is said to be the second most powerful man in the country—Foreign Minister Chnoupek and Prime Minister Strougal. I don't know if they meant it to be this way, but we noticed a distinct progression from our morning tussle with Bilak (who lived up to his reputation as quite a recalcitrant) through Chnoupek to Strougal. Somewhat to my surprise, the Czechoslovaks are more ready to move forward to improve our relationship than I would have thought. It won't be easy, of course, because these visits always tend to make the obstacles seem smaller, but I am convinced that if we press ahead step-by-step, we might achieve some of our objectives here.

3. I hit them hard on a string of human rights violations and on their anti-U.S. attitude at the UN and elsewhere. But they didn't say no to anything, promised to get going on some outstanding issues, and seem ready to contemplate further steps. We still have no word about a visit with a President Husak, but from what has been said I have the feeling he may be ill or that some change may be about to occur. Shevardnadze arrives Wednesday.³ Our potential trouble spot tomorrow is a scheduled breakfast with Charter 77 leaders.⁴ Yesterday they were being warned not to show up. We protested strongly, as have the British. Tim Renton (one of Sir Geoffrey's deputies)⁵ is here, and we hear he had a pretty full gathering of dissidents over dinner tonight. We may be able to see our group without a confrontation.

4. As I say, I was mightily struck by the differences in views which I heard today. Bilak has an entire extended family in America, but he is a throwback to Stalinism. His suit wouldn't pass muster with Raisa

¹ Source: Reagan Library, Paula J. Dobriansky Files, Whitehead Visit to E. Europe—Czechoslovakia 1/28/87–2/7/87. Secret; Immediate; Nodis.

² February 1.

³ February 4.

⁴ See footnote 4, Document 5.

⁵ Sir Geoffrey Howe, British Secretary of State for Foreign and Commonwealth Affairs.

Gorbachev and I doubt his ideas would impress Mikhail. Should try to avoid being hopelessly smothered by Moscow. Bilak said that in 37 years as a politician he'd never heard such frank talk. It was probably good for him. We argued long and hard about human rights.

5. Things went better with Chnoupek. He didn't particularly like hearing about human rights either, but did say that some of our five remaining divided family cases could be solved. We agreed that the level of our relations are unnatural. But I made it clear the state of the human rights situation here is largely to blame. Chnoupek had his own agenda. They want regular exchanges with us, including narcotics and terrorism. I reinforced the point that MFN is not likely soon but agreed that we should work to improve our meager economic relationship. He seemed genuinely eager to improve things.

6. Strougal lived up to his reputation as a leading pragmatist. His surprisingly frank and critical comments on his country's problems couldn't have differed more from Bilak's, who is the big stumbling block to people like Strougal. The Prime Minister boldly predicted substantial change here; the winds of change blowing from Moscow have at least reached his door. He gave his full support to the idea of a step-by-step effort designed to resolve our outstanding problems and perhaps lead to something better.

7. An indication of the state of things here is that the story is circulating around government ministries that George Bush, in his speech in Vienna in September 1983, called the Czechoslovaks "savages." I set the record straight by quoting from George's speech, which was critical but hardly the kind of attack it was made out to be.

8. At dinner tonight I said I would like to be invited back to Czechoslovakia in six months to judge what progress has been made. I also told Deputy Foreign Minister Johanes that he should come to Washington in the spring.

9. I had a drink last night with Tim Renton. He sought me out to tell me that London believes we should lift our sanctions on Poland. I told him I would be reporting to you and I would add British views.

Niemczyk

412. Telegram From the Embassy in Czechoslovakia to the Department of State¹

Prague, February 3, 1987, 1414Z

632/Depto 10020. Subject: Deputy Secretary's Meeting With Czechoslovak Communist Party Secretary Vasil Bilak.

1. Confidential—Entire text.

2. Summary: The Deputy Secretary met for over two hours on February 2 with Czechoslovak Communist Party Secretary and Presidium Member Vasil Bilak—the first time a U.S. representative has called on a Czechoslovak party official in Bilak's position for many years. Noting the historic and friendly ties between the people of Czechoslovakia and the U.S., Bilak said efforts to bring the two governments closer together were welcomed, as was the Deputy Secretary's visit. Mr. Whitehead said U.S. concerns regarding Czechoslovakia primarily result from its human rights policies and practices, including treatment of dissidents, restraints on religious practices, and limits on freedom to travel and emigrate. Our commitment to human rights is part of our heritage. In the U.S. view, he said, Czechoslovakia is very closely linked to the Soviet Union; we believe it would be in Czechoslovakia's interest to move away somewhat. Some recognition of our human rights concerns would be required, he said, if U.S.-Czechoslovak relations are to improve. He also noted that a number of small steps have already been started to extend the bilateral dialogue.

3. Bilak defended Czechoslovakia's close ties to the Soviet Union, said the U.S. stresses individual rights while Czechoslovakia primarily values "collective rights", compared dissidents to the mafia and drug dealers in the United States, and rejected assertions that religious freedoms are restricted. At the same time, he implied that Czechoslovakia might be more forthcoming regarding former Czechoslovaks revisiting their homeland and said we would have no objection to the resolution of certain divided family cases. In reply to the Deputy Secretary's enumeration of areas where bilateral progress might be made, Bilak said Czechoslovakia favored cooperation in such fields as drugs, terrorism, health, S&T, and trade, but urged that it not be made dependent on political preconditions.

4. The Deputy Secretary stressed in concluding the discussion the strong commitment of the U.S. to human rights and to speaking

¹ Source: Department of State, Official Correspondence of Deputy Secretary of State John C. Whitehead, July 1982–January 1989, Lot 89 D 139, JCW's Eastern Europe Trip 1/27–2/7/87 Memcons. Confidential; Immediate; Limdis. Sent for information to Eastern European posts, Moscow, Rome, Vienna, and the mission to NATO.

out against unfair restrictions on individual freedoms wherever they occur. Bilak thanked Mr. Whitehead for his candor—the likes of which he had not experienced in his 37 years as a “practicing politician”—and assured him that Czechoslovakia was ready to discuss any and all issues. He said he supposed their meeting “would do no harm;” it was certain in any case, he said, that the two sides had clarified their positions. End summary.

5. Deputy Secretary Whitehead was received at CPCZ headquarters on the morning of February 2 by Central Committee Secretary and Presidium member Vasil Bilak for a two and one-quarter hour discussion. Also present on the U.S. side were the Ambassador, NSC Director for East European Affairs Dobriansky, EUR/EEY Director Wenick, D Executive Assistant Grossman, and DCM Schmidt. Bilak, who is responsible for foreign affairs, ideology, and media within the CPCZ, was accompanied by CPCZ International Affairs Department Director Michal Stefanak, Deputy Foreign Minister Johanes, Jan Lajka of the Office of International Policy of the Party’s Central Committee, and an interpreter. Bilak welcomed the Deputy Secretary to his office in the Central Committee building, noting that it was the first meeting of its kind, and said that he wanted to express satisfaction that Mr. Whitehead was visiting Czechoslovakia. It was no secret that long-term efforts to improve bilateral relations were lagging. Bilak said that never in history had there been animosity between the people of Czechoslovakia and the United States; on the contrary, there always had been warm relations which in large part were based on the fact that at least three million people had emigrated to the United States from this country. To illustrate the number of family connections between the two countries, Bilak described his own family in which he said he could count the graves of more relatives in the U.S. than in his own country. His father’s sister and all 11 brothers had emigrated to the U.S. and his own father had traveled there five times, marrying there and working in the steel mills of Pittsburgh. Thus, Bilak said, he still has American cousins, a number of whom have served in the U.S. Army. He noted that the two countries also were allies in World War II. At the same time, Czechoslovaks always had close relations with the Russian people, and at the end of the war they had “chosen a new orientation” in order to “save the country’s independence”—a step which somehow produced unfriendly reactions toward Czechoslovakia.

6. Bilak said Czechoslovakia had thought relations with the U.S. would improve with the settlement of the claims/gold problem, but nothing had happened. The Czechoslovaks had been told to “make gestures” and one was made by permitting a collection of Judaica to be exhibited in the United States. However, no return gesture was made by the other side. Nevertheless, Czechoslovakia continued to

welcome every initiative to try to bring relations closer. While each state, whether large or small, sets its own standards which should be respected, it was essential to increase mutual understanding. For this reason, he said, the Deputy Secretary's visit was welcome, and it was hoped relations could be moved forward. Ambassador Niemczyk had come with good intentions to support such work, and, perhaps, with efforts by both countries, at least small steps could be achieved.

7. In reply, the Deputy Secretary acknowledged the close ties Americans have with Czech and Slovak people and said that the problem was not between people but between the two governments. This was a result of the very close relations which Czechoslovakia has with the Soviet Union and its very distant relations with us. We were not attempting to change Czechoslovakia's relations with the Soviets but, at the same time, we would like to bring about changes in its relations with the U.S. Our concerns regarding Czechoslovakia, Mr. Whitehead said, have mostly to do with its human rights policies and practices. This included the GOC's treatment of dissidents, its restraints on religious practices, and its restraints on the freedom of people to travel and to emigrate. It may appear to some that the U.S. places too much emphasis on human rights, even to the point of interfering in Czechoslovakia's internal affairs. He explained that the Americans' strongly held views on human rights grew out of the history of their country and the emphasis and the importance we place on the freedom of individuals, as exemplified in the Constitution's Bill of Rights. It is both our tradition and our heritage to believe that people should live their own lives without the interference of governments. We also believe that the chances of peace are greatest when human freedom is respected, and that the prospects of war increase when government leaders take away the freedoms of their citizens.

8. Bilak assured the Deputy Secretary that it was possible to speak frankly about any issue. The Czechoslovak side was willing to discuss mutual differences and would only ask that we refrain from interference in its internal affairs. He described how Czechs and Slovaks had over the centuries been "spared no war" and had suffered under domination of the Hungarians and Hapsburgs, and then responded to Mr. Whitehead's observations:

—Czechoslovakia's close relations with the Soviet Union were based on historic ties and on strong economic links. Czechoslovakia now received 90 percent of its non-ferrous metals, 90 percent of its oil, 99 percent of its natural gas, and 80 percent of its iron ore from the Soviets. The Soviet Government treats Czechoslovakia better than does the United States, and Czechoslovakia responded in kind. It was no coincidence, he said, that there was an old proverb which said that things would never be good here "until a Russian Cossack lets his horse drink from the Vltava."

—There are differences between our governments because Czechoslovaks and Americans have “chosen different paths”. Czechoslovaks respect the history of the United States and think Americans have a right to speak with pride about the U.S. Constitution, now celebrating its bicentennial. But do Americans think our constitution or that of the Soviets is worthless and theirs “more wise” because it was created 200 years ago rather than by the present generation?

—Regarding respect for human rights, the U.S. emphasizes individual rights whereas Czechoslovakia stresses collective rights. Bilak cited the Gabriel case (a child custody case dating from the late 1960’s) as an example of how certain human rights, e.g., maternal rights, are not respected in the U.S. Bilak derided the term “dissident,” noting with heavy sarcasm that the person who invented this “noble word” was very clever, and that perhaps Czechoslovakia should begin using it to describe the mafia and drug dealers in the United States. He said we should not think that the Czechoslovak side was “completely illiterate;” it was known just how much monetary support was being given to such persons in Czechoslovakia by “various anti-communist centers.” Each nation must protect itself and, like a mother who sometimes is even overprotective of her child, socialism was being protected here. He warned that people should not “poison the well” in Czechoslovakia. By the same token, the founding of opposition parties was not allowed since they would not strengthen Czechoslovak society.

—As for religious freedom, Bilak said he believed there were many states which did not have as extensive religious freedoms as those in Czechoslovakia. He gave an account of the religious scene, noting that 18 denominations were recognized with equal rights, certain sects were not allowed, the constitution guaranteed everyone the right to worship God in a way they deemed appropriate, and the church and state were not separate, e.g., all clergy are paid by the state. He noted efforts to preserve church buildings and claimed there were no complaints regarding religious education. Referring to the long-standing problem of vacant bishoprics, Bilak claimed that the GOC wants to reach agreement with the Vatican in order to fill the positions. According to him, the Vatican was maintaining two preconditions: that the new bishops be faithful to the Vatican and that they be of good moral standing. The GOC agreed with these conditions but had added two more to them: the new bishops must be “tolerant to the state,” and the “illegal church,” which he said consisted of 20 “illegal bishops,” must be disbanded. He also complained that while the Vatican opposes the participation of Czechoslovak priests in the organization “Pacem in Terris,” at the same time in Poland it was supporting the involvement of priests in political organizations.

—Bilak defended the GOC’s record on freedom of movement on economic grounds. He said that some 9–11 million Czechoslovaks

travel abroad each year. While the government would be glad to see more travel abroad, it did not have sufficient hard currency resources to make it possible and did not think that borrowing for that purpose made economic sense. He implied a more forthcoming attitude concerning former Czechoslovaks who wished to revisit their homeland, commenting that they were not considered "enemies of the state," although it was necessary that they first adjust their citizenship status. On divided families, ("certain humanitarian cases"), he hinted that either the Foreign Minister or Prime Minister might have something to say. As far as his own view, Bilak said, he personally would have no objection to resolving certain cases in which persons wished to emigrate to the U.S. to join their families. In some cases, he claimed, it was only the local authorities which stood in the way of resolution. In general, Czechoslovakia had seen several waves of emigration in the past, and it certainly would have no trouble with the departure of a few people. However, he did refer to the need to protect against the drain of talented young people who wished to leave on economic grounds.

—Regarding bilateral trade, Bilak noted that Czechoslovakia did not enjoy MFN because of "discriminatory reasons," and asked rhetorically why China should be treated differently. Furthermore, Romania was being treated differently because of its foreign policy; this amounted to interference or pressure. He also complained about the existence of COCOM, saying it would only result in Czechoslovakia and the Soviet Union producing its own highly sophisticated technology. History will prove, he said, which system is stronger—but it can only be proven in times of peace.

9. Using two water bottles and glasses to illustrate his point, the Deputy Secretary contrasted the U.S. and the group of friendly nations aligned with it in the Western world to the Soviet Union and its tightly linked allies. The U.S. and its allies have similar beliefs, but also have disagreements, whereas the Soviets and their allies hardly ever disagree—at least in public. For example, he said, they always vote with the Soviet Union in the UN. He noted that Hungary, with its mixed economic system, has moved slightly away from the Soviets, and Romania with its foreign policy differences has also moved somewhat away. Now the Poles have also begun to move slightly away from the Soviets. In our view, the Deputy Secretary said, Czechoslovakia is still very close to the Soviet Union; in fact, we see no differences. We think it would be in the interests of the Czech and Slovak people to move themselves somewhat away. We recognize the historic, geographic, and economic links the country has with the Soviets, but we would welcome some differences. If there is a willingness on the Czechoslovak side, Mr. Whitehead said, we are willing to respond. For us, it is important that it be understood what would be required, namely, some recognition of

our concerns in the field of human rights. It was important to develop and maintain a dialogue on such issues; we recognize the right of each country to have differing views, but if better relations are to ensue, the GOC must also recognize our viewpoint.

10. The Deputy Secretary urged that the dialogue between the two governments be extended. While the two governments probably will not be able to agree on major changes, it should be possible to find some steps which can be achieved. In fact, we have already embarked on that process, as reflected by the following:

—Negotiations on a new civil aviation agreement appear close to completion.

—The new exchanges agreement is in place, covering the areas of education, culture, and science, although implementation should be speeded up to a greater extent.²

—The prospect of an agreement to exchange information on narcotics, an area which should have no political aspects whatsoever.

—The interest on the part of the U.S. in reaching a similar agreement to exchange information on terrorism. Our objective is to avoid the political aspects of this subject and discuss its criminal elements, which should enable us to begin to cooperate on the international aspects of terrorism.

—The completed but not yet ratified consular convention,³ which should be put into effect.

—On human rights, we have had a broad philosophical discussion; we should move to talks on specific cases.

—Our hope for the resolution of the five divided family cases currently on our list.

—In the economic/commercial area, we should discuss what can be done to increase trade even without MFN. And while we cannot eliminate COCOM, there is no reason why individual cases cannot be discussed.

In summary, the Deputy Secretary said, we have begun a number of efforts over the course of the last few months in the direction of greater cooperation. If Czechoslovakia is willing to continue in these efforts, we would be very receptive.

11. Bilak praised the Deputy Secretary for his candor, and said that were there more time for discussion, it might be possible to move from philosophic to pragmatic considerations. He said he had been working as a politician for 37 years, during which he had taken part in many international meetings, but never before had he encountered such a

² Signed and entered into force on April 15, 1986.

³ Signed on July 9, 1973; entered into force on November 6, 1987.

frankly expressed opinion that it would be better for Czechoslovakia to move somewhat away from the Soviet Union. The example Mr. Whitehead had graphically outlined with bottles and glasses had made them gasp, Bilak said. He said it should be understood, as he had learned as a young village boy, that "weaker people always look for stronger friends," and that because Czechoslovakia is so small and the world so divided, it can play a role in world events only by having a great power as an ally. It is necessary to be realistic; the FRG is a close and faithful ally of the U.S. Why should Czechoslovakia not be equally faithful to the Soviets? He defended Czechoslovakia's position within Eastern Europe by asking whether the U.S. really believed human rights were better respected in Romania than in Czechoslovakia, and by noting economic problems now being experienced by the Hungarians despite their different economic model. Bilak insisted that Czechoslovakia was not a "satellite" but rather a faithful ally acting on the basis of common interests with the Soviet Union.

12. Responding to the Deputy Secretary's list of areas where progress might be made in bilateral relations, Bilak said the Czechoslovak side was in favor of cooperating with the U.S. in such fields as drug abuse, terrorism, S&T, health, and trade. He urged that such steps not be made dependent on political preconditions.

13. The Deputy Secretary raised the issue of "name-calling," saying that he found this practice particularly reprehensible. While we undoubtedly would continue to disagree and to express our views freely, it could be done in other ways. The practice of name-calling had become quite rampant in UN forums, which did not contribute to the peaceful solution of problems. Bilak said Czechoslovakia did not favor such a practice, but he then claimed that in a speech in Vienna the Vice President had referred to Czechoslovaks as "savages" and "idiots." It was not desirable to offend any nation, he said, and particularly not one which happens to be small in size. (Comment: During his meeting with Foreign Minister Chnoupek later in the day, Mr. Whitehead gave the Foreign Minister a copy of the speech Vice President Bush made in Vienna in 1983 and pointed out that Bilak's charge was totally unjustified.)

14. In conclusion, the Deputy Secretary said he wished to reiterate for the Czechoslovak side the strong feelings of the U.S. concerning human rights. The U.S. will continue to speak out in favor of the rights of individuals wherever they may live, whether in the U.S. or Czechoslovakia, and will continue to speak out against unfair restrictions on individual freedoms wherever they occur. He stressed that the Helsinki Final Act spells out commitments on human freedoms which are not being universally respected. While we do not wish to impose our system on others, we believe that whichever system is chosen must be one which respects the rights of individuals. That, he said, is what

the U.S. stands for and believes; we will continue to speak out as long as we have the breath to do so. Bilak replied that Czechoslovakia is prepared to discuss any and all issues. He said that Czechoslovakia supported such human rights as the right to work, to free education, to participate in the management of the state, and to free medical treatment, no matter what the cost might be. He said it was important to remember that the Helsinki Final Act has more than one basket. In closing, he expressed appreciation for the Deputy Secretary's visit and his candid remarks and urged him to return. Bilak said he supposed that their meeting would "do no harm;" it was certain in any case that the two sides had clarified their positions.

15. Minimize considered for Moscow.

Niemczyk

413. Telegram From the Embassy in Czechoslovakia to the Department of State¹

Prague, February 3, 1987, 1547Z

641/Depto 10021. Subject: Deputy Secretary Whitehead's Meeting With Czechoslovak Foreign Minister Chnoupek. Ref: Prague 632.²

1. Confidential—Entire text.

2. Summary: During a two-hour consultative session February 2, Deputy Secretary Whitehead and Czechoslovak Foreign Minister Bohuslav Chnoupek reviewed the state of bilateral relations and discussed briefly arms control issues. The Deputy Secretary presented the U.S. human rights agenda in Czechoslovakia and took issue with an accusation made earlier in the day by CPCZ Secretary Vasil Bilak concerning Vice President Bush's 1983 Vienna speech. Chnoupek discussed Czechoslovak desires for the further development of relations and offered to consult with the USG regarding terrorism, narcotics, and regional issues. The visit made useful progress along the pathway of small-step improvements. End summary.

¹ Source: Department of State, Official Correspondence of Deputy Secretary of State John C. Whitehead, July 1982–January 1989, Lot 89 D 139, JCW's Eastern Europe Trip 1/27–2/7/87 Memcons. Confidential; Immediate. Sent for information to Eastern European posts, Moscow, Vienna, and the mission to NATO.

² See Document 412.

3. Deputy Secretary Whitehead, accompanied by Ambassador Niemczyk, NSC Director for Soviet and East European Affairs Paula Dobriansky, EUR/EEY Director Martin Wenick, D Staff Member Jay Bruns, and Political-Economic Counselor Randolph Bell called on Czechoslovak Foreign Minister Bohuslav Chnoupek February 2 to discuss bilateral and international topics. Joining the Foreign Minister on the Czechoslovak side were: Deputy Foreign Minister Jaromir Johanes; Ambassador Vladimir Polacek, Director, Basic Foreign Policy Questions Department; Rudolf Jakubik, Director, Sixth Department (English-speaking countries); Ambassador Emil Keblusek, Special Advisor to the Foreign Minister; and Miloslav Jezil, Director, Secretariat of the Foreign Minister.

