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CZECHOSLOVAKIA: ANNUAL REVIEW 1985

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

SUMMARY

On the whole a good year, but important decisions on men and measures postponed. No Czechoslovak Gorbachev in sight (paragraphs 1-4).

2. The standard of living is higher but economic nettles remain ungrasped. Structural and management problems abound. No major reforms likely until the 1990's (paragraphs 5-6).

3. Periodic harassment of the small number of dissidents continues. Possible progress towards better relations with the Vatican (paragraph 7).

4. Czechoslovakia a loyal ally of the Soviet Union but able to discuss matters with Western countries (paragraphs 8-9).

5. A good year for our bilateral relations: your visit and two by DTI Ministers. British exports up (paragraph 10).

6. Suitable ground for implementing British policy towards Eastern Europe (paragraph 11).

*Prague
2 January 1986*

Sir,

Introduction

Once again the Czechoslovak authorities will look back on the year with more satisfaction than the facts warrant. True, they survived a cruel winter, celebrated orgiastically the 40th anniversary of the end of the Second World War and re-elected President Husak for a further five year term. On the régime's figures published in November national income increased by 9.6% over the last three years. Internal unrest is negligible. They also adapted to the energetic swishing of the new broom in the Kremlin and to the atmospherics of the Geneva Summit between President Reagan and Mr Gorbachev. They are now facing the bureaucratic ordeal of preparing simultaneously for the next Five Year Plan and the 1986 Party Congress. But although the mood may be one of self-congratulation, a critical observer would mark 1985 down as another year of wasted opportunities, a time when the hard decisions about men and measures yielded to fudge, inertia and procrastination. Yet paradoxically the case for an active British policy towards Czechoslovakia has gained in strength.

Internal Developments

2. Czechoslovakia finished the year with the balance of power in the leadership unchanged. Husak's re-election in May was no surprise. There have been no major developments among the ruling elite, whose ranks have been altered only by the appointment of a new Minister of Defence (whose predecessor had died) and the replacement of the Minister of Finance (almost certainly to protect Czechoslovak society from the risk of a public display of his drinking and marital difficulties).

3. 1985 provided no answer to the question who will eventually succeed Husak as General Secretary and President, Strougal as Prime Minister and Bilak as chief ideologist. Leading contenders remain Jakes (aged 63) and Fojtik (aged 57) for the General Secretaryship and the ideological post respectively, with the position of Prime Minister perhaps going to Jakes (if he does not replace Husak) or to a senior technocrat in the present Government. But this can be no more than guesswork based on the assumption that Czechoslovakia will continue to prefer continuity to significant change. Much may depend on the order and timing of vacancies. However, on the evidence of 1985, a few tentative predictions can be made. First, there is no Gorbachev, Kadar or even Gierek already on stage and none seems likely to emerge from the wings. Second, the human material available makes it likely that the outlook and policies of any new leadership will be much as hitherto, in the absence of unmistakable change in the Soviet Union.

4. What does this continuity tell us about Czechoslovakia? First, importance is attached to stability: no dangerous experiments, and if possible no experiments at all. Second, there is deadlock at the policy formation level between the cautious pragmatists and the ideologues: a Strougal speech on the need for something to be done about the economy is accompanied by a reminder from the ideological watchdogs that Lenin prescribed the primacy of the political sphere over the economic. The two approaches represent in part a jockeying for position when leadership changes are made. But it is also one of the most persistent legacies of 1968 that no-one can gain general endorsement for the view that reform and change can be undertaken without risking loss of control. Any measures adopted must be evolutionary, growing out of the existing system, and their limits must be ideologically defined in advance. Third, the political balance of power in Party and Government is reinforced by the need to maintain the national balance between Czechs and Slovaks: a change in one field risks causing problems in the other. Fourth, inertia at the policy level means that the system cannot generate any real movement or enthusiasm below the surface flow of exhortation to greater initiative and discipline.

