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CZECHOSLOVAKIA

1 December, 1981

CZECHOSLOVAKIA: ANNUAL REVIEW FOR 1981

*Her Majesty's Ambassador at Prague to the
Secretary of State for Foreign and Commonwealth Affairs*

SUMMARY

The year did not end on a promising note for the régime (paragraph 1).

2. Nervousness about Poland led to a stream of denunciation and to increased pressures on dissidents and the Church. Little sign of immediate "infection" of the population, but the régime cannot be complacent in the longer-term. An uneventful Party Congress was followed by minor changes in the Government (paragraphs 2-5).

3. The underlying problems of the economy showed signs of getting worse in the second half of the year—because of a disappointing harvest, because industry failed to show the required improvement of performance, and because of external factors including the Soviet Union. The economy is thus becoming even more squeezed. There could be significant longer-term consequences (paragraphs 6-8).

4. Despite increased pressure on dissidents no major show trial was held. Western attitudes may have had some effect. The régime's attitude to the Roman Catholic Church hardened (paragraphs 9 and 10).

5. In foreign relations Soviet clients in the Third World, especially the Middle East and Africa were cultivated, without any obvious material benefits to Czechoslovakia. Relations with some individual Western countries including the US tended to show mild improvement (paragraphs 11 and 12).

6. A not unsatisfactory year for British interests. Prospects of settling the claims and gold problem. Britain marginally increased her market share, with reasonable prospects for new additional business in industrial sectors due for modernisation. Hope that the Secretary of State will visit Prague in 1982 (paragraphs 13-15).

7. After a decade of relative immobility some evolution may now be on the way, but its direction is still unpredictable. Meanwhile we should stick to our current policies (paragraph 16).

(Confidential)

My Lord,

Prague,
1 December, 1981.
"Nobody, not even the Communist Party or the Government, can assure favourable weather conditions" Vasil Bil'ak, Party Secretary, 29 October, 1981.

For the rulers of Czechoslovakia 1981 was a poorish year which got worse as it went on. It was not simply that the rotten weather in July caused a disappointing harvest. Economic conditions outside and inside the country deteriorated, things in neighbouring Poland went from bad to worse, there were the first signs of trouble in Romania, and by November the country was becoming increasingly squeezed between recession in the capitalist world and economic malfunctioning in the Soviet bloc. There is no immediate crisis, but the outlook looks bleak. Meanwhile there are ten million Czechs and five million Slovaks who have to be kept at least docile, even if it would take a miracle to make them fully contented.

Internal political—the effects of Poland

2. Events in Poland continued to make the Husák régime nervous and insecure. This affected their attitude to the dissidents and the Roman Catholic Church. It caused a more or less steady stream of denunciation of Solidarity on the grounds of “anti-Sovietism”, counter-revolutionary tendencies, economic sabotage and manipulation by Western imperialists. At the late October Central Committee meeting Bil’ak, the leading ideologist and foreign affairs man in the Party and the second most powerful person in the country, devoted about a third of his speech to these themes. The protestation was almost entirely spontaneous, even though the clamour doubtless suited Kremlin tactics well.

3. There was no hard evidence of an active response of Czechs and Slovaks to subversive Polish ideas. A year ago ordinary people expected those “idle and vain” Poles to get the same treatment which the Russians, with Polish assistance, inflicted on Czechoslovakia in 1968. In the absence of a military intervention the attitude is now one of fascinated watching; foreign media and adverse official coverage inside Czechoslovakia provide the astute with a pretty good idea of what is going on. Much as they might have liked to do so, the authorities did not orchestrate mass factory meetings on the Soviet model to denounce the Solidarity Congress September message to workers. They limited themselves to inspiring public comments from committees and individuals, presumably because they had to reckon with the workers asking to see the full text of what they were to denounce. With memories of 1967–69 still fresh Husák, Bil’ak and company have good cause to wonder how long it will be before grass roots pressure for movement towards pluralism starts again in Czechoslovakia.