Chnoupek Sets the Scene

4. Chnoupek said that the GOC "highly welcomes" the Deputy Secretary's visit, as, he said, "you have certainly heard from Mr. Bilak." (FYI: Mr. Whitehead's call on CPCZ Secretary Vasil Bilak has been reported reftel. End FYI.) Chnoupek referred to "high level visits" such as Mr. Whitehead's and Assistant Secretary Ridgway's³ as "wise and useful steps," which offer an opportunity for resolving many problems that might otherwise be dealt with by propaganda or by other "unpleasant means." Chnoupek said the Deputy Secretary's visit could be a "major step" in the process of "normalizing" relations. He added that in the sense that we maintain full diplomatic relations, these are already normalized; they are not, however "developed in keeping with the possibilities arising from our history." He then recounted a series of instances of Czechoslovak-American cooperation including the fact that the U.S. and the Soviet Union were the country's "liberators" in World War II.

5. Chnoupek, in a formulation that has become habitual for him, raised the rhetorical question of why the United States continues to "punish" Czechoslovakia. In that connection, he equated both countries' media treatment of one another, held that even using the USG's perspective he could find no differences among socialist countries in human rights climates, and concluded that one should look at the "positive signals" that recent developments in the consultative process have sent.

The U.S. Agenda

6. Deputy Secretary Whitehead, in setting out the U.S. agenda, suggested that both sides consider relations to be normalized but "unnatural." He emphasized the many historic and cultural ties between the two societies and told the Minister that the USG also sees promising

³ Ridgway visited in April 1986.

evidence of change in recent bilateral activity, especially in the two working groups whose initial sessions occurred on January 20th.

7. Mr. Whitehead suggested that both sides seek to determine what disturbs them and, recognizing that we have big differences, begin a process of developing better relations. He stressed that the USG wishes to see steady progress in this direction in the months ahead, in keeping with developments over the past six months.

8. As an example of Czechoslovak behavior that disturbs Americans, the Deputy Secretary mentioned the GOC's voting record in the UNGA. He observed that it must surely be the case that out of the many hundreds of questions that General Assembly sessions consider at least some must provide an opportunity for the Czechoslovak Government to vote with the USG.

9. The Deputy Secretary also noted the unfortunate influence that rhetoric can have on relations. He recalled that Bilak had erroneously charged in their meeting the same day that Vice President Bush had, in his 1983 Vienna speech, called the Czechoslovaks "idiots and savages." Mr. Whitehead, declaring the need to set the record straight on this issue, presented to Chnoupek a copy of that speech with the relevant passages underlined and emphasized that Bilak's charge was unjustified. We noted that in any case chiding one another in "extreme language" probably is not ever helpful.

10. Mr. Whitehead stressed that the U.S. agenda in our bilateral relationship centers very much around questions of human rights. He described for the Minister the historic origins of resounding American public interest in human rights, noting that the Constitution itself seeks to anchor these rights and that successive waves of immigration have come to the United States precisely in order to enjoy them. For the United States, the Deputy Secretary said, it is disturbing when governments usurp the rights of their peoples. Such developments in American eyes are always destabilizing. This was the case when Hitler and the Nazis usurped the rights of Europeans, and Americans' concern about similar actions form the basis of our policy in countries where basis human freedoms are threatened.

11. The Deputy Secretary then listed for the Foreign Minister aspects of Czechoslovak human rights performance that disturb American observers:

—Concerning treatment of dissidents, he noted that the USG tolerates even outrageous criticism of itself and finds it difficult to understand that signers of Charter 77 and members of the Jazz Section should lose their jobs, undergo searches of their property and temporary arrests and detentions, see their children denied educational opportunities, experience intensive surveillance, and be prevented from having contact with Westerners. In this last connection, the Deputy

Secretary recounted difficulties surrounding the Embassy's invitation of Chartists to its 4th of July reception last year and the experiences of Senator Pressler during his visit immediately beforehand.

—Divided families, Mr. Whitehead held, involve children separated from their parents and wives separated from husbands. The Deputy Secretary emphasized to the Foreign Minister that the USG appreciates resolutions when they occur and noted that it "would mean a lot to us" if the remaining five cases on the U.S.-Czechoslovak list could be resolved.

—Mr. Whitehead discussed the distress of Americans, particularly those of Czechoslovak origin, who wish to return on visits to this country and are unable to obtain visas. He suggested that the Minister look at their policy in this matter.

—Czechs and Slovaks who wish to go to the United States and cannot obtain exit permission also cause us concern, the Deputy Secretary noted.

—For humanitarian reasons, Mr. Whitehead said, the GOC should look at the plight of U.S. citizen Walter Randa, who has now served more than half his sentence.

—Areas of concern to the U.S. in Czechoslovak treatment of religion, the Deputy Secretary said, include the requirement for state licensing for clergymen and the absence of bishops in ten out of thirteen dioceses.

The Czechoslovak Response

12. Chnoupek, in replying, welcomed Mr. Whitehead's formulation concerning normalized but "unnatural" relations and stressed that the GOC would also like to "move ahead more rapidly" in step-by-step improvements in relations. He replied to the Deputy Secretary's agenda as follows:

—Czechoslovak voting in the UN proceeds on the basis of coordinated Warsaw Pact foreign policy, just as NATO members' voting patterns derive from coordination of their policies.

—Mr. Whitehead is doubtless correct in saying that Vice President Bush never called Czechoslovak officials "idiots and savages," but the Vienna speech gave evidence of being prepared "by someone who was not very experienced in Central European affairs."

—Both sides must be careful in their use of rhetoric although one can ask which came first—Washington Post attacks on President Husak or Rude Pravo criticisms of American Presidents. Chnoupek maintained that both sides have begun to differentiate between the mass media and official comment. (FYI: Embassy has often reminded Rude Pravo of its official status as the party's official press and has recently done so in a series of letters to the editor. End FYI.)

—Czechoslovak concern for human rights also has a long historic background. Even those who do not like present-day Czechoslovakia concede that the republic established in 1918 was one of the few democracies in this region. It was no accident, Chnoupek held, that Czechs and Slovaks opposed developments in Germany in the 1930's. But as former Secretary Kissinger has noted, Chnoupek maintained, one must realize that in each social system human rights are seen differently. He then presented traditional Eastern formulations concerning economic and social rights, using discriminatory German civil service personnel policies (*Berufsverbot*) and the homeless persons he had seen on park benches in New York as examples.

—The GOC is trying to resolve divided family cases. This, however, is "not always easy."

—He would not like to "get ahead" of developments, but the Deputy Secretary should know that the MFA is "working on a solution" to the problems some Americans have in obtaining Czechoslovak visas.

—He "takes note" of the Deputy Secretary's remarks concerning Czechoslovak citizens' desire to obtain exit permission.

—The Randa matter is "an ugly case," and, while Randa is now a U.S. citizen, he was a Czechoslovak citizen when he committed his crime. Nevertheless, the Czechoslovak side was prepared to discuss the case to see what might be done.

—Concerning religion, Chnoupek noted that the Pope told him two years ago that the Slovaks rank only behind the Poles in the strength of their Catholic faith.

A Czechoslovak Agenda

13. Chnoupek then presented a Czechoslovak shopping list for the management of bilateral relations which included:

—"Continuation of political dialogue" such as the Deputy Secretary's visit. Chnoupek touted again the GOC's desire for consultations at the Deputy Foreign Minister level.

—Ministerial meetings. The Foreign Minister made his usual plea for UNGA bilaterals.

—Access for the Czechoslovak Ambassador in Washington. Chnoupek noted that he received Ambassador Luers and has already seen Ambassador Niemczyk several times. No Czechoslovak Ambassador has called on a Secretary of State during the past ten years, he claimed.

—Parliamentary delegations. The Minister suggested an "official exchange" of legislators and observed that he has frequently received American Congressmen.

—"Dialogue at the working level." Chnoupek mentioned arms control consultations such as Ambassador Polacek's September trip to

Washington and suggested that the two governments also engage in consultations on regional issues, terrorism, narcotics, and "a number of other matters."

—Continued functioning of the working groups. Chnoupek observed that the initial sessions of the business facilitation and humanitarian affairs working groups had, the GOC felt, been "good."

—Obtaining results from the activities of the U.S.-Czechoslovak Economic Council. The Foreign Minister noted that, even without MFN, "at least some steps are possible in the area of trade."

—Signing a civair agreement. Chnoupek reported that he had personally tried to make this possible on the occasion of Mr. Whitehead's visit but had found it "simply impossible." Perhaps, the Minister observed, this could be accomplished during some such future meeting as a visit by DepFonMin Johanes in Washington.

—Submission by the GOC before the end of February of specific suggestions for cooperation under the agreement on exchanges in culture, education, science and technology.

—Continued progress in consular affairs, especially in the humanitarian affairs working group. The GOC "might even look at the consular convention again," although it would now need renegotiating, Chnoupek said. He added that "in this connection we would like to see the normalization of our commercial relations as well."

14. Deputy Secretary Whitehead responded that if current steps lead to a more productive path, in the future all of the issues on the Czechoslovak list could probably be raised and dealt with but made plain that MFN is "not possible now." He reminded Chnoupek that the 1974 Trade Act would require certification regarding Czechoslovak emigration and that, in this process, as well as during mandatory congressional hearings, the entire Czechoslovak human rights record would come under review. Mr. Whitehead agreed to review possibilities for assisting the GOC on matters of access, but he explained that the Secretary, during his relatively few days at the UNGA, must conduct a very large number of bilaterals, and expanding his calendar might prove difficult.

International Issues

15. Chnoupek solicited the Deputy Secretary's views regarding arms control negotiations in Geneva. The U.S. wants real reductions in armaments. Reykjavik, Mr. Whitehead said, appears to have led to some degree of confusion. The President believes that it would be in the long-range interest of all nations to eliminate nuclear weapons. It is not possible to accomplish that immediately, however. Among the many "unknowns" that one must deal with on the way to that elimination is how the West comes to terms with Eastern conventional

superiority. For now, it would be better to proceed with a 50 percent reduction in strategic weapons than to do nothing at all. We should also act on the possibility of a 100-percent reduction in European-based INF systems. The Deputy Secretary also noted that it should be possible to devise some kind of schedule of SDI deployment acceptable to both sides.

16. The Deputy Secretary emphasized the President's strong conviction that SDI is "the right thing" for the U.S. to be doing and that it represents a long-range hope for the entire world. Even if the two superpowers manage to eliminate their own nuclear stockpiles, he noted, other countries' nuclear systems would continue to pose a threat. "Both we and you" need some kind of defensive system. The Deputy Secretary further explained that:

—Verification remains an "important subject," in many negotiations—especially on chemicals—but there is evidence that the Soviets may be developing a willingness to supply the kind of verification the Western side needs.

—While nuclear testing will be necessary as long as we depend on nuclear deterrence, and a moratorium would be destabilizing, in that the reliability of weapons would be called into doubt, we should still be talking with Moscow on this subject.

—The conversion of Geneva plenary sessions into working groups, the arrival of Vorontsov, and the latter's useful exchanges with Ambassador Kampelman make for some optimism regarding the NST negotiations.

17. Comment: Deputy Secretary Whitehead clearly presented the U.S. agenda, particularly its human rights and humanitarian aspects. The Czechoslovak response involved many predictable positions but also some useful few possibilities. We are particularly intrigued by Chnoupek's offer of terrorism, narcotics, and regional-issues consultations. Although he did not formally re-link the consular convention and MFN, he did mention the two issues in close juxtaposition. This issue will require further exploration. The session with the Foreign Minister brought us a perceptible distance farther along the road of small-step improvements down which we have begun to travel and allowed the U.S. side fully and frankly to set forth American views. End comment.

18. Moscow—minimize considered.

Niemczyk

414. Telegram From the Embassy in Bulgaria to the Department of State¹

Sofia, February 4, 1987, 0909Z

494/Depto 10026. Subject: My Day in Czechoslovakia, February 3, 1987.

1. Secret—Entire text.

2. Most of the invited dissidents were able to make their way to an Embassy officer's apartment this morning for our semi-clandestine breakfast with Charter 77. Three were physically prevented from coming. Some of those who arrived thought that the fact that they had made it at all meant that our tough talk with the government had paid off. It also might mean that some of the positive things the Prime Minister said to me might actually become reality.²

3. It was an intense 90 minutes. Some had spent time in jail, and others have had family members detained. They documented for me many specific cases of people put in prison for "anti-socialist propaganda," the government's persecution of religion, and discrimination in employment for those who speak their minds. There was even one person who was reportedly sentenced to three years for listening to the Voice of America. (They depend on VOA, by the way.)

4. I said that we admired their courage and let them know that I had raised their right to free expression in every meeting I had with government officials. I told them we hoped they would continue their struggle; I think they have the courage to do so. I let them know that even when they felt most lonely, 220 million Americans stood behind them. My only fear in pursuing these kinds of meetings in Eastern Europe is that those who have had the courage to come may pay a price. I have asked the Embassy here to keep a close eye on this. I also said in a departure statement we issued that I regretted the fact that people had been prevented from coming to see me.

5. I then went to see Cardinal Tomasek, who explained the problems which confront the Catholic Church. The government allows only one school to train priests to serve in the 3,000 parishes under the Cardinal's authority, and 10 of 13 dioceses remain without bishops because the government refuses to give approval to church candidates. Nevertheless. Cardinal Tomasek's recent dealings with the

¹ Source: Department of State, Official Correspondence of Deputy Secretary of State John C. Whitehead, July 1982–January 1989, Lot 89 D 139, JCW's Eastern Europe Trip 1/27–2/7/87 Memcons. Secret; Immediate; Nodis.

² See Document 415.

government have left him optimistic that the government is about to become more lenient on issues such as freedom of assembly and publication of church literature. The Cardinal is remarkably sharp and vigorous for 87.

The West can lend him our support by continuing to pay him high-level visits such as mine.

6. My stay in Prague ended with an emotional walk through the Jewish quarter, where I visited the oldest functioning synagogue in Europe and saw drawings made by children who lived in Terezin concentration camp. Afterwards I met briefly with former Czech Jewish community leader Galsi. This delightful, patriotic man had been warned not to act as my guide, but was courageous enough to meet me for coffee. He passed on rumors of current high tensions within the government which could lead to Husak's ouster in coming weeks.

7. Human rights violations and denial of freedoms in Czechoslovakia are not isolated incidents, but are pervasive and systematic. I think it was important to go there to tell the leadership (and those who suffer their policies) face-to-face what we think about that.

8. We start our work in Bulgaria tomorrow.³

Levitsky

³ See Documents 388–392.

415. Telegram From the Embassy in Bulgaria to the Department of State¹

Sofia, February 4, 1987, 2257Z

511/Depto 10030. Subject: Deputy Secretary Whitehead's Meeting With Czechoslovak Prime Minister Strougal.

1. Secret—Entire text.

2. Summary.

Prime Minister Lubomir Strougal met with Deputy Secretary Whitehead for ninety minutes on February 2. The Prime Minister

¹ Source: Department of State, Official Correspondence of Deputy Secretary of State John C. Whitehead, July 1982–January 1989, Lot 89 D 139, JCW's Eastern Europe Trip 1/27–2/7/87 Memcons. Secret; Immediate; Exdis. Drafted by Wenick; cleared by Dobriansky; approved by Grossman. Sent Immediate for information to Prague. Sent for information to Moscow, Warsaw, Bucharest, East Berlin, Budapest, London, Paris, Bonn, and Rome.

welcomed the Deputy Secretary's visit to Czechoslovakia, and observed that bilateral relations are at an unsatisfactory level. Strougal described the process of change which is taking place in Czechoslovakia, and expressed the opinion that it would eventually lead to greater democracy for the country. He was critical of those who oppose these developments. The Prime Minister supported a step-by-step approach to broadening bilateral relations, stressing that even in the area of human rights progress could be made. While not agitating now for MFN, he said he hoped that conditions could be created so that Czechoslovakia might eventually enjoy its benefits. Strougal welcomed the idea of an increased exchange of views on international issues, and said that Moscow wants very much to resolve the conflict in Afghanistan.

The Deputy Secretary described bilateral relations as unnatural and pointed to the American perception of Czechoslovakia's human rights practices as a primary reason for this. He said that MFN should remain a goal for the future, but that at the present time we need to proceed with a step-by-step approach to developing relations. Mr. Whitehead suggested that the two countries broaden their dialogue on international issues including arms control and regional problems. End summary.

3. In meeting with the Deputy Secretary, Prime Minister Strougal noted that visits to Czechoslovakia by senior U.S. officials have been rare, and stressed his pleasure that the Deputy Secretary had come. He hoped there would be open dialogue on all issues. Strougal observed that U.S.-Czechoslovak relations are not at a satisfactory level, and suggested that when historians evaluate the situation of today they will be critical of it.

4. Looking to the past, Strougal described the positive traditions and deep-rooted ties upon which we can build. Since 1948, however, relations have been at a low level. Strougal observed that several attempts had been made to broaden the relations, including the conclusion of the 1982 claims/gold agreement. However, none had yielded any long term results.

5. Strougal told the Deputy Secretary that a better understanding of each other would contribute to the building of a better relationship. It is impossible to conceive that the two countries could or would reach agreement on all issues, but Strougal stressed that a pragmatic approach should help us to resolve some problems. Strougal noted that Czechoslovakia's emphasis on ideology had done the country a great deal of harm. He stated that the Czechoslovaks are beginning "to deideologize" the manner in which they conduct their foreign policy.

6. Strougal observed that Czechoslovakia is often described as a country in which there is an absence of a democratic discussion of issues. In his view, something can be done in this sphere because Czechoslovakia has democratic traditions, which is an advantage. He

criticized the lack of public discussion of significant issues in the country. The Prime Minister noted that it is not easy to govern, especially when people are demanding more information and greater participation in the decision making process.

7. Strougal commented that change is hard, particularly for people who have been in responsible positions for a lengthy period. He stressed, however, that change will occur not only in the political sphere, but also in the ideological sphere, although the process will not necessarily be easy. Strougal described Czechoslovakia as in the midst of evolution, with the eventual final results being a product of the specificity of internal conditions. He said that the restructuring that is occurring has encountered some opposition, largely because of a failure to overcome dogmatism. Previous attempts at change had failed as the result of various obstacles; the reforms of the mid-1960's, he noted, had "unfortunately" come to an end in 1968—"for reasons which I don't need to elaborate and for which one must have a sense of guilt and see not only the guilt of others."

8. Strougal described the process of "restructuring" as containing two key elements, democratization and rationalization of the socio-economic process. It will develop as an evolutionary process drawing in part on experiences of other socialist countries, but consisting largely of measures reflecting Czechoslovakia's specific circumstances. Strougal predicted that in the next ten years Czechoslovakia will make major technological advances putting it on a world level.

9. Strougal told the Deputy Secretary he is critical of the manner in which the U.S. is covered in the Czechoslovak media. He observed that the flow of information about the United States is inadequate and that occasionally unacceptable attacks are made against senior American officials. Strougal said that media coverage of the U.S. should be more balanced, looking both at the strengths and the weaknesses.

10. On the political-ideological front, Strougal said that there are many areas in which we disagree. However, the U.S. needs to understand better what Czechoslovakia is about and realize that it is going through an evolution. Not everything is clarified yet, and serious efforts are being made to eliminate negative aspects. Strougal stated that there are unnecessary problems in the human rights area stemming largely from an unrealistic approach from the bureaucracy. He sharply criticized the mentality of the country's police force for the useless steps they take, adding that "it is foolish to pay people to take irrational measures such as watch houses."

11. Describing the United States as "a great country," Strougal urged that the U.S. media cover Czechoslovakia in a more objective manner. From his experience, Strougal said there is too much media stress on

such subjects as Charter 77 and the privileges of the Czechoslovak leadership.

12. Strougal observed that he is not agitating for MFN treatment for Czechoslovakia now since it is not yet on the agenda of the day. He pointed to problems created by COCOM restrictions since Czechoslovakia needs access to technology to modernize its industrial base. Nevertheless, he did not wish to make an issue of this at the present time. What he did want to stress was a step-by-step approach in all spheres by our two countries designed to broaden the bilateral relationship which is desired by a majority of the citizens of Czechoslovakia as well as a majority of the leadership. In his view such a pragmatic approach could yield desirable results.

13. Mr. Whitehead responded by noting that he had already had lengthy discussions with Party Secretary Bilak and Foreign Minister Chnoupek and did not feel it necessary to repeat everything he had said earlier. The Deputy Secretary stressed the unnaturalness of the present low level of bilateral relations: steps needed to be taken now to rectify the situation and restore relations to a more normal level.

14. The Deputy Secretary noted that the Prime Minister had made some interesting remarks about the level of bilateral trade—such as it is. In the future, he added, there are certain things we could do such as granting MFN and easing COCOM restrictions. While conditions for MFN are not ripe now, it should not be precluded permanently for, as the Deputy Secretary pointed out, some other countries in the area enjoy the benefits of MFN.

15. The Deputy Secretary stressed that the problem surrounding MFN is the American perception of Czechoslovakia's human rights practices. Describing the roots of American concerns for human rights, which come from our own revolutionary and historical experiences, the Deputy Secretary stressed that when freedoms disappear in a country, it becomes a threat to the security of other countries. This explains why human rights concerns are so high on the American agenda.

16. Returning to the question of MFN, the Deputy Secretary described the requirements for granting it under the 1974 Trade Act. He stated that to make a recommendation to grant MFN to Czechoslovakia prematurely would cause more damage than benefit. Accordingly, it is his conviction that we should wait for the right time when the case for MFN for Czechoslovakia would be persuasive.