The Czechoslovak Economy

5. Although it is acknowledged that the Czechoslovak economy needs structural change, modernisation and better management, it remained an axiom in 1985 that this can be achieved by making the present system work more smoothly and by applying the fruits of science and technology. The gap in Czechoslovakia between the sense of what needs to be done and the actual measures taken remains dismayingly wide. The leaders have continued to shun Hungarian-style reforms relying on the market mechanism, having sensed that all is not well south of the border. Incentives to management and labour have stayed an under-developed region. What they have distilled from Soviet pronouncements to date will not have suggested to them in 1985 that Czechoslovak policy is out of line with thinking in Moscow. On the contrary, the adulatory references to the value for Czechoslovakia of Soviet experience indicate that the Czechoslovak authorities consider they are practising what Gorbachev appears to be preaching.

6. As a result some important economic objectives are likely to be crowded out. The system needs to generate resources to restructure and modernise. Czechoslovakia is required to deliver more high quality products to the Soviet Union. The competitiveness of Czechoslovak exports to world markets must be increased. To achieve these objectives it must acquire new technology from abroad.

But Czechoslovakia is reluctant to borrow, concerned (more than it acknowledges) about the demands of the Soviet Union, and sceptical about the ability of Czechoslovak organisations to sell their products in the West. No increase in exports to non-socialist countries is foreseen in 1986. As long as nearly 80% of Czechoslovakia's foreign trade is with other socialist countries, and with 40% of it with the Soviet Union, the greater degree of specialisation of production which Czechoslovakia hopes to achieve through the CMEA will not solve the problems of productivity and marketing facing the country. It is indicative of the lack of strategic grasp on the future of the economy that the Prime Minister's speech at the November Economic Plenum of the Central Committee, in which he looked forward to the 8th Five Year Plan and long term prospects up to 1990, referred repeatedly to unspecified measures which would be "progressively" taken and to questions which remain "open" to be tackled later. One leading Czechoslovak academic economist told Mr Derek Thomas and myself that no serious reform of the economic mechanism could be expected until the 9th Five Year Plan which begins in 1990. One must suspect that he is right.

Human Rights

7. 1985 produced little evidence to support the view that industrial and economic factors will force Czechoslovakia to introduce reforms in industry and management which will in turn be paralleled by liberalisation in society as a whole. There remains a stark contrast between the relatively comfortable circumstances of those who do not challenge the prevailing orthodoxy and the intermittent harassment of outspoken critics of the régime. Absolute numbers of the latter group are small, and Charter 77 remains effectively neutralised as a factor in the internal situation.

[REDACTED]

[REDACTED]. As the year ended, there were reports that at last some progress may be near over filling some of the long-vacant Catholic bishoprics.

International Relations

8. The discrepancy between potential and performance extends to Czechoslovak foreign policy. In 1985 Czechoslovakia did nothing to damage its reputation as a faithful ally of the Soviet Union. Government and Party worked up anti-Western rhetoric at the time of the celebrations in May of the 40th anniversary of the ending of the war. The Moscow line on SDI was put across prior to the Geneva Summit. The muted but real welcome given to the outcome of the Geneva discussions has been similar to that in Moscow. Probably no Foreign Minister from the West has ever risen from a discussion with his Czechoslovak opposite number believing that here was a Government wanting to paddle its own canoe rather than float along in the wake of the Soviet Union. A reduction in superpower force and weapon levels in central Europe would benefit Czechoslovakia, but the political price of pressing a small country case on the Soviet Union is not one that the Czechoslovaks are willing to pay. On the other hand they have been adept in telling Western listeners that the European powers have a common interest in seeing a reduction in armaments. Their most recent proposal, jointly with the DDR, for a zone free of chemical weapons in Czechoslovakia, the FRG and the DDR fits into this pattern. Tensions with Austria eased after the Czechoslovaks indicated they would restrain their border guards.

9. In 1985 the Czechoslovaks have argued in bilateral discussions with ourselves and other Western countries in favour of a better tone in the language of international relations. They have shown a growing confidence that in any public slanging match about human rights they will be able to give as good as they get. It is encouraging that the Czechoslovak leaders are prepared to discuss and debate these questions with us, as was shown during your visit here in April and again when Mr Derek Thomas was here at the beginning of December. This has also been borne out by Bilak's visit to the FRG in March and in discussions between the Czechoslovak Foreign Minister and his