4. The Party Congress in April (Brezhnev’s presence notwithstanding) and the rigged Parliamentary and local council elections in June were dull affairs. One or two personnel changes in the Party secretariat suggested that the dogmatists in the establishment, thanks to Poland, had strengthened their position but some Ministerial changes in June tended to rectify the balance and promoted one or two younger, more modern-minded men who appear committed to measures of adjustment in the management of the economy. “Reform” would perhaps be too strong a word.

The economy

5. The Five-year Plan for 1981–85 adopted in outline at the Party Congress seemed sound enough, envisaging only modest growth rates and a strategy of taking Czechoslovak industry up-market with greater concentration on higher technology and more marketable products. At the same time the Congress promulgated, but with no great show of enthusiasm, the “Set of Measures” for Planned Management, the essence of which is the rewarding or penalising of

management and workers on the basis of the value-added index of their enterprises, thus (in theory) introducing a greater degree of devolved decision-making without discarding the disciplines of the Plan. For the first six months of the year things seemed to be reasonably on course, despite one or two less encouraging indicators. By August signals were beginning to emerge that the picture was gloomier than first appeared.

6. The January-August statistics, such as they are, suggest that the underlying problems, particularly productivity and construction, are still proving intractable. Exports are apparently on a downward trend, thus reducing the earnings now increasingly needed to pay for imports. Czechoslovak industry still seems to be stuck in its old rut, with profligate consumption of energy and raw materials and low rate of return. And time, which might have been an ally, has become an enemy. Although Czechoslovaks are by nature cautious borrowers and have the lowest hard-currency debt ratio in non-Soviet Eastern Europe the suspicion is starting to grow that even they may be running into cash-flow and debt-servicing problems.

7. As early as September Deputy Prime Minister Potač, Chairman of the Planning Commission, hinted to me that the targets in the Five-year Plan were being revised downwards. The Central Committee at the end of October announced that the disappointing harvest had led to a grain shortfall of 1.6 million tonnes below plan. 500,000 tonnes of feed grain were to be imported, but the rest of the deficit would be covered by a reduction in meat supplies. The kind of hard language used suggested that there ought to be some stiff price-rises for foodstuffs between now and the spring only partially compensated by reductions for consumer durables.

8. I suspect that the harvest shortfall, highlighted though it was, is by no means the only climatic problem. Prime Minister Strougal in October warned the public that the rising price of Soviet oil required a substantial volume reduction in imports between 1981 and 1985. Reports have started to circulate that, to solve their own problems, the Russians have unilaterally imposed a cut of 13% or more on a much shorter time-scale. If the reports have any truth the problems of Czechoslovakia's economic managers have been seriously compounded. They cannot overnight increase their hard currency earnings by exports to the West, least of all while the world recession continues, and they are set against borrowing their way out of trouble. Developments will merit close watching. In the shorter term there could be advantage for the fundamentalists who believe in the Spartan spirit. In the longer term there could be a loosening of economic dependence on the Soviet Union. At the same time increased material discomfort could accelerate popular pressure for reform. Coupled with the inherent contradiction of an alien system enforced on a sour and cynical people (at least in the Czech lands), the threatened unfavourable climate for the economy makes it unwise for anyone to dismiss Czechoslovakia as a permanently stable and submissive country.

[REDACTED]

Religious affairs

10. State propaganda tended to harden against the Roman Catholic Church, again in reaction to Poland. There were several trials of priests and of laymen for "unlicensed" religious activities. These were probably intended to intimidate that majority of the clergy who do not belong to the collaborationist "Pacem in Terris" movement. No movement was made in the direction of reaching agreement with the Vatican on appointments to the 9 out of 14 dioceses and archdioceses which are still vacant. A few clergymen from the various Protestant churches are among the dissidents but those churches themselves are not politically engaged and allow themselves without fuss to be brigaded in the "Christian Peace Council".

Foreign relations

11. The Czechoslovaks spent much time, as usual, in cultivating Third World clients or potential clients of their Soviet ally. Husák paid State Visits to Libya, Ethiopia and South Yemen and received State Visits from Angola and Mozambique. It is difficult to see just what the Czechoslovaks expect to achieve for themselves out of this activity. Posturing apart, they probably have their eye on arms sales, industrial projects and access to oil and other raw materials, but they are unlikely to be able to offer much more assistance than the \$90, \$50 and \$25 million in credits already agreed with Afghanistan, Angola and Mozambique respectively, especially if their resources are as stretched as I now begin to suspect.