17. The Deputy Secretary told Strougal that he believes it is in our bilateral interest to broaden our dialogue on a variety of international issues. We believe it is important that the countries of Eastern Europe hear our views directly from us and not from some other country. He added that we know from talks with other Eastern European leaders that they have at times been erroneously informed about our position on arms control and regional issues.

18. Taking the floor again, Strougal stressed that it is incorrect to assert that Moscow dictates what the countries of Eastern Europe should do. This is, he noted, a practice of the past which has been overcome. The USSR and its allies have open discussions on actions to be taken, and it is often necessary to strive to find a compromise. He noted that just as the West coordinates its policies in NATO, so do the Warsaw Pact countries. According to Strougal, the only difference is that the West discusses its differences publicly which the East does not do. Strougal criticized this aspect of the East's behavior.

19. On regional issues, and arms control issues, Strougal expressed his view that the USSR wishes to resolve the conflicts in Afghanistan and Kampuchea. In Afghanistan, the USSR's recent actions have been bold, and it is necessary to create a coalition government. He argued that there is not enough pressure on the opposing forces to reach such a compromise, and he suggested that the U.S. might do more in this regard with the opposition forces. Regarding Kampuchea, Strougal said this is a more complicated issue. The Vietnamese have a mentality of their own in which the concept of a greater Indo-China plays a large role. This must be eliminated but it will take time. Strougal described the new Vietnamese leadership as being more rational. On arms control, Strougal said that the GOC supports what was said at Reykjavik. It welcomes the exchange of views with the U.S. on arms control issues to ensure an understanding of both perspectives on such important subjects.

20. Returning to bilateral relations, Strougal said Ambassador Ridgway's visit and her suggestion to establish working groups, including one on humanitarian affairs had been useful. In the area of human rights he said the GOC is prepared to discuss everything. He stressed the need to intensify dialogue in this area noting that what looks like a minor problem to one side is an important matter of principle to the other. Strougal said he did not feel there are any obstacles to resolving issues. And if obstacles do exist they are in the eyes of a few people who feel threatened.

21. Strougal described Czechoslovakia as a democratic nation. The people do not like the government, but only suffer it. He stressed that the democratization process now under way should lead to better conditions for the population. (Concerning Charter 77, the Prime Minister noted he shares some of the views expressed in the group's writings.) We shall move ahead, he said. While it would be improper to go before the U.S. Congress now and say that human rights problems are solved in Czechoslovakia, one should have a vision of the future. And in this sense, Strougal said he is convinced change will come in Czechoslovakia.

22. Participating in the meeting on the American side were Ambassador Julian Niemczyk, NSC Staffer Paula Dobriansky, and EUR/EEY Director Martin Wenick. Czechoslovak participants were

Foreign Minister Chnoupek, Otto Schwartzenburger, Foreign Affairs and Protocol Advisor to the Prime Minister, Frantisek Kouril, the Prime Minister's press advisor, Josef Hotmen, Advisor to the Prime Minister, and Karl Cizek, Protocol Officer.

Levitsky

**416. Telegram From the Embassy in Bulgaria to the
Department of State¹**

Sofia, February 5, 1987, 2223Z

538/Depto 10039. Subject: Deputy Secretary Whitehead's Meeting With Charter 77 and Other Human Rights Activists and Visit to Old Jewish Quarter.

1. Confidential—Entire text.

2. Summary: Deputy Secretary Whitehead met on February 3 with seven Czechoslovak human-rights activists, including signers of Charter 77. Police prevented dramatist Vaclav Havel and several others from attending the meeting. The Deputy Secretary expressed admiration for Chartists' personal courage, reiterated American interest and support for the charter, and encouraged continued perseverance in the struggle for human rights. The Chartists responded to the Deputy Secretary's questions regarding the Czechoslovak human rights situation, noted the importance of international interest and attention to the Charter's survival, and expressed appreciation to Mr. Whitehead for taking the time to listen to them and show support for their cause.

3. Before departing Prague on February 3, Mr. Whitehead also visited the old Jewish quarter and later met with the former President of the Council of Jewish Communities in Bohemia and Moravia, Dr. Desider Galsky. Dr. Galsky discussed the current situation in the Jewish community and attempts that some persons have recently undertaken to limit his role. End summary.

The Meeting

4. Seven Czechoslovak citizens, including five Charter 77 signatories, attended a February 3 breakfast at home of EconOff with the

¹ Source: Department of State, Official Correspondence of Deputy Secretary of State John C. Whitehead, July 1982–January 1989, Lot 89 D 139, JCW's Eastern Europe Trip 1/27–2/7/87 Memcons. Confidential; Immediate. Sent for information to Eastern European posts and Vienna.

Deputy Secretary, the Ambassador, NSC Director for East European Affairs Dobriansky, EUR/EEY Director Wenick, and D Executive Assistant Grossman. Among those present were 1987 Charter spokesperson Janlitomisky and Libuse Silhanova, 1986 spokesperson Anna Sabatova, 1982 spokesperson Radim Palous, and Charter signatory Zdenek Urbanek. Non-signatories Rita Klimova and Ivan Havel were also present. Police prevented current spokesperson Josef Vohryzek and former spokespersons Vaclav Havel, Vaclav Benda, and Martin Palous from attending the breakfast. After talking informally with each of the guests, the Deputy Secretary convened a group discussion which he opened by contrasting the evident suppression in Czechoslovakia with the circumstances he had observed in Poland. There, he noted, he had been able to meet relatively freely with Lech Walesa.

The Deputy Secretary's Remarks

5. Mr. Whitehead prefaced the discussion by:

- expressing admiration for the Chartists' personal courage;
- reiterating American interest and support for the Charter; and
- encouraging continued perseverance in the struggle for human rights.

He then briefly described his meetings with GOC officials. He reported that he had raised the subject of the Charter, the Jazz Section, and the general human rights climate in Czechoslovakia. Mr. Whitehead explained that he had told his interlocutors that bilateral relations could not improve unless, and until, the GOC "corrected its human rights abuses." The Deputy Secretary noted that he had thereby offered the Czechoslovak leadership a challenge which, on the whole, received a better response than expected, except perhaps with Party Secretary Bilak. Promising continued close USG contact with the Charter, Mr. Whitehead stressed the importance of human rights monitoring so that the U.S. can speak out against injustices and acknowledge improvements when and if it is appropriate to do so. The Deputy Secretary then requested specific information regarding the Czechoslovak human-rights situation.

The Charter's Response

6. Although careful to express appreciation for Mr. Whitehead's remarks and gratitude for the opportunity to meet with him, several speakers encouraged the U.S. to adopt a more "official" stance vis-a-vis the GOC regarding contacts with dissidents. The U.S. might, for example, make access to Chartists—perhaps even specific persons—a precondition for a visit. USG visitors might also attend Charter-hosted meetings, they suggested. When the Deputy Secretary recalled that Senator Pressler had attempted to do these last July and failed, one observer remarked that the Charter survives because it has refused to accept failure. Other themes discussed included:

—The importance of international attention to illegal imprisonment and abuses of the legal code. One participant noted that in November 1985, at least eight persons were in jail for political offenses; in November 1986, that number had risen to 38. In this connection, Chartists raised the specific cases of Petr Pospichal, Erwin Mott, Jiri Bohac, and Jan Dus, all facing prosecution—or the victims of prosecution—on the charge of “subversion” for doing little more than discussing VOA broadcasts or expressing a personal opinion at variance with state policy;

—poor prison conditions: unhealthy circumstances, unreasonably high prison-labor production standards, and brutal treatment. One individual observed that the demands of new “intensification” economic policies will likely have an adverse impact on conditions;

—the press and the lack of editorial freedom; and

—religion—Chartists discussed the lack of religious freedom and drew attention to the prosecution of individuals trying to exercise their religious rights. They noted the lack of religious literature and continued staff supervision of churches and religious communities.

The Jewish Quarter

7. Embassy had scheduled a February 3 visit to Prague’s former Jewish Quarter for the Deputy Secretary and his party and had arranged for former Jewish communities president, Dr. Desider Galsky, to accompany the group on the visit as a guide. Unfortunately, however, on the morning of February 3 Dr. Galsky, who has recently been the object of the current community leadership’s efforts to isolate him from international visitors, informed the Embassy that he could not act as a guide for the group. He said he had received an anonymous telephone call from an individual identifying himself as a “friend” who suggested he not undertake this activity. However, he was able to meet the Deputy Secretary at a nearby restaurant. There, Dr. Galsky discussed the current situation in the Jewish community and efforts to limit his influence in it. He expressed the view that visitors to Prague should “boycott” the current community leadership and also said he hoped the general political climate in the country might change and thereby improve, if not restore, his position.

8. Comment: As was the case with its handling of the Charter’s tenth anniversary last month, the GOC’s actions regarding our efforts to arrange a meeting with human rights activists are hard to fathom. Almost simultaneously with the Deputy Secretary’s and U.K. State Secretary Renton’s arrival, the leading lights of the Czechoslovak dissident community came under virtual house arrest. Fearing the GOC might try to prevent any meeting whatever (especially after a one-on-one meeting scheduled for Sunday² with a member of the Deputy Secretary’s

²February 1.

party did not take place), U.S. officials explained forcefully to MFA Sixth Department Director Jakubik the importance of allowing a meeting to occur. The Embassy also cast its net wider and extended additional invitations. In that process, notwithstanding police cars and/or policemen on doorsteps, PolOff was allowed to enter buildings to deliver invitations without even submitting to an identity check—certainly unusual, if not unprecedented. On the night of February 2, State Secretary Renton succeeded in holding a meeting with Chartists and Jazz Section members that he had told the MFA he would hold, although some invitees did not show up. Still, police prevented attendance at our event by many leading Charter personalities—although we understand none was held longer than 2–3 hours. On February 3, the police cars remained in front of the homes of significant Charter figures, even after the departure of the Deputy Secretary and Renton. Czechoslovakia’s security apparatus, typically, did enough that was objectionable to prevent the GOC from getting any credit for what may have been a high-level decision to allow the meetings with human rights activists to occur.

Levitsky

417. Telegram From the Department of State to the Embassy in Czechoslovakia and the Mission to the United Nations¹

Washington, July 28, 1987, 2318Z

232325. Subject: Simons Meeting With Ambassador Houstecky.

1. (Confidential—Entire text)

2. During their July 23 meeting, Ambassador Houstecky delivered to Deputy Assistant Secretary Simons a second draft of a Czech UN resolution (approved by the Warsaw Pact), titled “Comprehensive System of International Peace and Security.”² This draft was noteworthy for its inclusion of environmental concerns along with military, economic and humanitarian issues. Houstecky voiced the GOC’s displeasure over President Reagan’s Captive Nations proclamation³ and

¹ Source: Department of State, Records from Ambassador Thomas W. Simons, Jr., Lot 03 D 256, Chron July 1987. Confidential; Priority. Drafted by B Foerster (EUR/EEY); cleared by Perito, Simons, and Walter Manger (IO); approved by Wenick.

² A/RES/42/93.

³ Proclamation 5680 was issued on July 17. For the text, see *Public Papers: Reagan*, 1987, Book II, pp. 843–844.

Czech-American Heritage Week statement,⁴ both of which he considered offensive to Czechoslovak independence. Simons said US did indeed consider Soviet invasion of Czechoslovakia to have been brutal, unnatural act, but took note of Houstecky's objection.

3. Houstecky read a long segment from the draft resolution and stressed his country's interest in political means to safeguard peace and security. He noted that the Warsaw Treaty nations had held consultations on this during their recent meeting in East Berlin.⁵ Simons said that the proposal would be reviewed but voiced skepticism on its being supported by the US. He noted, however, the novelty of including environmental issues with the familiar four elements (political, military, economic, and humanitarian) of new international security concept being promoted by USSR and its allies, and asked if this was a change in the socialist countries' previous positions. Houstecky confirmed this was indeed new element. Simons said US shared concerns about environmental issues, and touched on the environmental problem created by brown coal in east Central Europe. Houstecky said problem extended beyond brown coal, but affirmed area governments, including Czechoslovak, were working hard on it.

4. Houstecky referred to President Reagan's proclamations concerning captive nations and Czechoslovak-American Heritage Week. He condemned the inference that Czechs are seeking better human rights, stressing that Czechoslovakia is a free country with independent policies. He compared the insensitivity of these statements to President Reagan's visit to the West German cemetery at Bitburg. Simons replied that the Captive Nations document is a familiar one and has been issued every year since the 1950's, reflecting the US Government and American peoples' concern over the unnatural division of Europe.

Shultz

⁴ Proclamation 5682 was issued on July 20. For the text, see *ibid.*, pp. 850–851.

⁵ May 28–29.

418. Intelligence Research Report Prepared in the Bureau of Intelligence and Research¹

No. 118

Washington, September 11, 1987

(U) Prague Charts a Cautious Reform Course*Key Judgments*

Although both Moscow and Prague endorse the idea of “separate paths to socialist development,” the Husak government has, in fact, embarked slowly and reluctantly on a cautious reform course, patterned in many ways after Soviet *perestroyka* (restructuring). The regime, one of the most conservative in the Eastern bloc, resisted change after the 1968 Prague Spring for fear of the potentially destabilizing consequences. As Soviet *perestroyka* has gained momentum, however, particularly after the January and June Communist Party of the Soviet Union (CPSU) plenums, Prague apparently has found it prudent to launch its own version of “restructuring.”

President Gustav Husak’s strategy seems to call for partial and incremental emulation of Soviet *perestroyka* in the economic sphere, but much greater reserve with respect to social and cultural liberalization. Only small steps toward actually implementing reform have been taken so far, Prague having devoted most of its efforts to preparing the legal and organizational groundwork for more extensive changes at some later date. By leaving many aspects of its plans vague, the regime has preserved sufficient flexibility to adjust the pace of change should Moscow demand more or serious problems develop.

Even this cautious approach has, however, occasioned significant disputes between orthodox and moderate party leaders, which surfaced in a public debate between hardliner Vasil Bilak and the more flexible Prime Minister Lubomir Strougal early this year. Nevertheless, the regime apparently succeeded in thrashing out a tenuous consensus before the March plenum, and was able to present a reasonably united front during Soviet Leader Mikhail Gorbachev’s visit in early April. Czechoslovak hardliners have now dampened their antireform rhetoric, but still exercise potent veto power and can be counted on to keep the course of change slow. Husak himself shows no sign of quitting despite his 74 years. Thus the outlook is for more Czechoslovak gradualism.

* * *

¹ Source: Reagan Library, Rudolf Perina Files, Czechoslovakia—Bilateral 1987 (2). Confidential. Drafted by Algis Avizienis; approved by Richard Clarke. All brackets are in the original.

Prague Starts Talking About Its Problems. Responding to Moscow's burgeoning *glasnost* campaign in the summer of 1986, Prague launched its own version of "openness," with economic inefficiency its chief target. Official pronouncements on economic matters slowly shifted from the self-congratulatory themes dominant throughout the 17th party congress of the previous March, toward a perceptibly more critical approach. The vague critiques of economic problems which Prague previously favored gave way to increasingly specific, open, and sometimes harsh attacks on shortcomings of economic management.

Among the first glimmers of this new approach was an unusually critical evaluation of economic results for the first half of 1986, published in July. Despite the fairly respectable 3.2 percent growth rate for national income overall, the half-year report focused on failures to meet "qualitative indicators," i.e., efficient use of energy and raw materials, timely fulfillment of contracts, technological innovation, and the like.

At some point during the summer or fall, the regime apparently decided to begin constructing a general plan for more thoroughgoing change than it had earlier endorsed at the conservative 17th party congress. In early November, Prague sources noted that a so-called "wise men's report" was circulating among senior officials. Economic Secretary Milos Jakes (rumored to be in line to succeed Husak) reportedly had discussed the contents of this document with Gorbachev in Moscow during October. A US Embassy source alleged that the report had originally contained some far-reaching provisions concerning enterprise autonomy, self-financing, and price reform, but that conservatives succeeded in diluting them in the final version.

A Modest and Vague Program of Action Unveiled. In the end, when the party Central Committee plenum met December 4-5 it endorsed only mild and incrementalist measures which copied some aspects of Soviet economic reforms initiated earlier. Eschewing Gorbachev's rhetoric of radical reform, the plenum paid only minimal respects to Gorbachev-style "democracy" and cadre reform. Nevertheless, Husak (who, in an unusual departure for him, personally delivered the plenum report) let the party faithful know that henceforth, Moscow would expect at least minimal changes.

Husak revealed that the party presidium (Politburo) and government were fashioning a comprehensive reform package designed to harmonize the Czechoslovak domestic economy with "the measures taken in the Soviet Union." In the area of foreign trade, he explained that the impending expansion of direct Czechoslovak-Soviet enterprise links (formalized by prime ministers Strougal and Nikolay Ryzhkov at the Bucharest conference of the Council for Mutual

Economic Assistance [CEMA]) would require increased autonomy for the affected domestic firms.² Meanwhile, an experimental program which would give selected enterprises enhanced decisionmaking powers would begin on January 1.

The First Tentative Moves. Following the plenum, the regime took a series of steps to bolster the credibility of its commitment to gradual restructuring. In late December it announced the imminent establishment of “People’s Control Committees” to enforce quality control standards in enterprises, especially those involved in foreign trade. The committees, modeled after the Soviet *gosplan* system and reportedly advocated by Jakes, were to operate independently of enterprise management and authorized to take “uncompromising” disciplinary action.

On January 9, Prague unveiled its blueprint for reform, the “principles of economic restructuring,” which included provisions for limited decentralization, more financial incentives, and closer linkages of prices with real costs. Husak described the principles as only a general outline of prospective changes, to be fleshed out in a more comprehensive document in the course of 1987.

The regime also designated two small firms producing jewelry and crystal to begin participating in an experiment in enterprise autonomy, which was gradually to encompass a modest total of 20 other enterprises by the end of the year. On January 13, the Foreign Trade Ministry unveiled a series of proposals reducing central control of individual foreign trade transactions. Several of the country’s largest firms were thereby authorized to conduct direct foreign trade relations, though here, too, the enterprises received less autonomy than was delegated to their Soviet counterparts.

Factional Discord Breaks Into the Open. Emboldened by the growing momentum of Gorbachev’s reform program, Prague moderates stepped forward to probe the limits of Czechoslovak reform. Speaking at a January 27 economic conference (the same day that Gorbachev delivered his plenum address), Prime Minister Strougal stressed the “urgent” necessity of economic reform in Czechoslovakia. He went on to attack entrenched dogmatism at all administrative levels for delaying the pace of restructuring the economy. In a significant departure, Strougal even attempted a cautious reappraisal of the 1968 reform movement, differentiating between “valuable” and “antisocialist” aspects of that experience.

Regime hardliner Bilak evidently interpreted Strougal’s remarks as a threat to the regime’s legitimacy; he warned in a February 10 speech against “rightwing” forces who “feed on Soviet changes” and seek to

² November 3–5, 1986.

revise the "lessons" of 1968. Bilak, who had tolerated reluctantly the modest reform program espoused by his party's December plenum, apparently felt it necessary to register opposition to the kind of social liberalization Moscow and Strougal were contemplating. Local security forces backed up his words a week later by preventing dissidents belonging to the Charter 77 group from meeting members of the US delegation to the Conference on Security and Cooperation in Europe (CSCE)—contrary to Foreign Ministry assurances during Deputy Secretary of State John C. Whitehead's visit³ a short time before.

Reacting to widespread Western press reports of serious differences between Prague and Moscow, in part occasioned by the Strougal-Bilak row, the regime publicly endorsed Gorbachev's January plenum speech setting out his *perestroika* proposals, but claimed the country would follow its own path of economic reform. The Czechoslovak ambassador to Bonn took the unusual step of calling a press conference February 16 to assert his government's full support of Gorbachev's reform course as well as its right to "creative" implementation of its own program. He claimed that Bilak had merely been highlighting the lessons of 1968.

Moscow's Signals. The Soviets refrained from commenting on Bilak's remarks, though indirectly they signaled clear support for the more liberal Czechoslovak faction. Foreign Minister Shevardnadze, visiting Prague February 4–5, virtually snubbed Bilak. *Pravda* did publish a version of Bilak's comments, but subsequently printed a series of articles by Czechoslovak officials, including one by Jakes endorsing Gorbachev's programs.

During February and March, Moscow dispatched an unusually large number of emissaries to Prague, including Shevardnadze, then-Defense Minister Sergey Sokolov, and Politburo member Lev Zaykov (who has broad economic responsibilities). Although official press reports specified that the visits dealt with the details of the CPSU January plenum, the level of the visitors suggested Moscow wanted a firsthand assessment of Prague's intentions regarding *perestroika* and was providing a high-powered readout of its own plans.

Zaykov was the most pointed in noting problems, indicating in a March 5 interview that unspecified measures remained to be taken to assure the success of Gorbachev's expected visit to Prague. In another interview, he criticized Prague's slow implementation of joint ventures with Moscow. Evidently in response, Czechoslovakia hosted two Soviet delegations later that month to discuss establishment of direct enterprise links.

³ See Documents 411–416.

The March Plenum. Less than three weeks before Gorbachev's arrival in Czechoslovakia, the regime held its March 18–19 plenum. The gathering noisily endorsed the CPSU January plenum in an apparent effort to dispel the impression of internal disunity about reform. Husak emphasized the importance of party unity and described reports of serious rifts as fabrications of "hostile foreign propaganda." As if to underscore Husak's words, Bilak dropped his warnings about reforms and publicly embraced restructuring.

