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GERMAN DEMOCRATIC REPUBLIC: ANNUAL REVIEW FOR 1988

HER MAJESTY'S AMBASSADOR AT EAST BERLIN TO THE  
SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS

#### SUMMARY

1. Not a particularly good year for the GDR (para 1).
2. Leadership have committed themselves to continuing present policies (para 2).
3. Relations with the Soviet Union have been strained (paras 3-5).
4. Relations with the FRG characterised by public criticism coupled with substantive cooperation. Level of contacts and visits remained high (paras 6 and 7).
5. Peace offensive will continue in 1989 (paras 8 and 9).
6. Hopes of internal liberalisation have not been realised. Micro-technology is seen as the key to future economic growth (paras 10-13).
7. Some progress in UK/GDR relations. GDR would like to move to a higher level political dialogue (paras 14-16).
8. No substantive change of course expected in 1989 (paras 17 and 18).

British Embassy  
EAST BERLIN

4 January 1989

The Rt Hon Sir Geoffrey Howe QC MP  
Secretary of State for Foreign  
and Commonwealth Affairs  
London SW1

Sir,

GERMAN DEMOCRATIC REPUBLIC : ANNUAL REVIEW 1988

1. My predecessor described 1987 as Honecker's apogee. 1988 will not be so happily remembered either by Honecker or by the rest of the GDR. Apart from the Olympic triumphs in February and August, his State visits to Paris and Madrid and a steady flow of visitors at Head of State or Government level to satisfy the continuing urge for recognition, Honecker will have few good memories. His "electors" will have fewer.

2. The year ended with the SED leadership closing ranks and committing themselves to continuing their present policies. But it is a steadfastness based on uncertainty and isolation. To the attractions of the West have increasingly been added the problems caused by perestroika and glasnost from the East, together with a perceptible increase in discontent within the country. In any other Eastern European country the storm signals would be flying, but not here. To a remarkable degree the GDR is a self-adjusting system. Pressure (dissidents) can be expelled to the West. Relative economic failure is moderated by inflows both private and public from the FRG. The long term costs of both these "exports" and "imports" will show up one day but not soon.

/ Relations

## Relations with the Soviet Union

3. During the past year the Janus-headed nature of the country has become more apparent. The normal balance with the population looking westward and the leadership eastward has been disturbed. The most memorable feature of 1988 has been the increasingly clear difference of view between Moscow and East Berlin about the right way to build socialism. Guarded allusions to not needing to paper your flat because your neighbour was redecorating his have gradually become more explicit. By the end of the year Honecker was telling the visiting Luxembourg Foreign Minister that there was no longer a single decision making centre or a single leader among the Communist countries.
4. At the heart of the problem lies the present GDR leadership's distrust of Gorbachev's policies of perestroika and glasnost. The essence of these two words for the GDR could be translated as "motivation" and "consent". The GDR has decided that economic motivation can be achieved through their existing instruments - better planning, stricter supervision, more exhortation and above all by the widespread introduction of micro-technology. (The production of the first mega-bit chip in August was hailed as an event of national significance.) "Consent" is a concept of which the leadership remain profoundly suspicious. Slogans such as "work with us, plan with us, govern with us" are a far cry from the reality. There is as yet no sign that the authorities here are prepared to follow Gorbachev or Grosz in admitting the connection between "stimulation" and "consent" ie economic perestroika and political glasnost.
5. I have dealt in detail recently (my despatch of 2 December) with the current difficulties in relations between the GDR and the Soviet Union and do not propose to rehearse them again here. The main political effect has been to stiffen the resolve of the present SED Politburo to hang on to power for a while longer and not to bring on their potential successors at a time, as they see it, of such uncertainty among their main socialist allies. A secondary effect achieved through the banning of the Soviet magazine, Sputnik, has been to throw into sharp relief the leadership's distrust of their own people's loyalty and judgement. It has focussed discontent on one of the most unpopular aspects of life in the GDR which is the refusal of the Party to allow its own very well informed and intelligent citizens a chance to judge issues for themselves. Honecker's own reputation has suffered in the process.

## Inner-German Relations

6. During 1988 relations with the FRG were conducted at two levels. By the end of the year criticism of social problems (unemployment, drugs, criminality etc) in the FRG was at a higher pitch than for many years. Chancellor Kohl was personally assailed for his statements about the unity of the German nation and his alleged support for a NATO nuclear modernisation decision. Below that level, however, the GDR intensified their exchanges.

7. Inter-governmental agreements were signed which from 1990 will bring the GDR an increase in the already large amounts paid by the FRG for services for West Berlin. More billions flow in (according to FRG estimates) on private and church channels. More people from the GDR visited the FRG and West Berlin than before. Current estimates (based as always on GDR statistics) are for over 5 million visits during the year, of which about 1.3 million were by people below pensionable age. Many more people, about 35,000 will have been allowed to settle in the West than in 1987 (11,000). Many more people also applied to emigrate to the FRG and, worryingly from the GDR's point of view, a significant number were highly qualified doctors, engineers, etc whom they can least afford to lose. Over fifty towns signed partnership agreements. The first student exchanges are underway. There has been a constant stream of FRG politicians visiting East Berlin. All in all the level of contact has increased and so I would judge has the GDR need for the economic side of the relationship. The degree of dependence is not yet dangerous from the SED's point of view. And there is little sign of the FRG seeking actively to use it. But it is there and growing.