12. Relations with Western countries, to which the régime attach more importance than might be expected, ended up marginally on the plus side. Signor Andreotti's visit in October lifted relations with Italy from their previous low. Foreign Minister Chnoupek is due to visit Bonn in December and Husák still hopes to make his State Visit to Austria early in 1982, a visit that was postponed in the aftermath of the Hodic affair. Relations with France remain in the doldrums, unchanged by the election of President Mitterrand. With the US things have taken a turn for the better; at long last a settlement of the claims dispute has been reached on favourable terms to the Americans and, Congress permitting, this will lead to the restitution of the gold held since the war by the Tripartite (Anglo-French-America) Commission. The Czechoslovak decision to settle for the high price of \$81 million probably had two motivations: firstly the attraction of adding to the national gold reserves when times are hard and secondly a genuine desire to improve relations. The new American Ambassador was well received when he arrived in November, a year after his predecessor's departure.

British-Czechoslovak relations

13. The Czechoslovaks made a poor start by using violence against the Air Attache and his Canadian colleague while touring in South Bohemia in early February. This incident was probably not deliberately directed at us specifically but rather the product of several months of excessive zeal by policemen against NATO attaches generally. Tough negotiations about outstanding claims started in August, once the Americans had broken through, and in mid-November the Czechoslovaks agreed to meet Her Majesty's Government's demands for a settlement comparable with the Americans at a figure, in our case, of just under £25 million. It remains for the Commission powers and the Czechoslovaks to agree on the complex procedures for delivering the gold, but it is a bonus that this problem which has proved intractable since the early 1950s now promises to be finally settled. The visit of the Parliamentary Under-Secretary planned for mid-December, dissident trials permitting, will undoubtedly end the year on an upward note. If you, my Lord, visit Prague next year, as I much hope you will, 1982 could be a vintage year for our relations.

14. Our trade has had a relatively good year. British exports to Czechoslovakia have held steady in value terms at an annual figure around £80 million. As imports from other OECD countries are down, we have modestly increased our market share. The Chairman of the British Overseas Trade Board paid a successful visit at the time of the Brno engineering goods fair where British participation was at its traditional level, in contrast to a decline at other fairs in Eastern Europe. A successful Joint Commission meeting took place in London in July and pointed up a wide spectrum of practical possibilities for British business. Despite the relative gloom of the economic side of this report there should still be good prospects in those sectors that are given high priority in the Government's efforts to modernise, though because of the increasingly tight foreign exchange position the negotiation of deals is likely to become correspondingly complicated.

15. Our cultural exchange programme has run on an even keel, and we enjoy the benefit of a large demand for English language teaching. Apart from some good musicians we have, alas, had no outstanding cultural manifestations, to which one can always be sure of a high popular response. An exhibition of British design products at Bratislava and Prague in the autumn was well attended. We were relatively free of consular cases with political overtones, and a steady stream of British academics visiting the informal Patocka philosophical "university" came and went, with one exception, unhindered. BBC correspondents got visas when they asked for them, after one early occasion when my intervention was necessary.

Conclusion

16. Poor though the climate of 1981 may have been for the Party leadership it may well turn out to have marked the beginning of the end of a decade or so of virtual immobility in the social and economic system. It is too early to forecast whether developments in the next few years will favour the kind of evolution we wish to see or whether there will be retrogression, at least in the short term. Meanwhile British policies towards Czechoslovakia remain valid and we should continue to pursue them.

17. I am sending this review a month earlier than normal in preparation for Lord Trefgarne's visit and because of my departure on mid-tour leave in December.

18. I should be grateful if the Department would send copies to Her Majesty's Representatives at Moscow and other posts in Eastern Europe, at Bonn, Vienna, Washington, NATO and the Holy See, to BMG Berlin and to the CSCE Delegation at Madrid.

I am Sir

Yours faithfully

J. R. RICH.