The Czechoslovak March plenum dropped the ailing Josef Kordak, a Presidium member, and replaced him with his deputy, Ladislav Adamec, reputedly a strong proponent of economic efficiency. The former Czechoslovak ambassador to Moscow, Miroslav Zavadil, and the hardliner Karel Hoffmann, head of the trade union movement, were named new party secretaries. The moves represented a dramatic shift for Prague; it had avoided party leadership changes at the Presidium and Secretariat level since 1971, fearing to upset the delicate equilibrium established since "normalization."

Cadre Shifts. Strougal, frustrated by the slow pace of Husak's reform, had taken up the theme of cadre changes in speeches to party audiences before the plenum. Husak himself appropriated some of Strougal's language, calling for improved training of economic managers in his plenum speech. He further warned that some party members would fail to meet the new standards. The plenum's resolution was even more explicit: It singled out economic efficiency as the "fundamental criterion" for party members.

Earlier in the month, the party daily *Rude Pravo* had announced that the party control and auditing commission would be reviewing, ahead of schedule, the work of selected party organizations. A representative of the commission told *Rude Pravo* that the review would help uncover the reasons that restructuring had not progressed at the desired rate. The review process evidently was devised by the reform-minded as a way to prod conservative elements. The prospect of personnel change at the enterprise level apparently was intended to lend further credibility to the reform program and delay any need for major leadership shifts.

Husak, however, revealed the depth of Czechoslovak anxiety when he disclosed that the Presidium had devoted two sessions in February to studying how to adapt to the "impulses" of the January CPSU plenum. He warned the plenum that a great deal of hard work remained before them in implementing Prague's gradual reform agenda.

Husak even told the plenum that the party should consider secret balloting for senior positions and election of factory managers by workers. As if to demonstrate the sincerity of his words, the leadership of the trade union movement thereupon elected former ambassador Zavadil its chairman by secret ballot.

The removal of Zavadil's predecessor, Karel Hoffmann, may have been engineered as a show of Prague's intention to revitalize the dormant trade unions. Hoffmann's departure came amid persistent criticism of the unions' performance. It followed closely his speech at the Soviet trade unions' congress in which he repeated Bilak's standard cautions about the pitfalls of reform. In any event, the unions' March 19 central council meeting bluntly noted that the efficiency of the national economy had not improved significantly in 1986, and that the trade unions were partly to blame. The leadership then removed Hoffmann.

But there are indications that the hardliners are still influential on policy questions. Although Hoffmann lost his trade union position, his immediate accession to party secretary (coupled with his continued Presidium membership) meant that he retained his veto power over Zavadil. In addition, despite Strougal's and other senior officials' promises of greater trade union democracy and worker participation in management, concrete signs of progress have been scarce since Zavadil's election.

Gorbachev Pays a Visit. Gorbachev's expected arrival in Prague in early April 1987 prompted considerable speculation about the state of bilateral relations, Husak's political future, and Moscow's attitudes toward East European reform in general. A last-minute postponement of the visit by a few days attributed by the Soviets to the General Secretary's cold, was widely reported by the hundreds of foreign journalists assembled for the event and heightened expectations even further.

When Gorbachev finally came, his numerous public appearances occasionally produced spontaneous shows of popular enthusiasm for reform, the intensity of which apparently surprised Husak. Nevertheless, Gorbachev pleased his hosts (and disappointed some dissidents) by avoiding direct criticism of Husak and refraining from publicly siding with the moderate party faction.

In a major declaration on Moscow's new policy toward reform in the bloc April 10, Gorbachev simultaneously endorsed the notion of separate paths to socialism and stressed the "objective" necessity of *perestroika*. His message generally seemed to be that Moscow desired reform, but that each bloc party would determine the pace and extent of change for itself.

But the Soviet chief also called for more bilateral economic cooperation, particularly in the form of direct enterprise links. He referred approvingly to a number of agreements recently signed by Moscow and Prague which established direct ties between several research and production units and envisaged more to come.

During several meetings with Czechoslovak workers, the Soviet leader also addressed the 1968 Soviet intervention and added a few

interesting nuances. Although he described the Prague Spring's "deviations" from socialism in orthodox terms, he avoided the standard references to "fraternal assistance" and singled out stagnation in the Czechoslovak party during the 1960s as responsible for the crisis. (Similarly, Gorbachev noted, in discussing his own country's *perestroika* in his April 10 speech, that stagnation during the 1970s necessitated the present Soviet reform course.)

The Aftermath of the Visit. Although Gorbachev avoided overt gestures that could undermine Husak's authority and, by extension, stability in Czechoslovakia, he may have expressed some dissatisfaction with the lethargic progress of local reform in private meetings with the leadership. In any case, the regime noticeably quickened efforts to solve its economic problems in the months following the visit.

Official pronouncements since then have propelled *perestroika* to the forefront of public debate. Regime moderates have been more in evidence than hardliners and are attacking "formalism," "outdated attitudes," and "indolence." Their criticism has been accompanied by continuing blunt warnings to unresponsive officials who purportedly do not appreciate the urgency of restructuring.

Adamec, the newly appointed Presidium member and premier of the Czech Republic, has been particularly outspoken in calling attention to these problems. The Czech government denounced plan fulfillment results on April 28 and ominously noted the "personal responsibility of government members" for the difficulties. On May 8, the Adamec administration sacked three republic ministers responsible for science and technology, education, and construction.

During April, Czech republic authorities dispatched teams of experts to investigate the causes of lagging production and poor quality control. The Czech republic also announced it was sending out new guidelines to local officials to cut back on the volume of regulations and written instructions governing local administration. An ad hoc commission was widely expected to reduce the number of regulations by 50 percent.

The federal government, for its part, acted quickly to establish additional direct links between Czechoslovak and Soviet firms, announcing agreement on a joint venture involving two major industrial firms, Skoda and Uralmash. Prague claimed on April 22 that eight joint ventures were under discussion and that more than 100 enterprises on both sides had established direct scientific-technical cooperation links.

Also in April, Prague's experiment in enterprise autonomy inched forward with five additional firms joining the two already operating under new guidelines. These enterprises were mainly smaller, export-oriented producers of consumer goods, but in July they were joined by 10 other firms, some of which employed considerably more workers.

Developing Western Contacts. The Husak government has departed from past practice by seeking expanded Western economic contacts to help modernize its aging industrial base. With the backing of other bloc countries, the regime is promoting the idea of a CSCE economic forum in Prague to advance East-West economic cooperation. Furthermore, the government recently concluded preliminary talks with the European Community aimed at a bilateral trade agreement.

Prague seems to have made a conscious decision to tolerate moderate growth in imports of machinery and electronics from the West for capital investment despite its declining hard currency exports. It can afford to pursue such an approach for now, given its low net indebtedness in hard currency (approximately \$3 billion) and debt-service ratio (less than 20 percent). In the early part of 1987, Czechoslovakia obtained a \$200 million loan from Western banks, continuing a trend begun last year with Prague's cautious return to Western financial markets.

On April 14 Prague signed a joint venture with Philips to manufacture video recorders, its second with a Western company. Federal Republic of Germany interest in joint ventures emerged during the late July visit of Lothar Spaeth, the minister-president of Baden-Wuerttemberg. Spaeth promised to locate five or six FRG firms which would negotiate with Prague on joint ventures.

In recent meetings with the FRG's Foreign Minister Genscher and the Austrian Prime Minister, the Czechoslovaks signaled an interest in easing border crossing formalities and encouraging tourism, which remains a less developed part of the economy than in other bloc countries. (Czechoslovakia last year hosted about 250,000 tourists from neighboring Austria, for example; Hungary attracted over 2 million in the same period.) The May 20 Presidium session discussed procedures for developing this sector and possible joint ventures with Western firms in providing tourist accommodations.

The June Booster Shot. Gorbachev's success in pushing through his restructuring initiatives during the June CPSU plenum apparently convinced Prague that *perestroika* was here to stay. The regime introduced its own draft law on enterprises in July and publicized other economic initiatives. It has since revealed that at least 12 new laws and various other regulations related to *perestroika* are now in preparation, although much of the legislation will not be complete before 1990. The draft enterprise law, which concedes central authorities more power and party officials a greater voice in management than does the Soviet law, was presented for three months of public debate and will come into force in 1989. Wholesale prices are scheduled for "reconstruction" the same year.

The authorities also unveiled some new plans for concrete changes in the near term. By next January 1, managers of the country's hotels

and restaurants are to receive expanded autonomy and will operate under self-financing principles. Prague accompanied this announcement with the warning that money-losing catering establishments should not count on further subsidies. At the same time, a small number of private shops and restaurants will open for business in rural areas where state-run service enterprises are least developed.

Concurrently, it appears that the regime may have expanded its experiment in economic decentralization ahead of schedule. Candidate Presidium member Josef Haman disclosed to a regional party conference in early August that 370,000 people were already working in enterprises participating in the experiment, a number which exceeds the total employment of the firms previously listed as participants. Should the new regimen be extended to restaurant and hotel enterprises as planned, between 10 and 20 percent of the labor force could soon be subject to decentralized management.

The efficiency and anticorruption campaign meanwhile has been strengthened. A Bratislava court recently convicted a number of local Slovak officials involved in one of the country's largest corruption scandals, in a trial noted for its unusual public access. In northern Bohemia, the regional party organization reviewed the membership of 43,000 cadres and dismissed 2,776 for substandard performance. Prague city authorities fired six enterprise directors for "failure to fulfill economic tasks." Teams from the People's Control Committee have also begun work in 10 Slovak enterprises noted for poor quality production. As a result, the quality control staff in the enterprises has been deprived of bonuses and other benefits.

Prague's Erratic Policy Toward Dissent. Despite these cautious moves toward economic liberalization, official treatment of dissent has not yet shown a parallel improvement, though there have been some encouraging signs. In recent years the regime generally had eased off on some of its worst excesses against dissidents. But in March, Prague decided to proceed with its largest dissident trial since 1979, an event which attracted much unwelcome international attention. Although all the defendants received guilty verdicts, officials did try to placate Western opinion by giving journalists unprecedented access to the trial, tolerating demonstrations of support by sympathizers, and handing down relatively short sentences.

More confusion about the regime's position on dissent has been reflected in recent contradictory behavior by security officials. In the past few months, dissidents report an appreciable softening in police treatment of regime critics, though surveillance and official interrogations continue. Police reportedly have even offered to care for children during a parent's interrogation, or praised portions of samizdat articles. Nevertheless, low-level harassment has not ceased, and church sources report no appreciable easing of religious persecution.

419. Telegram From the Embassy in Czechoslovakia to the Department of State¹

Prague, February 9, 1988, 1806Z

802/Depto 1052. Subject: Deputy Secretary's February 8 Meeting With President Husak.

1. Secret—Entire text.

Summary

2. During hour-long meeting February 8, Deputy Secretary and Czechoslovak President Husak discussed bilateral relations, glasnost and perestroika in Czechoslovakia, religious freedom and political persecution. Both sides expressed desire to improve relations and willingness to proceed with step-by-step process, and agreed that dialogue should cover all issues between two countries. Husak was neither particularly frail nor particularly fit, and was quick and pertinent in response and debate and clearly on top of his brief. End summary.

3. Deputy Secretary John C. Whitehead met February 8 from 3:30 to 4:30 p.m. local at Prague Castle with Czechoslovak President Gustav Husak. Husak accompanied by Foreign Minister Chnoupek, Presidency Chief of Staff Frantisek Salda, interpreter and notetaker. Deputy Secretary was accompanied by Ambassador Niemczyk and EUR DAS Tom Simons (notetaker).

Greetings From Senator Pell; Slovakia

4. The Deputy Secretary began the meeting by passing Husak a note from Senator Pell, reminding Husak that he was head of the Senate Foreign Relations Committee.² Husak said he remembered Pell from Bratislava, and suggested he had advised Whitehead to visit there. Whitehead said Pell knew about his visit, and it had been a wonderful time. Husak said he was glad. Bratislava was his native town. Chnoupek was also from there. They were each from a different village of Bratislava. Whitehead said he had the impression everyone in the Czechoslovak Government was from Bratislava. Husak said only part of it. They adhered to the principle of federation, and the majority was Czech.

Bilateral Relations

5. Husak said he welcomed the Deputy Secretary most cordially. His visit was a good opportunity for us to get to know each other better and exchange views, on the path to improving relations.

¹ Source: Department of State, Records from Ambassador Thomas W. Simons, Jr., Lot 03 D 256, Chron February 1988. Secret; Immediate; Exdis.

² Claiborne Pell (D-Rhode Island).

6. Husak continued that when Ambassador Niemczyk had presented his credentials, he had said he would strive to improve relations step by step, and Husak had agreed. The trouble was he had heard the same thing from Ambassador Niemczyk's three predecessors. The steps had come rather slowly, and he would like to see them come at a higher rate.

7. Whitehead had discussed a number of problems with his colleagues, Husak continued. He had heard that the Czechoslovak leadership, both political and state, desires improved relations with the United States in all fields. It avoids no questions, and it wishes to improve relations in the political, economic and cultural areas.

8. Husak said he believed there was a more favorable international atmosphere, in light of U.S.-Soviet talks, the signing of the Washington Treaty³ and another prospects. This was favorable for other relationships. Kohl had been to Prague the week before. Here too there were differences in world views and social systems, but they too had agreed to try to improve political, economic and cultural relations. This was the Czechoslovak approach to all bilateral relationships. He believed Whitehead's visit would be conducive to better relations, or he hoped it would. He was sorry he had been unable to receive Whitehead the year before, because of other engagements, but that visit too had been a good step.

9. Husak asked if he could smoke. It was a weakness of his. Whitehead said it did not seem to have harmed either his health or his long life. Husak said he thought that was true. When he fell into the hands of his doctors they told him to limit smoking, but he had a neutrality pact with them.

10. The Deputy Secretary said Husak had been right to say the U. S. was seeking to improve relations with Czechoslovakia. We recognized that it was not just part of a Soviet empire, but deserves independent attention from the U.S. Husak said "of course." Whitehead said we have been trying to develop relations step by step, as Husak had heard, and he thought the steps over the past year were bigger than in the past. Specific, tangible steps, and the most important had been establishment of processes of regular dialogue on all subjects. We had even come to the point where we could talk about our different views on human rights without the other side getting mad. Husak said this was not only possible but necessary. We must discuss all subjects if we are to understand each other. The Deputy Secretary said he had discussed the details with his friend the Foreign Minister and with others.

³Reference is to the INF Treaty, which Reagan and Gorbachev signed in Washington on December 8, 1987.

Reform in Czechoslovakia

11. The Deputy Secretary said he wished to take advantage of his meeting with Husak to ask his views on one or two important subjects. Husak nodded. Whitehead said he would like to ask him particularly what he thought about glasnost and perestroika, two new words in our vocabulary.

12. Husak said he agreed with and supported the idea, and the Czechoslovak side was introducing it in Czechoslovakia as well. Whitehead observed that it was sometimes said in the West that the Czechoslovaks were more cautious than Gorbachev. Husak said he did not know who was spreading that idea. He too had read that they were afraid, were conservative, were cautious. But that was not true, and there were facts to prove it.

13. He would give one example. Two years before, at the Seventeenth Congress of the CPCZ, there had been much open discussion about radical economic reform, about more consistent democratization, about more airing in public life. That was in the record. And it was being put in practice since that time. Of course there were major problems. No political and economic system could be changed overnight. But they had a concept, and it was being put into practice.

14. The Deputy Secretary asked what changes Husak would like to see over the next five years, if he could have what he wanted.

15. Husak replied that he would hope to see radical or even revolutionary economic reform developing successfully. As to the second area, the political field, Whitehead had used the Russian words glasnost and perestroika; he (Husak) hoped they would penetrate every sphere of life. They had recently had a nationwide meeting of the National Front. This was the body that included the five political parties, the major social organizations, in fact the whole adult population. There they had elaborated these ideas. To make them work, they had to talk with the people, confront views, eliminate mistakes—and there had been quite a few. He would like to see that become part of everyday life. The Czechoslovak side gave wholehearted support to the ideas of Gorbachev, and not just his; some of those ideas had appeared at other times in history.

16. The Deputy Secretary said that sounded to him like a democracy, and asked if that was what Husak meant.

17. Husak said he would say rather “enhancement of democracy.” Czechoslovakia had a deep democratic tradition. Partly this went back to Austro-Hungarian times, partly to the period between the two world wars. The various stages had left roots. Of course there was a time of harsh centralization, when political mistakes were made. These had been overcome gradually, though not as fast as they had hoped, and they would work further and more intensively on it.

Religious Freedom

18. The Deputy Secretary said there was a feeling in the U.S. that Czechoslovakia suppresses the church and religion. He asked Husak to comment.

19. Husak said he knew the view was widespread in the West, and it was being publicized in an organized way. Czechoslovakia had eighteen legally recognized denominations. Of these seventeen elected their representatives within the country. But the Roman Catholic Church is the largest, and must always discuss nominations for high posts with the Vatican. This involves the Czechoslovak state.

20. Some years ago, Husak went on, he had spoken to Casaroli, a prominent Vatican personality, and told him that Czechoslovakia was interested in good relations with the Vatican, in solving all problems. He had suggested letting the representatives of the churches be believers, but loyal to the state. Casaroli had said this approach was reflected in Canon Law, and had quoted some for Husak. So solution was theoretically possible. In practice, however, one side likes some people and the other side likes other people.

21. There had been talks recently with a Vatican delegation in Prague, Husak went on. The Czechoslovak side had instructed its delegation to seek compromise as much as possible. But their people thought that the Vatican representatives' position was very tough. So the best they could do was agree to continue talks a few weeks from now in Rome.

22. He hoped for a compromise, Husak said. It was not pleasant for them to see a number of sees vacant. The common people had freedom of religion. The churches were open, and they were freely attended.

23. However, Husak went on, historically the church had sometimes played a negative role in these lands, and this gave rise to "negative moods." The re-Catholicization campaign beginning in the sixteenth century had been used for Germanization in the Czech lands and Magyarization in Slovakia. Because of that, after World War I there was a strong reaction against the Vatican. Both Masaryk and Benes had had similar problems. To be brief, there had been attempts to use the thinking of believers for political goals, and every regime defended itself against that.

24. Husak said he had read that in the United States there was greater tolerance of religion. This resulted from historic development. Whereas in Czechoslovakia there had been struggles, even religious wars. Now it was trying to overcome this past, and that was only possible through compromise. Initially they had worked with Cardinal Tomasek, whom Whitehead had seen, he had become first Archbishop and then Cardinal. Now there were attempts to use the old man for

militant causes, and that did not help. What was needed was mutual tolerance between the state and extremist forces in the church.

25. The Deputy Secretary said Husak was right to say we had a more tolerant attitude toward the church. As in Czechoslovakia, the Catholic Church was the largest denomination in the U.S. Our government did not interfere with the election of bishops, with approval of priests, with the number of schools and seminaries. It had a hands-off policy; the church was completely independent of the state. The result had been pretty good over the years. The church often disagreed with the government on particular policies. Priests preach different ideas from the government's to their flocks.

26. Husak noted that the U.S. had even imprisoned some. Whitehead said this had not happened often, and moreover we were governed by laws. Priests who broke the law were not protected against the law, which was the ultimate decision-maker. If a law was passed, it had to be abided by. This system had worked well, yet the church was free.

27. Husak replied that all issues in religion had a historic background. In Whitehead's country it was as he described; in Czechoslovakia it was different. He would give one detail from Slovakia. Senator Pell might know something about it. Hitler had founded the so-called Slovak state, and Roman Catholics had held all the important posts in it. It was a sort of fascism in Slovak colors. The Slovak national uprising had been anti-fascist, directed against it. When the rebels had been driven into the mountains—and that had included both him and U.S. officers Husak said—President Tiso, a priest, had held a solemn divine service to celebrate victory over the bandits. And the SS general commanding the German troops, Hoeffler, had played the organ. It might sound comic, but it illustrated a serious problem.

28. Such a background could not be simply eliminated from the minds of the people, Husak went on. Former Austrian President Kirschsclaeger, when he was President, had also spoken strongly to Husak about freedom of the Roman Catholic Church. He had told Kirschsclaeger what he had just told Whitehead: There was freedom for religion, but not for its misuse against the people. He had told Kirschsclaeger the same story, though he did not know if the latter had accepted the conclusion. But history was important. The Czechoslovak side was trying to overcome it, to pursue tolerance, but extremists saw religion as a major political force and were trying to misuse it.

29. The state had made serious mistakes vis-a-vis the church, in the 1950's, Husak went on. He had been in prison with a number of Roman Catholic bishops. In fact he had shared a cell with one. They had plenty of time and nothing to do so the bishop had tried to convince him of the truth of the Roman Catholic faith, and he had tried to convince the

bishop of the truth of his materialistic, scientific world view. They had the time, but neither had convinced the other.

30. Whitehead observed that probably each had made a contribution in his own way. Husak said that was certainly so. He had been born in a Catholic environment, knew the pros and cons, and had developed into an atheist. He knew the part religion played in the lives of believers, and respected it. The state put tremendous sums into the repair of churches and the payment of priests. Only the head of his office knew what they spent on St. Veit Cathedral, but it was Tomasek who held meetings there.

31. The Deputy Secretary asked if Husak saw communism and religion as diametrically opposed, or believed they could live in peace in Czechoslovakia. Husak said he was convinced they had to live together. It was not possible to bring all views into one line. Communists respected religious feelings. But they could not allow their misuse for political purposes. Their side might not be entirely right on all issues. Cooperation was needed. As Casaroli had put it, they needed confidence and loyalty. Whitehead should try to get an objective view of the situation in Czechoslovakia. Of all the members of the party leadership, only Strougal had been born an atheist. The rest had been born in religious families, and friends and relatives had influence. They did not want a fight.