## Peace

8. The other foreign policy issue for the GDR in 1988 was their peace offensive, an area in which GDR and Soviet views coincide. An enormously expensive conference was held in June dedicated to a nuclear free world and a nuclear free zone in Central Europe as a step along the road to that final goal.

9. GDR interest in conventional disarmament talks is genuine as was their support for Gorbachev's announcement to the UN in December that 50,000 men and 5,000 tanks and other equipment would, within two years, be removed from the GDR, Czechoslovakia and Hungary. In 1989 we will hear a lot more about "peace" and the need for NATO, with the FRG in the lead, to match the Warsaw Pact's forthcoming moves.

#### Internal Developments

10. The year which began with high hopes of relaxation and liberalisation following Honecker's visit to Bonn ended in disillusion. Clumsy handling of church groups protesting mainly about the environment, brought serious protests onto the streets in East Berlin in January. These clearly shook the leadership. The ringleaders were expelled to the FRG and relations with the Church have worsened during the year. Censorship of church newspapers continues as does the authorities' nervousness about the church allowing their premises to be used as meeting places for groups concerned with such issues as the environment or with the refusal of their visa applications to emigrate to the FRG.

11. In December the authorities published new regulations for travel, and decided to reintroduce Administrative Courts where complaints against arbitrary acts by the executive can be heard from 1 July this year. Welcome as they are in principle, these moves could add to a general feeling of bitterness if they are applied in a restrictive way.

12. But the real testing ground for this system is the economy. For years the undisputed socialist leader for technological and industrial supplies to the Soviet Union, the GDR is finding the going harder. The Russians have at once become more disorganised and more discriminating. The West has continued to pull ahead to the extent that for the third year running inner German trade will decline by about 5%, mainly because West German firms cannot find goods of the right quality here. And although the authorities are undoubtedly correct in claiming that the economy already contains features, such as a thriving private sector, which are only now being introduced in the Soviet Union, and although the statistics continue to show 4% a year growth, and although Honecker claims that the overall standard of living is higher than in the FRG, the picture is not as rosy as it is officially painted.

[REDACTED]

13. Internally the supply of goods and services has deteriorated while the willingness of the population to complain has increased. The Politburo's answer has been to reaffirm the "unity of social and economic policy". The plan for 1989 envisages 51 milliard Marks or 18.5% of the budget being spent on subsidies. These and new investments in micro-technology are to be paid for solely through higher productivity. It remains to be seen whether the circle can be squared. I tend to side with the analysts who believe that much more investment is needed in the basic infrastructure, railways, roads and the large number of pre-war (some pre 1914-18 war) factories if the economy is ever really to meet its targets. But it is difficult to see where this amount of capital can be found. That said the GDR economy continues for the moment to perform better than almost all its eastern neighbours. No one expects a serious breakdown in the short term.

#### UK/GDR Relations

14. On the bilateral front we have been able to register some progress. A visit by Mr Mellor in March stimulated the resolution of a number of outstanding personal cases. In April Mr Moynihan and Mr Sebastian Coe had useful talks with the GDR sports authorities. [REDACTED]

15. Our exports rose by over 20% although the balance still lies in the GDR's favour. Dr Beil, the GDR Trade Minister, visited London twice to demonstrate the GDR's seriousness in increasing trade with the UK. [REDACTED]

[REDACTED]. The GDR is becoming a market in which an investment of time, both industrial and Ministerial, is now paying a reasonable dividend.

16. But the GDR remains disappointed at the level of our political relations. [REDACTED]

He clearly had in mind talks between Herr Honecker and Mrs Thatcher. We have made our position clear and I would not recommend changing it. For the time being we are benefitting from the "carrot effect". But the pressures will grow as a number of other countries including probably France at President Mitterrand's level, continue their dialogue with Honecker. I would not rule out our commercial interests suffering if the GDR conclude that as far as we are concerned they have fallen irredeemably into the "least favoured nation" category in Eastern Europe.

### The Outlook

17. Accidents apart I expect no substantive change of course in 1989. The Politburo appears solidly behind Honecker. Speculation about a change of leaders has been stamped on. Honecker (76), Sindermann (73) and Stoph (74) have already been announced as the main speakers at the next Party Conference in May 1990. The Conference looks as if it has been brought forward by a year specifically to curb speculation about possible changes in policy or personnel. Politburo Member Krenz told me that the theses for the Party Conference could already be found in Honecker's speech to this December's Central Committee meeting.

18. The main event of the year will be the 40th anniversary of the GDR's foundation on 7 October. The success of "developed socialism" within the GDR will be hailed and the future painted in confident colours. Small changes in economic and social policy will continue to take place. But below an apparently unruffled surface, "angst" will gnaw away. The feeling of isolation within the socialist community will grow, particularly if the Czechoslovaks pin their colours more firmly to the perestroika mast. There will, however, have to be a generational change here before a more fundamental reconsideration of policy can take place. And even then I would judge that ideological and national characteristics which reinforce each other will prevent any rapid abandonment of present positions.

19. I am sending copies of this despatch to Her Majesty's Representatives at Bonn, Warsaw Pact posts, Belgrade, Washington and Paris, to the UK Representative NATO, the Commandant (British Sector) Berlin and the Commanders in Chief BAOR and RAF Germany.

I am Sir  
Yours faithfully

*N H R A Broomfield*

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