Repression of Political Dissent

32. Whitehead said he had another question. People in the West said the Czechoslovak Government harshly repressed people who disagreed with it, that dissent, disagreement and dialogue were not permitted, that people were jailed or otherwise repressed if they disagreed publicly. He asked Husak to enlighten him on this question.

33. Husak said there had been such periods, in the 1950's. There had been harsh and even unjust actions taken against other opinions. That had been gradually eliminated. During the time he had been in top-level posts, political or state, there had been only certain minor cases of repression of such people, if they broke the law. To his knowledge there were no such cases at present. People could have dissenting views, but they had to comply with the law. But hostile propaganda blew up every tiny case.

34. Husak said he wished to give an example. A group in Czechoslovakia had declared it was going to hold a demonstration against repression in Romania. There had been no such demonstration. It had not been prohibited; it had simply not taken place, though there had been such demonstrations in other countries. But the Western press reported that twenty people in Prague had been on hunger strike, in their apartments and kitchens with full refrigerators. Normally this

would be material for a humor magazine, but it was reported as news. Among the demonstrators was the writer Havel, who had demonstrated in his kitchen full of food. It was not possible to believe everything in the mass media.

35. The Deputy Secretary said our own government was constantly criticized in them. Husak said that was true everywhere. Whitehead said that went for all top officials. Husak said he knew; he had held such posts for a long time. Whitehead said we had found the best protection was the spotlight of the truth. We allowed hundreds and thousands of newspapers, good stories and bad stories, and in the end it worked. The present administration had been one of those most criticized, but it had been reelected by a record majority. In our country anyone could organize and speak, and the constitution prevailed, and we stayed in a reasonably orderly pattern.

Systemic Change

36. Husak said he knew something of the American system, and those in Western Europe. He had studied them, and followed them since. Whitehead for his part knew the Czechoslovak side's system, though, Husak said, he was not sure in what depth. There were shortcomings everywhere. Systems could not stagnate, and one had to be aware not only of the positive but also of the negative. They wanted to improve theirs. Perhaps they were not doing so with enough speed, but the tendency was there.

37. The Deputy Secretary said he thought both worlds were striving to improve. The history of the world was that systems which became self-satisfied became stagnant and died.

[Omission in the original.] economic and state life. Their side noticed its weaknesses, especially in the economy. It had lost some time in the scientific and technological fields. But for some years it had been gathering strength for programs to catch up in technological and production levels with the U.S., with Japan, with Western Europe. The same applied to politics, particularly with respect to mass organizations like the trade unions. In the statutes there was always freedom for every member to express opinions; there were always provisions for secret election of officials. Nevertheless there was stagnation. We need to talk with them constantly so that they will truly represent all the workers, all the people, Husak said. The same was true of all the political parties, the youth organizations. We need to view sharply how to introduce these things into life. We provide for public control and discussion, but needed to improve them.

39. The Deputy Secretary commented that our capitalist system had undergone a tremendous change in the 1930's. It had adopted many socialist features, and substantially improved the life of the

average worker. We call it capitalism, but perhaps it is really a capitalist-socialist system. He had the impression that the reverse was beginning to happen in Husak's system. Because it was not staying modern it was perhaps adapting, just as ours had adapted fifty years ago. He suspected Husak would continue to call it socialist, though in fact it was a socialist-capitalist system. Perhaps in the end we would have the same system under different names.

40. Husak said they would need at least an evening to discuss that. Their side was learning from all the world what was good, and not just in the area of technology. Any reasonable person would do that. He knew that the U.S. and other capitalist states granted certain social rights. But scientific-technological development also led to throwing millions on the street, to unemployment. They wanted to avoid that. Whitehead said that discussion would probably take a whole night.

41. The Deputy Secretary thanked Husak for his time. Husak expressed his thanks for the visit. His wish was that Whitehead's visit to Czechoslovakia might contribute to the improvement of relations. He would be pleased that talks would continue, whatever the differences, if they produced concrete conclusions. Whitehead said it was good to be able to talk about differences, as they had that day.

Czechoslovak Commitment to Peace

42. Husak said people should study Czechoslovakia, the good and the bad, and draw their own conclusions. He valued Whitehead's visits to see what Eastern Europe and Czechoslovakia were like. The people there were neither angels nor devils. They wanted to live in peace. The U.S. Government and President Reagan had contributed to a major step in disarmament. He highly valued the treaty signed in December. He wanted that tendency to continue. He was pleased that the Foreign Ministers would be meeting. It was a great chance for the world.

43. The Deputy Secretary said there was much to be accomplished over the next twelve months, and the U.S. side would do its best.

44. Husak said he was glad the Deputy Secretary had come. Czechoslovakia lived on the borderline between the two pacts. Its people read about modern weapons, nuclear weapons, and asked what future there was for their children. The U.S. was more distant. So perhaps the average American did not ask that question. But Czechoslovakia was on the border. It had been in all Europe's wars. He himself had been in both world wars, and did not want a third. Whitehead said a third would leave no one immune. Husak said that was why he valued the step President Reagan and General Secretary Gorbachev had taken in December.

420. Telegram From the Embassy in Czechoslovakia to the Department of State¹

Prague, March 28, 1988, 0923Z

1941. Subject: Czechoslovak Police Attack Religious Demonstrators. Ref: Prague 1444.²

1. Confidential—Entire text.

2. Summary: Numerous Western media and eyewitness accounts have confirmed that Czechoslovak police reacted with force and extensive brutality to a demonstration by several thousand Catholic faithful and activists in Bratislava on the evening of March 25. Police and militia, making liberal use of truncheons, mace and tear gas, water cannon, sirens, and vehicles—which they drove through and at participants—detained and struck Western journalists and made numerous arrests. Journalists were held at a Bratislava police station, in some cases well into the night, and required to complete a questionnaire that attempted to assay their prior knowledge of developments. The BBC correspondent, who like his colleagues found his credentials of no avail, was struck before and after his detention. Demonstrators, who were calling for the filling of vacant bishoprics, religious freedom, and the honoring of human-rights commitments, included many older persons and probably would have been significantly more numerous but for road blocks and stoppages of public transport. A Catholic activist has told us that Western reports that there were 2,000 demonstrators underestimate both the actual number and the total (some 10–15,000) who tried but failed to make it to the square. VOA correspondent (protect), who was not detained, commented to us on the apparently pre-planned police approach, which seemed to envision confrontation with youth rather than the peaceful witnessing of aged believers. Official accounts of the demonstration have emphasized the view that it was “directed from outside Czechoslovakia” and singled out VOA and RFE as alleged organizers. This event, the highest-profile human-rights debacle here since the March, 1987 Jazz Section trial,³ calls attention to the yawning gap between form and substance in Gorbachev-era Czechoslovakia. End summary.

¹ Source: Reagan Library, Rudolf Perina Files, Czechoslovakia—Bilateral 1988. Confidential; Immediate. Sent for information to USIA, Eastern European posts, Paris, Vienna, Moscow, and Rome.

² Telegram 1444 from Prague, March 9, reported the arrest of 20 Czechoslovak citizens, including dissidents and religious and cultural activists. (Department of State, Central Foreign Policy File, D880204–0318)

³ See “U.S. Criticizes Czech Jazz Trial,” *New York Times*, March 13, 1987, p. A10.

The Demonstration—Highlights

3. From the eyewitness and media accounts we have obtained, we piece together the following highlights of Friday's events:

—Throughout the day March 25 police detained in their homes Catholic activists in Bratislava and elsewhere, conducted searches, and maintained roadblocks and "technical vehicle inspection" points in many areas of the country.

—Police, present in force on and around Hvezdoslavovo Square and throughout the vicinity and backed up by units of the People's Militia, drove into the square shortly before 6:00 p.m. and ordered participants to disperse or face arrest. Demonstrators, including many older men and women with lighted candles, remained in place and began singing the national and Papal anthems. Police attempted to drown out the singing with sirens.

—At about 6:30, police cars and water cannon vehicles began driving into the crowd and charging demonstrators. When three older women refused to move, drivers gunned their engines while police moved in on foot, attacked male demonstrators with truncheons, and began making arrests. Police sprayed mace into the faces of several participants.

—Police systematically detained all persons, including journalists, with recording or video equipment. Several journalists, including BBC correspondent David Blow, were beaten. Police confiscated recording and video tape and damaged some equipment.

—Journalists and some 100 demonstrators were taken to a nearby police station where some (including some Western correspondents) were again struck with truncheons. Police ignored press credentials and insisted that correspondents complete a twenty-point questionnaire that, apparently, sought to establish their prior knowledge of events. Austrian ORF correspondent Barbara Coudenhove-Kalergi and others were held until 3:00 a.m. and released.

—Roadblocks, heavy police presence in central Bratislava, and stoppages of public transport before, during, and after the demonstration prevented numerous participants from reaching the scene.

—Before and during the demonstration, police in street-cleaning vehicles drove around the square, some visibly brandishing crow-bars.

—Journalists and Czechoslovak participants found policemen unusually excitable and fearful. Detainees reported widespread use of alcohol by police in vehicles and noted several interrogators drinking wine during examinations.

—To our knowledge, no Prague-based Western diplomats were present at the demonstration.

Official Explanations

4. Several aspects of Czechoslovak official media treatment of this event intrigue us:

—Rude Pravo, Bratislava Pravda, and Czechoslovak radio all emphasized supposed external orchestration of the demonstration and singled out VOA and RFE as alleged organizers. Rude Pravo's coverage also spoke of "persons from illegal church structures," who had attempted to organize the demonstration in order to disturb church-state relations and discussions taking place with the Vatican.

—A March 24 article in Bratislava Rolnicke Noviny by Canon Stefan Zareczky, dean of the Bratislava seminary, claimed that when he heard that Western radios "want to support the apostolic activity of our believers," he at first rejoiced but then reflected how unfortunate it was that they had selected March 25 "when believers attend devotions of the stations of the cross at all our churches."

—At least one Slovak press report claimed that Friday's events were organized by the Canada-based World Slovak Congress.

5. Comment: This event, because of its wide media impact and the extensive brutality it involved, seems likely to assume a higher profile than any human-rights debacle here since the March, 1987 Jazz Section trial. It occurred, unlike the doings of security forces in the hinterlands, under the full glare of Western media attention and revealed clumsy overreaction on the part of a police establishment that clearly was not answerable to whatever elements of the Jakes leadership that may be sensitive to the prerequisites of image. Like the heavy-handed reaction in Prague on March 6 to the prospect of a Catholic manifestation in support of the grass-roots religious-liberty petition and the Blessed Agnes, it revealed the near-paranoid concern on the part of the establishment lest religion take uncontrolled new root here. The security forces and their party superiors appear to assume that there is a finer degree of coordination amongst activists, Western diplomats and governments, journalists, and the Vatican than is the case. A Czechoslovak official source commented to FRG DCM (protect) recently that Westerners should not underestimate the conservatism and independence of the police and the Interior Ministry bureaucracy. Emphasis in the official media on presumed outside organizers and the singling out of VOA and RFE as especial culprits testify to the pervasiveness of these elements' fear. By their excesses, the "organs" draw concerted attention to the still-yawning gap between the regime's Gorbachev-era protestations of "democracy" and "religious liberty" on the one hand and reality on the other. End comment.

6. Moscow minimize considered.

421. Memorandum Prepared in the Central Intelligence Agency¹

SOV M 200–29X

Washington, April 8, 1988

Czechoslovakia: Gorbachev and the Husak Ouster

Summary

Gustav Husak's resignation as Czechoslovak General Secretary in December 1987 was primarily the result of internal leadership pressure and not a demand by Moscow. Czechoslovak Politburo members most likely concluded that some economic change was necessary and that this could be more adeptly and safely managed by a competent, pragmatic conservative like Milos Jakes than by the aging and increasingly uncertain Husak. *[less than 2 lines not declassified]* We do not believe that Gorbachev dictated Husak's removal or the elevation of Jakes. *[portion marking not declassified]*

[2 paragraphs (24 lines) not declassified]

[7 lines not declassified] During his April 1987 visit to Czechoslovakia, Gorbachev in his public comments:

- Did not take the side of the pro-reform faction in the Czechoslovak Communist Party (CPCZ) and came out indirectly against approving the 1968 reforms.

- Emphasized that national conditions had to serve as the yardstick for socio-economic changes; admitted that the Soviet Union lagged behind the East Europeans in introducing economic change; and praised the overall situation of the Czechoslovak economy.

- Proclaimed a new conceptual basis for relations between the Bloc countries based on equality and national independence.

[1 paragraph (less than 3 lines) not declassified]

These visits, however, as well as the atmosphere of invigoration and change Gorbachev created within the Bloc, and increased availability of information about Gorbachev's reform efforts in the Soviet media, probably caused the Czechoslovak leadership to perceive increasing pressure to embark on a course of modest economic change. Overall, the Gorbachev phenomenon certainly caused the reform debate in Prague to intensify, and—even without overt interference from Moscow—the leadership, as a loyal ally of the Soviets, probably felt obliged to follow the lead of Gorbachev in order not to be left behind. *[portion marking not declassified]*

¹ Source: Reagan Library, Rudolf Perina Files, Czechoslovakia—Substance (1988). Secret; *[handling restriction not declassified]*. Prepared in the Regional Policy Division, Office of Soviet Analysis and the East European Division, Office of European Analysis.

Further Consideration of the Soviet Role

[6 lines not declassified] According to a US Embassy source, the Soviets were consulted on the decision to replace Husak, but only after the change had been worked out in the CPCZ leadership. In a similar vein, Gennadiy Gerasimov, chief of the Soviet foreign ministry information directorate, said in a press interview that the Soviets knew “a lot” about it, that it was “a process which was discussed”. On balance, we believe it is unlikely that the Soviet Union initiated or otherwise directly ordained this Czechoslovak leadership change. [*portion marking not declassified*]

Although the Soviet Union has tools enabling it to exert influence over East European successions, we believe it is unlikely that Moscow was sufficiently concerned to direct the ouster of Husak. The Soviet leadership probably believes that in Czechoslovakia—as elsewhere in Eastern Europe, possibly with the exception of Romania—it can trust most members of the local leadership. They all have a worldview and interests generally in common with the Soviets; have learned to deal with Moscow; and are masters of accommodation. Given the USSR’s preponderance of influence in the region, the East European leaderships can be relied upon to take Soviet preferences into consideration when formulating major decisions. [*portion marking not declassified*]

Jakes is an excellent case of a leader Moscow feels it can trust, and Moscow has readily accepted him as Husak’s successor. Jakes has always shown unswerving loyalty to Moscow and is well known to the Soviet leadership. He attended the higher party school in Moscow from 1955 to 1958, was a party secretary for agriculture when Gorbachev had similar responsibilities, and frequently met Soviet officials during his long tenure as a CPCZ Central Committee secretary. In his new role, Jakes has already visited the Kremlin for discussions, which were described by Soviet officials in notably positive terms. [*portion marking not declassified*]

Such a “hands off” policy toward Czechoslovakia does not necessarily mean that Gorbachev would not attempt to play a more direct role if he perceived that stability or party control might be weakening in another East European country. [7 lines not declassified]

422. Telegram From the Embassy in Czechoslovakia to the Department of State¹

Prague, May 14, 1988, 0806Z

3151. Subject: "Invitation to the Dance." Ref: (A) 87 State 398186² (B) Budapest 1124³ (C) EmbBerlin 2188⁴ (D) Oslo 9059⁵ (E) Prague 3015.⁶

1. Confidential—Entire text.

Introduction

2. Wallflowers that we are, we have decided to interrupt our flirtations with our many visitors long enough to get out on the floor before the orchestra goes home. In what follows, we provide our perspective on this era, the role of rising expectations in Eastern Europe, and what the USG can hope to achieve. We have profited enormously by reading others' contributions to this exercise, and the Ambassador offers some commentary on these stellar performances at the end of our submission. In an attempt to restrict ourselves to matters of general interest to our readership, we have confined our thoughts on this country alone to a preceding cable (Ref E), which may be read in conjunction with this piece.

A New Mechanism

3. We all find ourselves, after three years of Gorbachev, comparing new rhetoric to new deeds. While the balance between the two will be different everywhere in the region, it will in most cases be somewhat disappointing. Even in the Soviet Union, there has been more exciting talk than actual systemic reform—whether of the nuts and bolts of economics and management or of culture and the human dimension. In Poland and Hungary, moreover, the engines of change have been to a great extent indigenous, and it is less the case in those countries than elsewhere that "reforms" have been inspired by the Soviets' new political lexicon.

¹ Source: Department of State, Central Foreign Policy File, D880418–0595. Confidential. Sent for information to Eastern European posts, Moscow, Paris, and Vienna.

² See Document 52.

³ See Document 343.

⁴ See Document 306.

⁵ The text of telegram 9059 from Oslo, December 18, 1987, was repeated in telegram 396379 to multiple posts, December 23, 1987. See Document 51.

⁶ Telegram 3015 from Prague, May 6, outlined Jakes's plan for Czechoslovakia moving forward and suggested ways the United States might respond. (Department of State, Central Foreign Policy File, D880396–0366)

4. All over Eastern Europe, though—even where resistance to new Soviet models is overt—the rhetoric is important. In fact, it is so important that party congresses, plena, and Warsaw Pact gatherings spend an extraordinary amount of time cramming reality into new rhetorical packages. Czechoslovak “acceleration” of early 1985 grew into “prestavba” by the time of the March, 1986 XVIIth Congress and the concept came to include “democratization” and “informovanost” (viz: glasnost) along the way. Bulgarian “preustroystvo” and “new thinking” in Pact and individual foreign policies repeat the echoes.

5. For Western purposes, the rhetoric is crucially important because it molds expectations, and these, in turn, create opportunities. National cultures and histories as well as the still-important dividing line between official and unofficial life modify the workings of this mechanism. In general, however, it has operated to embolden those with an interest in change—to give both the people of Eastern Europe and us increased opportunities to take regimes at their word.

Advancing the Frontiers

6. Human-rights activists and independent cultural figures have used these circumstances to good effect already in numerous instances. Sakharov's acceptability as an interlocutor for the CPSU and the profound changes that have occurred on the Soviet cultural scene under the rubric of glasnost have had much to do both with Charter 77's increasing boldness and with the Czechoslovak party's lighter hand in dealing with that initiative. We daresay East German protestants and demonstrators, to cite only the example of the Chartists' colleagues to the northwest, have also derived the lesson from the Soviet political dialectic that East Berlin can be expected, in the end, to tolerate more than it has in the past. The coordinated actions of dissidents around the map reveal the pervasiveness of this newly-heartened stance.

7. Harder to assess are the expectations of those within the system. We get the strong impression from our dealings with Czechoslovak academicians, managers, and economists, though, that an important process is underway. In a country that remembers well the traumatic purge of hundreds of thousands, some are nevertheless getting their plans and ideas—if not out onto the table—at least into the top right-hand drawer. We gather from the reporting we see that, each according to his own frustrations and opportunities, apparatchiky elsewhere in Eastern Europe have been led by talk of self-financing and of changes in foreign-trade and investment to become more specific in their recommendations. Few reach the heady heights of actual accomplishment of Hungarian bankers and bourse-operators, but the phenomenon is widespread just the same.

What Is To Be Done?

8. Of the many responses to an era of increased expectations the USG could devise, we would advocate one that involved the following elements:

- expanded (but judicious) engagement;
- careful management of resources;
- careful management of leverage; and
- the use of dialogue for feedback.

The instruments we employ in addressing each relationship will be different.

9. The USG in each Eastern European country must be in a position to react to new opportunities. This, not to put too fine a point on it, probably will mean that we must be a player in the EE's' internal games. We must not only know more party leaders, bankers, businessmen, ordinary citizens, artists, "dissidents," academicians, etc., than we have before. We must also be more judicious than we have heretofore been in dealing with our contacts and their expectations. What to encourage or discourage (even by implication); what public positions to assume in Washington, Vienna and elsewhere; how closely identified to become with independent initiatives—these and other tactical deliberations will more than ever before beset American diplomats as they set about engaging an ever less monochromatic Eastern Europe.

10. Our own actions and words will themselves generate expectations. For that reason, and because we must be able to react as events require, we must become better and more careful managers of strained resources. Reporting, public diplomacy, and exchanges are crucial functions at this juncture, as are all forms of contact work. Embassies and the Department alike will have to do a better job of identifying and sticking to priorities and saying no to competing tasks. For example, the Department may wish, for Eastern Europe and the Soviet Union, to tailor a new "strip-down" model for official visitation that significantly reduces the workload this activity imposes on posts already hard-pressed to function in strained environments.

11. The more we involve ourselves in even tacitly encouraging expectations and changes, the more we must look carefully to sticks and carrots. U.S. influence in this region has historically been circumscribed, but, as regimes and groups grasp for freedom of action, it may grow. We need not adopt a strait-jacketed, academic view of what response a given situation demands, but we must not lose sight of our purpose. We are not after engagement for engagement's sake alone but engagement in pursuit of specific goals and objectives. This will at the least require a certain salutary consistency in our use of positive reinforcement and sanctions. Gaining access at a new level should not, in most circumstances, lead us to forego forceful pursuit of U.S. objectives.

12. Finally, expanded dialogue must involve feedback useful to host governments as they seek to define for themselves the U.S. role in this region and era. Political dialogue should continue to involve read-outs, in both directions if feasible, on an increasing number of sensitive subjects, to include human rights, security, regional issues, terrorism, and narcotics.

The Role of Trade

13. Each bilateral relationship brings with it its own historical context, and the instruments to which we have recourse will perforce be different in each case. We much appreciated the careful analysis of the role of economics in the evolution of East-East and East-West relations offered by DAS Simons. The strength of this view is apparent, particularly in consideration of the entire region's current hunger for technology and investment.

14. In some instances, however, economic and trade levers may prove less manipulable than in others. We must confess a certain reluctance to ascribe to international financial institutions a potential for engendering change where, as is the case here, there is no great interest in working with these bodies. Moreover, while it proved domestically feasible in the cases of Poland and Hungary to deal with MFN and IMF, we are less sanguine about the prospects of Congress moving on such issues on behalf of Czechoslovakia, Bulgaria, or the GDR. In any case, the Czechoslovak track record at least is not a good one when it comes to convincing and helpful progress in the human-rights and commercial fields that might enliven eventual MFN prospects.

15. For the situation to be otherwise, we would need to make clearer our priorities and our responses to developments that address them. If, for instance, what we are seeking in this region is political and cultural pluralism concurrently with security-enhancing stability, then the role of trade becomes more specific. Increased trade will be the objective whose attainment Eastern European advocates of change offer to their "conservative" colleagues as a reason for making concessions in the political and human spheres. Bringing reluctant cadres along is, in turn, essential to the preservation of stability, although Gorbachev's own relative strength at home will doubtless play a more decisive role in this regard than we and U.S. business can ever hope to play. For trade to function effectively as a lever, though, we must be relatively clear-cut and consistent in telling a regime what concessions we expect (free trade unions, dialogue with activists or believers, freeing of political prisoners, liberalized travel, etc.), and we have to be able to deliver in return. This would mean, for MFN purposes, joint management with key congressional leaders of a "wish-list" for each country lacking that tariff status. From what we are able to divine, we think this will probably remain difficult if not infeasible. At the same time, we

must recognize that increased non-strategic trade is an important U.S. objective in its own right and that, although MFN in some relationships will remain an overwhelmingly political phenomenon, its absence does deter trade expansion.

16. In some instances at least, then, we will find ourselves dealing with relationships with little more than basic political tools at hand. Often enough this may mean the consultative process itself and the legitimacy a regime considers that it gains from it. While we will want to keep our options free to consult at frequencies and at levels we ourselves deem appropriate, we should not lose sight of this, particularly in instances (such as Czechoslovakia's) where a country's foreign policy has consisted in the main of hosting and spawning visits.

Avoiding Shoals

17. The Secretary, in his winter, 1985 article in "Foreign Affairs"⁷ (and again more recently in his February address to the Henry Jackson School of International Studies in Seattle),⁸ outlined the need to place U.S.-Soviet relations on a footing that could survive outrageous Soviet behavior. Our relations with East European regimes and societies in the present era will require similar shock absorbers. Even with expanded freedom of action, most of these regimes simply cannot be counted upon to "act in their own best interests"—as we would be inclined to define those interests—and reciprocate our advances. This is so, if for no other reason, because of the internal dynamics and balances of the individual leaderships. In an age of leadership transition, moreover, the tensions between "pragmatists" and "hardliners" will in many instances increase, with the result that "foot shooting" on the part of now more closely-engaged Eastern interlocutors may well become more and not less of a risk.

18. It will be important to consider what kind of new approaches can survive human-rights and diplomatic derailments. Otherwise put, we will need to consider what new kinds of dialogue a relationship can be expected to sustain and how. We may decide that, in an era of new opportunity, the risk of coming up temporarily short-handed is worth taking. Certainly, expanded engagement of the people and the intellectuals in changing Eastern European countries can do much to help us survive the contretemps in official relations that are sure to come at intervals. Public diplomacy, cultural, and human-rights agendas become, in that sense, a sustaining, symbiotic counterpart to now more ambitious bilateral agendas.

⁷ Reference is to Shultz's article, "Shaping American Foreign Policy: New Realities and New Ways of Thinking," in the March 1, 1985, issue of *Foreign Affairs*.

⁸ For the text, see Department of State *Bulletin*, April 1988, pp. 38–43. The address is scheduled for publication in *Foreign Relations, 1981–1988*, vol. I, Foundations of Foreign Policy.

Conclusion

19. The new expectations and aspirations with which regimes and the West alike are confronted in Eastern Europe are unprecedented in their breadth and importance. If Gorbachev survives in power and sticks to a reform agenda, real and irreversible change may well come to this region. Even if he ultimately does not, the rhetoric to which the Soviets and their allies have become wedded will have lasting significance. We already enjoy new opportunities born of the expectations Gorbachev-era language has engendered—opportunities for the realization of human-rights goals, for trade expansion, and for increased cultural and human contact. It will require on our own part, however, discipline rather than euphoria lest, in a stereotype of ourselves, we fritter away chances while choking ourselves on initiatives.

20. In "The End of the Road," John Barth's protagonist is enjoined by his mentor to teach proscriptive rather than prescriptive grammar. The Soviet Union these days finds itself in the unenviable position of being less than fully able to do either. Not wishing clearly to approve or to disapprove of the various paths on which its allies are travelling, it leaves the Eastern European field more open than ever before for others to perform that function. The USG must do all that it can to take an active part in the competition.

Ambassadorial Comment

21. I have been impressed by the creativity our sister posts have shown in analyzing and charting a course for our relations with this crucially-important region. We all face the problem of what to encourage and how, and Budapest and Berlin in particular have shed important and specific light on how to solve it. If positive change in Eastern Europe can be achieved by a greater range and variety of high-level U.S. visits—including Presidential or Vice Presidential ones—then I think we should assess these and other strategems Budapest proposes in that light. I also favor increasing private-sector exchanges, including home-stays, as a means of strengthening our presence in this region.

22. An alternative is to look at everything in terms of leverage and of what a regime has "earned." In an era wherein rising expectations (popular and Soviet) may come to impel Eastern leaders to take actions as much if not more than do Western stances, this viewpoint would be tragically limiting. We are seeking to encourage such developments as the recent visit here of NGO doctors who performed unprecedented monitoring and consultative tasks (the Wonka autopsy and the visit with prisoner Jiri Wolf) and an incipient upturn in travel. At the same time, we must be clear about what we dislike and, somehow, get more of U.S. business in what ought to be a promising market. No simplistic or strait-jacketing prescription for U.S. behavior can possibly do all of this.

23. It is the trade relationship that often seems to me to be the poor sister in all of this. I recall with interest Under Secretary Wallis' remarks at the Oslo Chiefs of Mission Conference concerning the crucial U.S. need for new markets, and I have reflected on the Deputy Secretary's comments on trade with Eastern Europe in the autumn, 1986 issue of *State Magazine* in this connection.⁹ It will, I think, be a great shame if we do not extract from this era of flux in Eastern Europe a greater presence here for American business, even if this effort still requires some years of concerted pushing. The Europeans, the Japanese, and the newly industrialized countries will hasten to fill the openings we otherwise will leave, and we will be left with a far more marginal position from whence to pursue political and human-rights objectives as a result.

24. Moscow minimize considered.

Niemczyk

⁹ See the interview with Whitehead in the *State Magazine*, August–September 1986, pp. 2–6.

423. Telegram From the Embassy in Czechoslovakia to the Department of State¹

Washington, October 16, 1988, 1057Z

6700/Depto 4042. Subject: The Deputy Secretary's Meetings With Vasil Bilak and General Secretary Milos Jakes, October 14.

1. Confidential—Entire text.

2. Summary. Deputy Secretary Whitehead met with General Secretary Jakes October 14. They reviewed the state of U.S.-Czechoslovak relations. Jakes discussed recent personnel changes in Prague, saying that Western press interpretation that the changes signaled a return to conservatism and an end to reform are wrong. Efforts to decentralize authority and responsibility would continue. In fact, Jakes hoped now that younger people are in charge that reform might be able to go a bit faster. Jakes reviewed the history of his country since 1939 and used the analysis to draw conclusions

¹ Source: Department of State, Records from Ambassador Thomas W. Simons, Jr., Lot 03 D 256, Chron October 1988. Confidential; Immediate; Exdis. Sent for information to Eastern European posts.

for the present state of affairs. He also discussed religious questions, describing church-state relations, leaving the impression that he is considering a change in governmental treatment of the church. The meeting concluded with a discussion of economic reform, with Jakes describing some of the obstacles and opportunities to freeing up the Czechoslovak economy. Throughout, Jakes repeated his desire for a better relationship with the U.S. End summary.

3. The Deputy Secretary's meeting at Central Committee headquarters with KSC Secretary and Presidium member Vasil Bilak lasted from 3:15 to 3:30 p.m., and was largely confined to pleasantries. The Deputy Secretary was accompanied by the Ambassador, NSC Senior Director Nelson Ledsky, EUR DAS Tom Simons, Embassy DCM Ted Russell (notetaker) and special assistant T.J. Rose. Bilak was accompanied by Deputy Foreign Minister Vacek, CC International Department Deputy Chief Radoslav Klein, an interpreter and some CC notetakers.

4. The Deputy Secretary said that both capitalism and communism have changed and each has moved some way towards the other over the years, but people still use the old terminology.

5. Bilak responded that major theoretical works have been written about post industrial society. What is necessary is to combine the good management techniques of capitalism with the social justice of socialism.

6. The Deputy Secretary responded that he was glad to see there is a theoretical underpinning for his observation about the changes taking place in capitalism and communism.

7. At 3:35 p.m. the following joined General Secretary Jakes in his office: the Deputy Secretary, the Ambassador, Ledsky and Simons (notetaker); and Bilak, Klein, the interpreter and a Central Committee notetaker.

8. Greeting the Deputy Secretary, Jakes noted that his visit to Czechoslovakia would be all too short. Whitehead said that he would be touring outside the city the next day.

9. Jakes said he welcomed the Deputy Secretary to Czechoslovakia again. He was convinced that such meetings were conducive to better mutual understanding. Our two countries were so close together; they had so many connections; they shared the danger of war, the environment and the need for food. There were many points where their views came together or were identical. Of course they did not agree on everything, but that was how people are.

10. Whitehead said that he had discovered that if one talks one finds things to agree on and to develop further. We had done that with Czechoslovakia for the past two or three years quite effectively. We find as we talk that disagreements are not so great or so sharp as we had thought.

11. Jakes said that was a good finding. The Czechoslovak side also believed that on most issues we could reach understanding. We needed to get to know each other, in mutual respect. Czechoslovakia had no global ambitions; its people wished to live in peace and do their work. It was certainly interested in seeing global problems resolved, especially in Soviet-U.S. relations following the talks between the President Reagan and General Secretary Gorbachev, which it had warmly welcomed, and would like to see continue. It wished to see hotbeds of tension disappear. It wanted the development of cultural and economic relations. It had no reason to close the door. It of course proceeded on the basis of reality: Czechoslovakia was a member of the Warsaw Treaty organization, the U.S. was the leading country of NATO. But this did not prevent us from seeking friendship.

12. Jakes continued that Czechoslovakia had had both good and bad experiences. Recently they had marked the 50th anniversary of the signature of the Munich agreement. This had left Czechoslovakia virtually alone, a prey to Hitler. Later everyone else recognized the danger, but then it was too late for Czechoslovakia. This was the actual reason for the basic switch in their orientation. The people had faced the situation, and understood that their existence and the existence of the nation itself were at stake.

13. This did not mean isolation from the West, however, Jakes continued. Czechoslovakia was part of European culture. For some time Prague had been the center of European culture. They did not refuse anything that was good in the world. But they stood at a crossroads. It was not a question of whether to have or not have socialism, but of the form needed to proceed forward, to cope with advances in science and technology, to enhance the active involvement of the people in the process. The enthusiastic period of post-war times was past. It had exhausted itself. Reason and rationality were not at work. Czechoslovakia wanted to help build a European and even a world home. America had always had a place in that. What was needed for steps to increase the activation of the people so as to proceed still further, they were engaged in perestroika or economic reform. They were promoting the dissemination of public information. They wanted more socialist democracy, the activation of the political system—which had gotten sleepy—hence activation of the National Front, to permit expression of a plurality of views. Of course they would see to it that the principles they had decided on were followed, and the socialist basis preserved.

14. Jakes said he believed that, despite the shortcomings, most people supported the regime. Of course they criticize faults, but they were not calling for its removal or a return to the old ways of private ownership. As in every society, there were some who disagreed on principle.

We are concerned about them, Jakes said, but they cannot threaten the fundamental course. They can slow it down, but they cannot succeed; They will merely be taking time that we could use to pursue our principled course. We intend to follow consistently the path of reform, both democratization and economic reform.

15. What the country needed most, Jakes went on, was greater integration into the world economy. For a country of its size, Czechoslovakia had been too autarkic. They were creating opportunities for more opening to the West. New legislation would provide for participation of foreign capital without a limit on the percentage. Of course this had to be mutual advantage. No one puts money into a dead end.

16. Whitehead commented that that was something we could agree on. He asked Jakes to describe principal features of economic reform, and how the economy would look some years hence.

17. Jakes responded that the basis of the reform was a switch from administrative direction of the economy, by administrative instruments, to economic instruments. Bilak interjected that this was as in the Soviet Union, and Jakes agreed. He continued that they were making efforts to decentralize both authority and responsibility. The enterprise would be independent, connected with the state only by taxes, by payments to the state budget, and possibly by state orders.

18. One thing they were doing that could not happen under capitalism, Jakes went on, was to provide for election of managers and workforce representatives. Whitehead commented that this was indeed democratic. Jakes continued that they did not know what the elections would bring. Perhaps after some years they would regret them. But in the context of social ownership, when the collectivity of an enterprise governed, they needed to be given a part in the management. Previously responsibility had been borne by the state.

19. In this connection, Jakes continued, there was a serious obstacle: the equalization of rewards. Because everyone had the same stomach and housing needs, it had been thought they should get the same rewards. This had taken deep roots in the minds of the people. But it was now an impediment. Rewards needed to be according to contribution. Those who contributed little should get little. Of course basic needs would be guaranteed.

20. Returning to elections, Jakes said that there had been objections at lower levels to having two candidates. People had wanted only one, the man already in place. They had had to order that elections have at least two candidates. They had conducted such elections in 80 enterprises, and four managers had been voted out. New elections are needed in those enterprises. The trouble was that no one wanted to run as the second candidate; they were afraid people would laugh at them.

21. Earlier, everything had been easy, Jakes said. They had only to propose someone for him to be appointed. With regard to the election of deputies they had discussed names with the National Front, and the only question was whether the candidate would receive 95 or 99 percent of the vote. It had been an easy life. People voted only for or against. Even then some people lost elections, since it was a country where people knew each other, and there could be misunderstandings among neighbors that expressed themselves at the polls. But this had never happened in elections to parliament. They were now planning parliament elections in three years, and wanted multiple candidates for all of them, so that they could let the people decide who they liked.

22. There were changes even in party elections, Jakes said. Previously communists had taken it as a point of pride to reject the secret ballot. But now they were going to adopt it. All the proposals for changes in the government that they had made had just been put to secret ballot, and they had been adopted by majorities of 90 to 95 percent.

23. They were also shortening the term of party office, Jakes continued. Henceforth, regional party secretaries could serve only two terms, which meant ten years. There had been a certain stagnation of cadres, especially in the sphere of personnel. Incumbents were preventing people who were perhaps better than they were from getting opportunities. They were now being challenged by the demands of the new times. They had learned the lessons, and were trying to adapt to the demands of today.

24. It was true that there had been illegal acts committed in the 1950's, Jakes continued, but this had been rectified. Bilan said Husak was an example. Jakes said Husak was the best example: he had spent ten years in jail, and later become President. With regard to those who had been executed, one could only regret.

25. Turning to 1968, Jakes said the consequences for the existence for the people were described in the world as more extensive than they were in fact. A number of people who disagreed with what had happened left the country. A number of people had been struck from the party rolls or expelled, and many more of the former than of the latter. But only those who had actually engaged in political activity had been affected professionally. It was ridiculous to claim that a professor was working as a night janitor. Those who had been doctors before were doctors now. Of the half million people affected, 37,000 had had to change their line of work, and they had been in the main party workers, teachers of Marxism-Leninism in universities and colleges, people engaged in politics who had not stood the political test. It was true they had had to leave.

26. Jakes then turned to religious questions. It had to be said that the people here, especially in Bohemia and Moravia, had never had

strong religious feelings. The first republic had been founded on the motto "away from Vienna, away from Rome." There was no separation of church and state in Czechoslovakia. The state paid priests, it maintained churches and chapels. These were open. No one was prevented from attending services. They were discussing the question of religious education of the children with the parents. They were telling parents to make their own decisions, although they advised parents that it might perhaps be bad to teach children in two ways.

(Bilak said he had other duties, and left at 4:10 p.m.).

27. Jakes continued that there was a problem with vacant bishoprics. What the authorities wanted was that the person whom the Vatican selected should have good relations with them, that he not be a person opposing socialist development in the country, that he be loyal to the country, that he understand his duty to attend to religious affairs, not political or state affairs. It seemed to them that the Vatican did not want to reach agreement. Without the Vatican we cannot have bishops, Jakes said, but they cannot have bishops without our approval. This arrangement has been the same since 1922, and had been established by the bourgeois republic. Believers had no problem; only those who wanted to make trouble had a problem. They had recently agreed on three bishops. They wanted to reach agreement on the rest.

28. However, Jakes went on, striving to create a situation like that in Poland in relations with the church would be to misunderstand Czechoslovak reality. They had had Jan Hus, and this had affected the history of the nation. Rome and the Vatican had always served the ruling circles. For three hundred years they had been ruled by the Habsburgs. The people looked at the church as a force that had contributed to their domination by others.

29. Jakes turned to the problems with democratization. There were various groups, he said. Every person in Czechoslovakia could express his views, in his trade union or in his national committee. All he had to do was stand up and express them. The people in these groups do not do that. They prefer to write to the Western media, and tell the people their views in this way. The only views that were forbidden in Czechoslovakia were views promoting war or fascism. Of course these people should take account of the fact that if the majority is against their proposals, they would have no effect. That was the basis for democracy. The authorities were not against people expressing views. But they were against organizations of anti-socialist opposition, especially now, when they were addressing such complex problems. It slowed them down.

30. Jakes said there had been a great deal of talk in the West about the recent personnel changes. Some were labeled liberal, others were

labeled conservative. This labeling did not correspond to the true state of affairs. The Prime Minister left by his own decision, Jakes said; we did not force him out. Two weeks ago Friday, Jakes went on, the Prime Minister had come to him after a meeting and said he was resigning. Jakes had asked him what the devil was going on. He said he would be sending a letter noting that he had held office for 19 years, that he was 64. His government had been criticized because *prestavba* was not going fast enough, and he was going to resign. Jakes told him to think it over over the weekend. He had said no, he was sending a letter, and sure enough Jakes had received the letter Monday morning.²

31. The Deputy Secretary interjected that President Husak had told him the same thing; Strougal had come to see him too, and told him he was tired. Jakes said his doctors had advised him to take three months rest. Once the change had taken place in the government, however, they needed to give the new man a chance to select his associates. They could not dictate such and such people to him. Their intention was to try and appoint younger people. Those that were there had been there almost 20 years. The purpose of the changes was not to slow down *perestroika*, but to implement what they had been talking about. It was always easier to talk than to do. This was also true in the party. They needed to create a new generation, and not just old men like him. Of course they needed to keep some of the old, but they needed to combine them with the vigor of the young to get effective action.

32. Whitehead commented that government is not just talking but also doing. Jakes replied that government is government. Whitehead thanked Jakes for his interesting comments. He had been glad to hear his report on the changes, since there was speculation in the West that a decision had been made to slow down reform. He was glad to see that this was not the case. Jakes said that just the contrary was the case.

33. Whitehead said that he wished to comment on Jakes' remarks on the place of the church in the Czechoslovak society. We had a different system in the U.S. We had separation of church and state. The government did not interfere with the churches in any way. The Roman Catholic Church appointed its bishops, and they were not approved by the government. The Church raised its own money, and paid its own clergy. He could tell Jakes that the system worked quite well. The Church ran its own affairs, and the government could not interfere with the church. But perhaps even more important, the church could not interfere with the government. It was something that Jakes might wish to think about.

34. Jakes said the Czechoslovak side was in fact analyzing the present state of affairs. Perhaps the present arrangement had exhausted

² Prime Minister Strougal resigned on October 10.

its usefulness. But he did not want to predict the outcome. Historical experience had influenced even the bourgeois republic. The legislation dated from 1922. The memory of oppression existed in the people's subconscious. But he did not say that the present state of affairs needed to last forever.

35. Jakes said that he had one additional fact to offer. Nationalization after World War II had also affected the Church. Forest and monastery land had been nationalized, so that the Church had lost its property. The state had compensated the Church by taking over its financial affairs.

36. He also wished to note that except for the Roman Catholic Church, the seventeen other recognized churches did not want changes, and were in fact afraid of them. Concluding, Jakes said he recognized that the Soviet Union and other countries as well had separation of church and state. A global reassessment was needed. But that did not mean that it would be completed tomorrow.

37. With regard to economic reform, the Deputy Secretary asked Jakes if there were any place in it for private ownership.

38. Jakes replied that there was when it came to small enterprise. This could refer to family business, or to a second job after the main job was performed. It affected services, or small scale production, both in industry and agriculture. It affected restaurants, for example.

39. But there was a psychological barrier, Jakes went on. People were used to living comfortably, without risk. The authorities had created opportunities, but they were having trouble attracting people to them. In agriculture, for instance, Ambassador Niemczyk could confirm that people were basically happy, they had everything they needed, and wanted their free Saturdays and Sundays. Thus, few were interested in private enterprise so far. That was their problem.

40. Whitehead asked if Jakes meant that Czechoslovak people had lost their initiative. Jakes replied that they had not exactly lost their initiative but feared risk, and given very high employment, for instance three family members, they did not see the advantage of engaging in private enterprise. We wish to give the example of his sister; her husband was a gate keeper. They used to have a cow and two pigs, which had helped them buy a car. They had then sold the animals. They now have nothing left, but on the other hand they don't have to get up early in the morning and work late at night.

41. He had been in Hungary, Jakes went on, working in agriculture. He had studied approaches to business and entrepreneurship. He had been in a village where they had raised 15,000 chickens and also pigs. He had talked to one wife who had formerly worked in a bank, but had given that up to take care of the animals, and her husband worked in a cooperative. When I told her that we in Czechoslovakia also raised

horses, she asked which kind. He had told her that they had raised iron horses since they were turning their work sheds into garages. She said that when she had earned enough for a cow, she had quit the banking business.

42. Jakes concluded on this point that entrepreneurial spirit in Czechoslovakia had been weakened, and that it was necessary to change this. Whitehead said he was confident the situation would change, as horizons broadened, though it would take time. We had learned how important it is to set no limit on what people can do with their lives. Jakes replied that in Czechoslovakia these opportunities were within the socialist enterprise. Whitehead asked if that meant some could earn more than others in that context. Jakes replied that it did.

43. Whitehead thanked Jakes for the meeting. He said it was a pleasure to visit and to hear what was happening in Czechoslovakia. The U.S. sought every opportunity to continue to improve its relationship with Jakes' country. We had different systems, but no animosity resulted from that.

44. Whitehead continued that we had established certain areas of cooperation, and would like to do more together. We would like to increase trade. Jakes said that they would like that very much. Whitehead said we would like to see more investment, not just for the capital involved but also for the management skills it brought. Jakes said they would be glad to know the U.S. system, not just through schooling, but by sending people. They sent scientists and academics already, but they wanted to send people in the sphere of economic management. Whitehead said that he would like to see a system where Czechoslovak managers could spend a year in our factories. Jakes said they were in favor of that. Whitehead said that we could even trade managers. Jakes said they would welcome that too.

45. Jakes concluded that he was convinced this meeting would be conducive to developing the relationship between the two countries still farther, to the benefit of both. Whitehead said that the U.S. and Czechoslovakia had a history lasting many years. We should be better friends. Jakes said we should build on the good things and eliminate those that were not so good. The Deputy Secretary concluded that he had a vivid memory of listening to the radio while in high school, as it reported German troops marching into Czechoslovakia in 1939. It had been sad to hear of liberty snuffed out. We felt the ties between us.

46. The meeting ended at 4:40 p.m.

Niemczyk

Albania

424. Memorandum of Conversation¹

Washington, March 20, 1981, 5:15–5:45 p.m.

SUBJECT

Summary of NSC Advisor's Meeting with Leka I (C)

PARTICIPANTS

Richard V. Allen, Assistant to the President for National Security Affairs
James W. Nance, Deputy Assistant to the President for National Security Affairs
Janet Colson, Executive Assistant to the Assistant to the President for National
Security Affairs
Paula Dobriansky, NSC Staff Member

Leka I of Albania
Abedin Mulosmanaj, Minister of Court

Admiral Nance opened the meeting by asking Leka I to provide background on his current situation and his views of the present Albanian regime. (C)

Leka I remarked that after his father's death in 1961, he became the leader of his father's Albanian exile network. Thus, in the mid-1960s, he started to coordinate liberation efforts abroad and internally. He travelled extensively and finally settled in South Africa. One of his main achievements, he said, was the formation of the Military Council for the Integration of Albanians. Leka I then went on to characterize Albania's current regime under Enver Hoxha as unstable, as it was enduring considerable economic difficulties. Moreover, he asserted, Albania's domestic situation has been further exacerbated by Hoxha's poor health which has essentially precipitated a succession struggle. (C)

In light of Albania's present internal situation, *Leka I* contended that he could overthrow the current regime with minimal time and international repercussions. However, to do so, he stated he must secure moral and psychological support from the U.S. He mentioned that the previous Administration requested that Saudi Arabia and other Gulf States not give support to Leka I's operation; subsequently, their aid was halted. Thus, Leka I requested that the United States reverse this policy. He asserted that his organization has the

¹ Source: Reagan Library, Paula J. Dobriansky Files, Country Files, Albania 1981–1982. Confidential. Drafted on March 26. The meeting took place in room 375 of the Old Executive Office Building.

manpower, penetration capabilities and even a military base—so they are not seeking material support from the U.S., only moral support and a clear signal to Saudi Arabia and the Gulf States to financially support their operation. (C)

Admiral Nance asked what would be the ramifications and the anticipated East European reactions if Albania were to be liberated. (C)

Leka I responded that he could foresee no negative consequences because Albania is geographically and ideologically isolated, and the USSR is currently occupied with the Polish crisis. He added that the possibility of Yugoslav intervention is unlikely due to its internal problems. Moreover, he maintained that even though the Albanians in the Kosovo region of Yugoslavia want liberation and hope to be reunited with their homeland, they will not simultaneously revolt. He stated that he particularly wanted to allay our fears of imminent destabilization resulting in Yugoslavia due to the liberation of Albania. *Leka I* also mentioned that a change of government would be advantageous for the US because Albania could then permit us to utilize their four ports.

Richard Allen arrived at this point, and after exchanging amenities, asked *Leka I* to provide an overview of Albanian alignment, communications, and trade.

Leka I characterized Albania as an “orphan of the communist world” for it has cut off its political ties with the USSR and China. In regard to Albania’s communications, *Leka* stated that there are air flights from Belgrade and Athens to Tirana. He also cited Yugoslavia as Albania’s prime trading partner.

Allen then queried *Leka I* on what specifically is his liberation strategy and time frame, how much financial support he needs, and has South Africa provided any assistance, how long has this effort been in progress, and what kind of government did *Leka I* envision for Albania?

Leka I replied that his network has been operative since 1965–66. They have drawn up eight different plans by which they seek to foment internal revolution in Albania within the next 2–3 months or during the next 1–2 years. However, there is a need for a catalyst within Albania. He mentioned that he will be moving to Egypt relatively soon. This will put him in proximity to Albania and enable him to better assess their various options and determine a conceivable catalyst. Moreover, he said he would be more readily in touch with their Middle East military base where they are training special teams to invade Albania. Financially, *Leka I* stated no aid has been received from South Africa, but due to Albania’s 75 percent Moslem composition, monetary assistance was given by Saudi Arabia and other Gulf States. He estimated that they needed \$20 million, with a \$5 million reserve to implement

their operation successfully. However, he pointed out that this did not constitute their current operating budget. Lastly, Leka maintained that Albania's future government would be determined by a referendum. Ergo, whether Albania is to become a republic or monarchy depends on the Albanian people.

Richard Allen further questioned Leka I about how well known he is, what exactly is the number of his supporters, and what would be the impact of this liberation movement on Yugoslavia. (C)

Leka I asked the Minister of Court to respond to the first question. (C)

Mulosmanaj maintained that Leka is quite well known and respected among Albanians. (C)

Leka I then refused to divulge the exact number of his supporters for security reasons. However, he went on to maintain that the contention that a liberation of Albania would precipitate an explosion in Yugoslavia and would bring in the Russians is erroneous. Rather, he asserted that the Albanians in Yugoslavia will remain calm and not revolt. [*less than 2 lines not declassified*] However, he still sought an answer from Mr. Allen in regard to our conceivable support. (C)²

Richard Allen responded that Leka I will get an answer. (C)

² The final sentence, was scribbled through by an unknown hand.

425. Memorandum From William Stearman of the National Security Council Staff to the President's Assistant for National Security Affairs (Allen)¹

Washington, April 10, 1981

SUBJECT

Assistance Requested by King Leka I of Albania

King Leka wants us to ask the Saudis to provide him with \$20 million to help him finance the liberation of Albania. I recommend that we

¹ Source: Reagan Library, Paula J. Dobriansky Files, Country File, Albania 1981-1982. Secret. Sent for action. "RVA has seen," is stamped in the top right-hand corner of the memorandum.

tell him that we do not consider it to be in the U.S. national interest to do so.²

I had a long talk with Leka, consulted with a CIA expert on Albania and did a lot of soul searching before I arrived at this decision. Leka is a *sympatisch* and persuasive advocate of his cause, which in isolation is certainly a good one. (I am also reminded that Richard Bissell³ was reportedly a very persuasive advocate of the Bay of Pigs invasion.)

Without doubt, no European country has been more oppressed by Communism and deserves more to be liberated than Albania, the last stronghold of Stalinism. From a human rights point of view, we should do anything and everything to revive freedom in that tragic little country. Unfortunately, there are other overriding factors which led me to my negative conclusion:

—Albania is the most staunchly anti-Soviet country in Europe. Our strategic interest in that country revolves around its key position at the entrance to the Adriatic. While the Tirana leadership is also staunchly anti-U.S. (and anti-capitalist in general), I find it hard to believe that the Albanians would try to deny NATO forces entry into the Adriatic in case of actual or threatened hostilities. For one thing, they hardly have the capability. They still have the two Soviet submarines they kept when they threw the Soviets out in the early 1960s, but not much else.

Leka replies to this by insisting that a liberated Albania (supported by NATO) could more effectively repulse a Soviet invasion. Maybe, but also maybe not. If Leka's efforts failed—as I believe they would—the slight prospects for bringing Albania closer to the West would become even slighter. Nobody would gain from this.

—I cannot believe that a serious effort to liberate Albania would have no impact on the rebellious Albanians under Belgrade's rule. Despite Leka's protestations to the contrary, one cannot divorce any operation in Albania from possible repercussions in Yugoslavia and even Bulgaria. As you know, Belgrade has been having serious problems with its Albanian province Kosovo. If Yugoslavia were located on the Iberian Peninsula, I would enthusiastically promote further unrest and instability in that country; however, given Yugoslavia's precarious geographic location, we have an unhappy stake in its stability. If it fragments, guess who is going to try to pick up the pieces?

² In the margin adjacent to this paragraph, Colson wrote, "a little different from what he told us. JC."

³ Deputy Director for Plans at the Central Intelligence Agency during the Kennedy administration.

—Despite the absence of direct U.S. support or funding for Leka's project, I have little faith that even our indirect role will remain secret. For example, how can we be sure that our looking favorably upon a liberation effort won't be used to inspire those called upon to risk their lives in this endeavor? (Allah and Reagan are on your side!!) Word of U.S. involvement in Albania is all we need at this time. Look at the hue and cry about El Salvador.

—How will this affect our relations with the Saudis? If we ask them to support Leka, we will owe them one politically. I'd rather get their funds for UNITA or some other cause—if we ever wanted to go that indirect route.

—Last and perhaps least, I do not think Leka's plan has a prayer of success. Despite the mountainous terrain favoring guerrilla activities, they will have to cope with the tightest security in Europe, if not the world. (A friend of mine visited Albania in the early 1960s and was literally tailed in the water when he swam in the Adriatic.) Guerrilla movements cannot, in my opinion, ever completely succeed against a determined well-integrated army. (At least so far they have succeeded only against demoralized and disintegrated regular forces.) Leka thinks he can get part of the Army to defect. I think he is dreaming. Even if Leka succeeded, I don't believe the game would be worth the candle for all the reasons cited above.

RECOMMENDATION

That I call King Leka I and tell him we are unwilling to approach the Saudis on his behalf.⁴

⁴ Nance wrote a note to Stearman beneath the recommendation, "Bill—Request you call me. Bud." Allen checked the "Approve" option and wrote, "Wait until he calls. Then turn him down gently. RVA 4/14."

426. Memorandum From William Stearman of the National Security Council Staff to the President's Assistant for National Security Affairs (Allen)¹

Washington, April 15, 1981

SUBJECT

King Leka

King Leka called today and I gently told him that we had studied his request carefully and had decided against making the approach he recommended—i.e., asking the Saudis to help bankroll his Albania liberation project. He then asked me if this meant we would discourage “them” (the Saudis) if they came to us. I replied that this was not the decision he had asked for (he didn’t dispute this point) and that I would have to get another reading on the latter scenario; however, I did tell him we had fundamental problems with the whole project. I went on to explain that while we appreciate his personal dedication to his goal, he must understand that we had a number of other factors to consider in making our decision. (I did not tell him who made the final decision.)

King Leka seemed resigned to my reply, which he probably expected, and asked if it would be all right for him to contact me or Bud Nance in the future. I told him it would, of course, be all right, but that it might be better if he just contacted me. (I tried to spare Bud the numerous calls I’ve been getting from His Highness.)²

I have one nagging concern about the telephone exchanges I’ve had with the King: the high probability that our calls were monitored by the Soviets here. I tried to steer clear of specifics, but the Soviets can put two and two together, especially since I could control only one end of the conversation. I did tell Leka that our calls were probably monitored which made him fairly cautious.

¹ Source: Reagan Library, Executive Secretariat, NSC Country File, Europe and Soviet Union, Albania (03/20/1981–12/27/1982). Secret. Sent for information. “RVA has seen” is stamped in the top right-hand corner of the memorandum.

² Nance wrote in the margin adjacent to this sentence, “Great!”

427. Report Prepared in the Bureau of Intelligence and Research¹

Report 351-AR

Washington, April 2, 1982

(U) ALBANIA AFTER SHEHU: THE INTERNAL SCENE

(C) *Summary*

The December "suicide" of Albanian Premier Mehmet Shehu, heir apparent to 73-year-old party leader Enver Hoxha, may destroy prospects for a smooth regime succession and seriously weaken the country's prospects for maintaining its independence and its unique brand of Marxism-Leninism.

Speculation about a Shehu-Hoxha power struggle cannot be confirmed, but persisting suspicion exists among some Yugoslavs and Western diplomats that an internal party dispute had taken place. If Shehu's death was connected with policy differences with Hoxha, then the latter's control of the regime probably has been strengthened, as has been his ability to dictate a successor. Given Albania's strategic location in the Balkans and on the Adriatic, signs of political factionalism and internal instability might tempt Moscow and Belgrade to intervene, particularly during a post-Hoxha period.

* * *

(U) *Albanian Regime Announces Shehu "Suicide"*

On December 18, Radio Tirana announced that Premier Mehmet Shehu, 68, had committed suicide early that morning in a "moment of nervous crisis." On the following day, the Albanian party daily, *Zeri I Popullit*, published the announcement—signed by the Party Central Committee, the Presidium of the People's Assembly, and the Council of Ministers—on its front page. The brief obituary made no mention of Shehu's close collaboration with party leader Hoxha for almost 40 years, or his importance and stature within the Albanian hierarchy—second only to that of Hoxha himself. While terse acknowledgment was made of Shehu's participation in the Spanish Civil War, his role in the Albanian wartime resistance, and his impressive party and government positions (Party Politburo member, Army General, Chief of the General Staff, Minister of Internal

¹ Source: Reagan Library, Paula J. Dobriansky Files, Country Files, Albania 1981-1982. Confidential; Noform. Drafted by Paul Costolanski (INR/SEE); approved by Mautner. Dobriansky initialed the top right-hand corner of the memorandum.

Affairs, Minister of Defense, and Premier), no period of mourning or state funeral was decreed.²

(U) Shehu became a “non-person”: his portraits were removed from public places and his books from libraries and bookshops. During the January parliamentary session which approved his successor as Premier, Shehu was not honored with a moment of silence, even though he had served in that body for some 35 years. Neither Hoxha nor the new Premier mentioned his name during their speeches.

(C/NF) *Rumors of Shehu-Hoxha Policy Differences*

Shehu’s sudden death and his relegation to official oblivion provoked rumors and speculation abroad, above all in Belgrade, that he had lost a power struggle with Hoxha. The Yugoslav media and some high-level officials expounded on this view, but offered no evidence to support it. One of Yugoslavia’s most prestigious journals even advanced a version that had the two Albanian leaders locked in a “shoot-out” at a December 17 meeting of party leaders in Tirana.

Yugoslav speculation, rumor, and commentary were generally seen as part of a “disinformation” campaign against Albania related to the polemics over ethnic Albanian unrest in Yugoslavia. But some Western diplomats tended to give credence to suggestions that Shehu’s death was associated with an internal party dispute over the choice of a successor to the 73-year-old, reportedly-ailing Hoxha, or over the easing of Albania’s foreign isolation and its harsh domestic repression.

Albanian diplomats sought to explain the regime’s treatment of Shehu and to refute speculation about an internal power struggle. Failure to honor Shehu, they claimed, accorded with the traditional Albanian position that suicide was a crime against society and a “disgraceful act aimed against the Party.” The diplomats pointed out that the party had treated the few other suicides of its officials in a similar manner and that Shehu’s obituary noted the “important duties” he had been given in “appreciation of his merits.” Yugoslav commentary on the suicide was dismissed as sheer propaganda, and it was asserted that no party meeting had taken place in Tirana on December 17.

Fate of Shehu’s Relatives and Allies Unknown

(C/NF) No reliable information exists to challenge the official Albanian version of Shehu’s death. He apparently had not fallen into sudden political disgrace; he had been reelected to the party hierarchy

² (C) The regime’s treatment of Shehu contrasted starkly with that accorded Hysni Kapo, third-ranking member of the hierarchy, who died in September 1979. *Zeri i Popullit* on that occasion announced a four-day mourning period and featured photographs of Hoxha and Shehu as the leading pallbearers. Shehu delivered the main eulogy. [Footnote is in the original.]

at the November 1981 Party Congress, where he had delivered a lengthy report on the economy and other foreign and domestic policy issues, all essentially following the line established in Hoxha's keynote address to the Congress. Shehu did sit while delivering, his report—presumably because of illness.³ Whatever the actual state of his health, he carried out his duties as Premier and met with visiting Greek and Romanian officials only days before his death. Subsequent reporting by these officials gave no indication of any physical or mental distress.

(C) Since his death, unconfirmed reports and rumors allege that Shehu's relatives and supporters occupying leading positions are being systematically replaced as a first step in Hoxha's effort to eliminate this source of actual or potential opposition and to enhance his own power. Among those allegedly affected in the purges are:

—Shehu's wife, a longtime member of the Party Central Committee and Director of the Higher Party School in Tirana. She reportedly has been dismissed from all her functions and arrested.

—Fecor Shehu, who was dismissed as Minister of Internal Affairs in the cabinet reshuffle of January 15. The exact relationship between Mehmet Shehu and Fecor Shehu cannot be determined: Yugoslav and Soviet media said that Fecor was Shehu's nephew, while some confidential reporting alleges he was a son or brother. Albanian diplomats abroad deny any family relationship between the two.⁴ If such a relationship did exist, the subsequent changes could suggest Hoxha-Shehu differences. Fecor Shehu's dismissal from the Cabinet constituted the only major change in the reshuffle. No information is available about his present status—i.e., whether he was assigned other functions or lost his membership in the Central Committee.

(U) On the other hand, Defense Minister Kadri Hasbiu, Shehu's brother-in-law, retained his portfolio. He also appeared publicly with Hoxha and other members of the "old guard" at an art exhibition in Tirana, as if to refute speculation that Shehu's relatives and supporters were being purged and to underline the continuity and closeness of the hierarchy.

³ (C) Shehu was said to have a kidney disorder which resulted in extreme nervousness. He traveled to France in 1972 and 1973 for unspecified medical treatment. [Footnote is in original.]

⁴ (C) Fecor Shehu became Minister of Internal Affairs in early 1980; he succeeded Hasbiu, who had become Minister of Defense, replacing Mehmet Shehu. The latter had assumed the defense portfolio—while remaining Premier—from Defense Minister Balluku, who was purged (and allegedly executed) in 1974. Hasbiu had been Minister of Internal Affairs from 1954 to 1980; he had assumed that portfolio when Mehmet Shehu became Premier. The exchanges and replacements involving the Shehus and Hasbiu illustrate the character of the postwar Albanian leadership, which has been a clique of a few families, relatives, and clan members. [Footnote is in the original.]

(U) New Premier Pledges To Continue Hoxha Policies

On January 14, Hoxha addressed the Albanian Parliament and proposed Adil Carcani as the new Premier. He praised Carcani—60 years old, a member of the Party Politburo since 1956, Deputy Premier since 1965, and First Deputy Premier since 1974—for his “ceaseless and relentless” struggle against Albania’s enemies.

In his maiden address as Premier, after having received unanimous endorsement from the Parliament, Carcani:

—indicated that no changes in either foreign or domestic policies were being contemplated. He closely followed the line enunciated by Hoxha at the November Party Congress, and promised to “implement fully the correct Marxist-Leninist line” as it has been established and interpreted by Hoxha;

—denied that Albania was “isolated”; rather, he said, it was prepared to establish relations with selected countries, in addition to those with which it currently maintains diplomatic, trade, and cultural relations, on the basis of mutual interest, non-interference, equality, and respect for sovereignty and territorial integrity;

—excluded diplomatic or any other kind of relations with the US and the USSR. Moscow and its Warsaw Pact allies were described as being among “our most ferocious” enemies”;

—reaffirmed Albania’s rejection and withdrawal from the Warsaw Pact in 1968;⁵

—reiterated Hoxha’s pledges to fight alongside the Yugoslavs if they were attacked by either of the superpowers;

—criticized Yugoslavia (as did Hoxha at length at the Congress) for its “savage, revanchist, chauvinistic, and terrorist” policies against the Albanian minority in Yugoslavia and for waging a “cold war” against Albania;

—denied Albania had interfered or would interfere in Yugoslavia’s internal affairs or had made any territorial claims against Yugoslavia, but vowed to continue to defend “all the rights pertaining to our Albanian brethren” in Yugoslavia; and

—asserted that Albania’s policy toward Yugoslavia had not changed since the Congress and that Albania wanted to continue “normal diplomatic, trade, and cultural relations” with Yugoslavia, but only on the basis of the “well-known principles of non-interference in each other’s internal affairs, equality, and respect for sovereignty and for each country’s territorial integrity.”

⁵ (C) Carcani’s comments were clearly in response to Yugoslav insinuations that Moscow and other Warsaw Pact members had not accepted Tirana’s September 1968 denunciation and withdrawal from the Warsaw Pact. Albania had been a founding member of the Pact in 1955, with Shehu as the Albanian signatory. [Footnote is in the original.]

Leadership Changes Underscore Hoxha's Control; No Evidence of Factionalism

(C) Except for the possible dismissal of Fecor Shehu, the January 15 cabinet reshuffle—as well as changes in the party leadership at the November Congress—apparently were carried out under Hoxha's direction and not motivated by political factionalism or any “settling of personal accounts.”

(U) Party Politburo member and Party Secretary Hekuran Isai replaced Fecor Shehu as Minister of Internal Affairs; two other replacements in the Cabinet also came from the Politburo, underscoring the new incumbents' credentials as party/Hoxha stalwarts and strengthening party control over the government apparatus. Haki Toska was dropped as Minister of Finance, but his demotion seems to have resulted from incompetence rather than any political differences with Hoxha. Toska had not been reelected to the Politburo in November, but he retained his membership in the Central Committee, indicating he was still in good grace with the party leadership. All three Deputy Premiers and 12 other cabinet members remained in place.

(C) The leadership changes that took place at the Party Congress made it clear that the privileged members of the partisan-dominated, “old guard” would continue to wield decisive power.⁶ However, Hoxha stated that “new blood” had to be brought into the Central Committee and that “no political problem” (read purge) was involved in the cases of those not reelected to the Politburo or Central Committee. (All Central Committee members were “unanimously” elected by the congress delegates.) Some officials, Hoxha said, were no longer able to carry out leadership responsibilities because of ill health, old age, or incompetence. He also intimated that no political disgrace should be inferred from the demotions of three Politburo members (whose tenure in that top policymaking body extended back to 1948, 1952, and 1961); they would remain on the Central Committee. He said that those who would not be reelected understood the situation “correctly” and would remain honored and trusted “comrades.”⁷ The main criteria for

⁶(U) The “old guard” now includes Hoxha, Ramiz Alia (ideology), Carcani (government and economy), Hasbiu (military), Manush Myftiu (culture), and Rita Marko (trade unions). All are full members of the Politburo who served in the communist resistance movement during World War II. Their average age is 63. [Footnote is in the original.]

⁷(C) At the 1976 Congress, Hoxha revealed the purges and executions of former Defense Minister Balluku and other “traitors,” consigning them to the “rubbish heap of history.” It is not clear why they were purged: whether they opposed various domestic political and economic policies or the foreign policy of Hoxha and Shehu, whether they were pro-Soviet, pro-Yugoslav, pro-Chinese, or anti-Chinese (at that time Albanian-Chinese relations were being affected by Chinese efforts to mend relations with the US and Yugoslavia), or whether they favored expanding ties with various Western countries. [Footnote is in the original.]

the “regeneration” process under way were political and ideological loyalty, capability, and a proper balance between younger and older members and between the sexes.

(U) Four new members were added to the Politburo, increasing its membership to 18 (13 full and 5 alternate members): the Central Committee had 81 full and 39 candidate members, a slight increase from the 1976 Congress. The average age in the Central Committee was now 49, compared with 50.7 in 1976. Hoxha also claimed that the distribution between age groups and the sexes had improved, along with educational qualifications. The intelligentsia was represented in such new areas as science, literature, art, journalism, and culture—evidently the first real effort to include members of the intelligentsia since the purges of cultural-literary officials and personalities in 1973.

(C) *Impact of Shehu's Death on Albania*

Shehu's death appears to have had little effect on the internal situation. There are no signs of political factionalism, instability, or any weakening of Hoxha's control. Some Western diplomats profess to see a hardening of Albania's isolationism since Shehu's death, particularly where Tirana's relations with the West are concerned. But there are also opposite indications—e.g., Albanian diplomats in Vienna now claim that Tirana is prepared to normalize its relations with Spain and other Mediterranean countries.

Despite continuing rumor and speculation about Shehu's relatives and supporters being purged, no evidence is available to substantiate, or refute, them. The fate of Shehu's wife may throw some light on the situation, as well as on the circumstances of his “suicide”; whether his “treachery” will one day be exposed at a party congress or whether he will eventually be rehabilitated to Albania's pantheon of nationalist and communist heroes remains to be seen. Albania is an extremely closed society, with any kind of information pertaining to the leadership difficult to come by—unless it has first been carefully screened through official sources.⁸

Little was known about the actual relationship between Hoxha and Shehu, but it was widely conceded that Shehu was the second most powerful leader in Albania. He had supported Hoxha during the numerous factional struggles and purges and during Albania's

⁸ (C/NF) Western diplomats resident in Tirana generally admit they had no knowledge of any Hoxha-Shehu differences or party factionalism. These diplomats also admit they have almost no contact with Albanian officials and none with the ordinary citizen. Rumors that circulated in the diplomatic community in Tirana on January 13 about the assassination attempt against Hoxha were suspected of having originated with the Yugoslav Embassy there, as part of Belgrade's “disinformation” effort against Hoxha and the regime. [Footnote is in the original.]

bitter conflicts with Yugoslavia, the USSR, and China. He was said to be as committed to the regime's isolationist, repressive policies as Hoxha. In effect, the two leaders functioned as a political duumvirate, with Shehu expected to succeed Hoxha as party leader and thereby ensure a smooth succession and continuity of policy. Although Shehu presumably used relatives and friends to build his own base of power, there is no evidence suggesting he had ever done so in opposition to Hoxha.

(C) *Possible Shehu-Hoxha Differences?*

Nevertheless, despite their long collaboration and possible close personal friendship, policy differences between Hoxha and Shehu cannot be discounted, particularly because their special areas of activity and responsibility could have contributed to conflicting perspectives regarding present and future policies. As Premier, Shehu was responsible for the daily conduct of the government bureaucracy (economic matters, foreign affairs, internal security)—in short, he dealt with problems and developments which affected the daily lives of the population and the regime's official contacts with the outside world.

Hoxha was said to have devoted himself to long-term political and ideological issues; he was more remote and removed from the practical impact of his policies. His constant exhortations for ideological purity and for increased self-reliance and sacrifice may have been increasingly seen by Shehu as counterproductive, even inimical, to economic and social progress. Shehu conceivably may have proposed easing Albania's foreign isolation to obtain Western technology, and its harsh political/ideological controls to stimulate economic production.

The two leaders also may have differed over the choice of a successor to Hoxha, with the latter favoring someone more sympathetic to his thinking, as, for example, the ideologist Ramiz Alia, who is now being touted as the most likely successor to Hoxha as party leader, with Carcani remaining as Premier. Such a scenario, however, would hardly be revealed to the outside world.

But if such a scenario did occur and Shehu was murdered or forced into suicide, internal instability and party factionalism would probably increase unless Hoxha managed to move quickly and decisively against Shehu's allies. Hoxha would, by doing so, seek further to consolidate his control over the government bureaucracy, presumably Shehu's stronghold, and so be much more able to dictate his successor without challenge.

On the other hand, if Shehu had committed suicide because of his health, in a "moment of nervous crisis," then his absence would be all the more sorely felt. It might well result in greater uncertainty and confusion about the leadership succession and the direction the post-Hoxha

regime will take. It could also provoke factionalism, especially among rivals within the leadership, and, as a consequence of this ensuing uncertainty and factionalism, tempt Soviet or Yugoslav intervention in Albania. A strong successor would be in a much more advantageous position to cope with potential popular unrest, pressing economic difficulties and party divisions—as well as foreign influences.

Outlook

(C/NF) There is little likelihood that Hoxha will significantly alter his unique brand of Marxism-Leninism. His successor or successors, presumably coming from the “old guard,” can be expected to make little change in his policies, at least in the short term. However, the demise of the “old guard” and the emergence of a younger, more educated, and pragmatic element might eventually force marked departures from Hoxha’s domestic and foreign policies. Some Yugoslavs and Western diplomats believe there is a pro-Soviet element in the Albanian party that is merely waiting for Hoxha’s death or political departure before making its own bid for power. Such a possibility disturbs the Yugoslavs, who feel that Soviet influence or, more ominously, a Soviet military/naval presence in Albania could destroy Yugoslavia’s unity and territorial integrity and undermine Balkan/Adriatic stability. Moscow has made several overtures to reestablish relations with Tirana, but has been spurned—thus far. Hoxha’s successors, however, may perforce change this aspect of Hoxha’s foreign policy, particularly if the Soviets were to provide substantial economic/military assistance and “protection” against a threatening Yugoslavia.

(C) One cannot identify future Albanian leaders, especially among the younger elements. Even such relatively known and prominent officials as Alia and Carcani are enigmas to Westerners. In a sense, Hoxha and Shehu were at least predictable; they were known for their ruthlessness, their unswerving devotion to Stalinism, and their hostility to “revisionists” and US “imperialism.”

(C) Yet, because so little is known about Albania, and because its traditions and behavior can hardly be judged in a Western/democratic context, even those younger and more educated leaders who come to power could just as well prove as adamant as Hoxha and Shehu in perpetuating isolationism and repression. In the end, foreign pressure and influence may be more important in determining the future Albanian leadership and its internal policies than strictly internal developments.

428. Information Memorandum From the Assistant Secretary of State for European and Canadian Affairs (Burt) to Secretary of State Shultz¹

Washington, undated

SUBJECT

U.S. Policy Toward Albania

The Current Situation

Albania is the last piece of strategically valuable real estate in Europe open to relatively easy Soviet encroachment. The country's one post-war leader, Enver Hoxha, is 75 and in poor health. This tiny Balkan country—the only Eastern European nation besides Yugoslavia with unimpeded access to the Mediterranean—is thus on the eve of its first leadership transition in over 35 years.

Since the late 1950's, following Khrushchev's denunciation of Stalin and rapprochement with Yugoslavia, Hoxha has scorned the USSR as well as the U.S. We have little information about his possible successors and their foreign policy views. We do know that Moscow has made repeated overtures to Tirana to normalize relations—most recently by Andropov in 1982. We can expect Moscow's efforts to intensify when Hoxha leaves the scene.

While Albania refuses to deal with either the U.S. or the USSR, it has diplomatic relations with almost 100 countries, including all of Western Europe except the UK and the FRG. To date none of Albania's ties with Western European countries has been close. But Tirana has recently made a number of moves toward the West. While these overtures may stem primarily from Albania's economic needs, they nonetheless provide an opening we should exploit.

Our Policy Approach

Our strategy should be to maximize Western influence over Albania so as to keep it as free as possible from Soviet exploitation. For the foreseeable future, Hoxha's antipathy toward the U.S. means that our allies must take the lead in direct dealings with Tirana. We therefore plan to:

—Make a major effort to persuade the allies (including Japan) to strengthen ties with Albania. Countries with non-resident representation

¹ Source: Reagan Library, Paula J. Dobriansky Files, Country Files, Albania 1983–1985. Secret. Drafted on October 31, 1983, and revised on November 9 by Kuchel and Combs; cleared by Palmer and Burt. Sent through Eagleburger. Neither Burt nor Eagleburger initialed the memorandum.

should consider establishing small diplomatic missions in Tirana. At a minimum, non-resident ambassadors should visit Albania more often.

—Ask those countries with relatively good access to Tirana (e.g., the French, Italians, Greeks and Turks) to increase cultural and educational exchanges in addition to trade.

—Suggest that our allies promote tourism to Albania (U.S. citizens are barred from the country).

To launch this consciousness-raising initiative, we will send a State [*less than 1 line not declassified*] team to Europe in the next few months. We will also:

—Pursue settlement of Albanian gold claims, together with the French and British. This could lead to normalization of British relations with Tirana and perhaps clear the way for initial U.S.-Albanian contacts.

We also plan to increase attention to Albania within the USG, including:

—Renewal of RFE broadcasts in Albanian, plus enlargement of VOA's modest Albanian programming;

—Establishment of a U.S. information office, manned by an FSO, in the Kosovo region of Yugoslavia, to build Albanian language capability and area specialization;

—[*less than 2 lines not declassified*]

—Development of better information on Albania through seminars and meetings of government and academic specialists from the U.S. and abroad.

429. Paper Prepared in the Central Intelligence Agency¹

EURM 88–20060

Washington, April 8, 1988

Albania: Unprecedented Growth in Foreign Ties [*portion marking not declassified*]

Summary

Albania is likely to continue its recent unprecedented expansion of foreign ties, but is unlikely to establish relations or upgrade contacts with the US or USSR any time soon. Over the next year, we

¹ Source: Reagan Library, Rudolf Perina Files, Country File, Albania—Substance 1988 RP. Secret; [*handling restriction not declassified*]. Prepared in the Office of European Analysis.

expect Tirane to improve trade and political ties with most NATO allies and several East European countries, and further increase multilateral and bilateral cooperation with its Balkan and Mediterranean neighbors. On balance, we believe these trends will at least modestly enhance US interests: Tirane will likely remain sharply hostile to the USSR and develop more extensive and higher-level political ties to Western Europe than to Moscow's allies, even though the volume of trade with the bloc will likely remain higher than that with the West. Nonetheless, the regime will continue to strictly limit Western influence and maintain its oppressive, tightly controlled political system. *[portion marking not declassified]*

Recent Foreign Policy Initiatives

Tirane began slowly improving ties to the outside world following its break with China in 1978, a trend that gained momentum after the death of longtime leader Enver Hoxha in 1985 and accelerated further over the past year and a half. Since the start of 1987, Tirane has established or normalized relations with several NATO countries, welcomed the first visits by Western foreign ministers (from West Germany and Greece) since World War II, upgraded diplomatic relations with two Soviet bloc countries from the charge to ambassadorial level, and increased its participation in multilateral forums, including joining UNIDO and attending the six-country Balkan foreign ministers' conference this past February in Belgrade. It also exchanged diplomatic notes with the US for the first time last June, a move that so far has remained an isolated act. *[portion marking not declassified]*

Mainly Economic Motives

Recent public statements by Hoxha's successor, party chief Ramiz Alia, and other leaders indicate that Tirane's expansion of ties has been prompted by a growing belief that increased foreign contacts are essential to modernize Albania's abysmally backward economy and outdated industrial base. Since 1985, Albania has increased its total exports by 13 percent—in almost equal proportions to the Soviet bloc and the developed West—reversing a previous downward trend. But while Tirane in this period has raised imports from the Soviet bloc, by some 15 percent, its purchase of Western goods has declined by about the same amount. This trend has been due to Albania's limited hard currency earnings and, conversely, Eastern Europe's willingness to accept inferior Albanian goods and to engage in barter trade. The Alia regime has also taken limited, ad hoc steps to stimulate domestic economic performance, such as increasing wage differentials, experimenting with some private agricultural production, and allowing more decentralized economic decisionmaking. *[portion marking not declassified]*

Expanding Ties with the West

We believe Albania over the next year is likely to continue growing foreign policy initiatives toward the West, including some NATO nations. Tirane's first priority will be to press for further expansion of exports to earn the hard currency needed for Western imports. We believe, because of recent increases in exports, Albania will begin to purchase more Western goods and that the decline of imports from the West will thus begin to level off. Tirane will probably also increasingly pursue masked forms of development assistance to circumvent its constitutional ban on accepting foreign credits. For all these reasons, it probably will try to ameliorate several outstanding political disputes and build on diplomatic ties recently established. We expect Albania to:

- Try to increase trade, particularly on concessionary terms, with West Germany following the two countries' establishment of diplomatic relations last year. Tirane apparently views the FRG as its best prospective source of Western technological and other assistance. It is particularly interested in receiving training and equipment for its export-oriented but dilapidated mining industry. The FRG already has agreed to provide DM 6 million for unspecified projects, according to press reports. [*less than 1 line not declassified*] trade potential is limited because of Tirane's shortage of hard currency reserves, ban on foreign borrowing, and few products suitable for the West German market.

- Make new concessions in its ongoing talks with the UK over establishing diplomatic relations. The talks have made little headway during the past several years because of Tirane's refusal to compensate Britain for the destruction of two destroyers in the Corfu channel by mines in 1946, and its insistence that Britain return 2.5 tons of gold held in the Bank of England since World War II, the release of which must be agreed upon by the Tripartite Gold Commission (made up of the UK, US, and France).

- Intensify trade ties with Canada following the establishment of diplomatic relations last year. Reportedly an important motive for the normalization was Tirane's interest in gaining US technology.

- Take steps to ease a bitter dispute with Italy over six Albanians who in 1985 sought and received refuge in the Italian Embassy in Tirane. In the early 1980s Italy was Albania's second most important trading partner in the world. The subsequent impasse over handling the refugees has contributed to a reduction in political contacts and trade levels—as of 1986 Italy had dropped to eighth place. [*portion marking not declassified*]

Upgrading Diplomatic and Trade Ties to Eastern Europe

We believe Albania will continue its recent moves to enhance trade and to restore diplomatic relations with all of Moscow's East European allies to the ambassadorial level. Each of these countries except Romania reduced representation to the charge d'affaires level following Albania's

break with Moscow in 1961. In recent months Tirane has announced upgraded relations with East Germany and Bulgaria, the former following the establishment of ties to the FRG and the latter on the eve of the Balkan conference in February. Ties with Czechoslovakia (now Albania's leading trade partner in the world), Poland, and Hungary may soon follow. [*portion marking not declassified*]

Imports from the Soviet bloc will continue to grow faster than those from the West. Tirane, however, almost surely will keep its trade with the bloc confined to straightforward barter deals. It will avoid aid packages, significant presence of East European economic and technical personnel, and dependence of key sectors on imports from the bloc. We believe Tirane also is unlikely to conduct high-level political contacts with the bloc, as it has with the FRG and Greece. Moreover, we foresee no restoration any time soon of Albanian Communist Party relations with East European bloc parties, which were severed after the 1961 break. [*portion marking not declassified*]

Regional and Multilateral Ties

Albania almost certainly will also continue to improve relations with its Balkan and Mediterranean neighbors, as well as gradually become more involved in selected multinational institutions. Tirane reversed its longstanding opposition to multilateral *Balkan* cooperation by attending the February foreign ministers' conference, and signaled willingness to continue similar contacts in the temperate speech on that occasion by Foreign Minister Reis Malile. Albania is also likely to strengthen its political and trade ties with Greece and Turkey, while avoiding becoming enmeshed in the Greek-Turkish dispute. Tirane seeks improved ties to Yugoslavia and recently reestablished cultural ties, broken after Yugoslav suppression of ethnic Albanian rioting in 1981. But substantial improvements in relations with Yugoslavia are unlikely because of continuing frictions over Belgrade's treatment of the Yugoslav Albanian population. [*portion marking not declassified*]

In the *Mediterranean*, Tirane will seek to augment its budding ties to nonaligned and independent-minded states in the Middle East and North Africa. Its closest ties probably will continue to be with Algeria, from which Tirane probably also seeks technological assistance for its ailing petroleum industry. Albania last July held foreign ministerial talks with Algiers resulting in a joint communique, the kind of diplomatic document that is still a rarity for Tirane, and in December followed Algeria's lead by recognizing the Saharan Democratic Arab Republic. [*portion marking not declassified*]

Albania is likely to participate in some *multilateral forums*, provided it believes they are not dominated by the US or USSR. Its decision last month to join UNIDO, which is designed to promote industrialization among lesser developed member nations, could lead to some needed

funding for development projects. For the foreseeable future, however, we believe Tirane will remain the only European nation not to be a member of CSCE. It is likely to remain put off not only by US and Soviet influence in the CSCE process, but also by some of the terms of the Helsinki Final Act, such as complying with international human rights norms. [*portion marking not declassified*]

No Ties to US or USSR

We believe Albania will remain publicly and vehemently opposed to establishing relations or upgrading contacts with both the US and USSR for at least the next several years. Tirane appeared to signal a new flexibility last year toward the US when it rescued some stranded American boaters and subsequently informed the US of this help in its first exchange of diplomatic notes with Washington. But the move now seems intended more to show adherence to basic international norms than as a more significant political gesture, and Tirane has not signaled any further desire for contact. We believe Tirane in the next year or two may make some minor moves, such as increasing purchases of some US products through third countries and allowing a limited number of contacts with non-official Americans. [*portion marking not declassified*]

Tirane probably will continue to view the *Soviet Union* as a more serious threat to its sovereignty than any other state, including the US, and will continue to sharply reject Moscow's overtures. These overtures have increased since Gorbachev took power; [*less than 1 line not declassified*] they have included personal communications from Gorbachev to the Albanian leadership, wider favorable Soviet press coverage of Albania, and directives to some East European allies to press Tirane for reconciliation with the bloc. Tirane currently imports a limited number of Soviet goods through third countries and is unlikely to substantially increase this volume any time soon. [*portion marking not declassified*]

Implications for the US

On balance, we believe the recent expansion of Albania's foreign ties at least modestly supports basic US interests. Tirane's steadfast independence of the USSR continues to restrict Soviet influence, and these ties are not likely to increase. Its ties to Western Europe are likely to grow more comprehensive—including high-level political contacts as well as economic relations—than those with Moscow's East bloc allies, even if trade volumes with the bloc remain higher. In the longer term, such Western contacts could lessen Albanian suspiciousness of NATO and the US, and lead to an eventual establishment of bilateral relations and increased opportunities for US influence. Nonetheless, for at least the next several years, Tirane will almost certainly carefully limit Western and other foreign influences on its population and maintain its oppressive, tightly controlled political system. [*portion marking not declassified*]