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13 January, 1981

**CZECHOSLOVAKIA : ANNUAL REVIEW FOR 1980***Her Majesty's Ambassador at Prague to the  
Secretary of State for Foreign and Commonwealth Affairs***SUMMARY**

The first half of the year was uneventful and the régime seemed confident in the success of the "normalisation" process started under Husák in 1969 in the aftermath of the Prague Spring. Morose acquiescence on the part of the public (paragraphs 1-4).

2. The régime's first reaction to events in Poland was muted. But from September there was a growing barrage of disapproval and intimidation until the Moscow Summit of 5 December. This betrayed a certain loss of confidence by the rulers in the long term security of their internal position (paragraphs 5 and 6).

3. The economy has muddled along but is faced with deep-rooted structural problems. The Government have a clear industrial strategy and some less clear ideas about management reform, but implementation will encounter hideous problems given the inertia represented by vested interests and ingrained habits. Slovakia presents less of a problem than the Czech lands of Bohemia and Moravia. But successful adjustment will be essential for long-term stability. The Czech people cannot be expected to tolerate for ever second-rate standards in the management of the country (paragraphs 7-12).

4. In the international field the Czechoslovaks supported the Soviet Union faithfully but in their dealings with Western Europe they made plain their desire to be treated as a country with its own personality (paragraph 13).

5. British-Czechoslovak relations ended the year well, with three visits by British Ministers in the autumn. We have reasonable prospects for promoting increased trade. The programme for cultural exchanges runs smoothly. Provided a Warsaw Pact intervention in Poland does not radically alter our relations we should continue our present policy of contacts and dialogue at varying levels supported by appropriate high-level visits. This is justified by both short and long-term considerations (paragraphs 14 and 15).

(Confidential)  
My Lord,

*Prague,*  
*13 January, 1981*

This review will include some "first impressions" after my first four months at post, or rather second impressions because I served here from 1969 to 1972.

### "Normality" in the first eight months

2. January to August 1980 were uneventful months in Czechoslovakia. In May Dr. Gustav Husák, General Secretary of the Communist Party since April 1969, was re-elected President for a second five-year term. The five-yearly *Spartakiad* was held without incident in June; this assembles up to 17,000 performers in the stadium at one time and hundreds of thousands of spectators overall. (The régime did not hold it in 1970 in the aftermath of the Prague Spring.) There was some continuing recognition of the need to improve the quality of economic management and industrial performance. But the stolid, unimaginative, indeed smug routine of the rulers and compliance of the ruled seemed unthreatened. The coalition of hard-liners and pragmatists which rules the country could apparently sleep easy in their beds, give or take some restlessness on the part of those responsible for the longer-term future of the economy.

### The atmosphere in August 1980 contrasted with 10 years before

3. When I arrived in post in August there were, superficially, strong contrasts with the Prague I had served in from 1969 to 1972. Over much of that period the walls had been daubed with "Russians go home" slogans; musicians, dancers and actors had evaded performing Russian works of any period; Czechoslovak crowds had barracked Russian performers at sporting events and booed Soviet leaders appearing on screens in the cinemas; young men were to be seen tearing down the Soviet flags statutorily displayed on all buildings for Party anniversaries; the minimum of work other than moonlighting was done so as to avoid "working for the Russians"; the Czech in the street showed himself pleasantly disposed to foreigners from the West.

4. In 1980 the population seemed dour and withdrawn; there was less evidence of blatant idling; town and country were defaced by official slogans eulogising the Party, the Soviet Union and the Warsaw Pact; few blue political jokes were circulating; the dissidents of Charter 77 and VONS, however valiant, cut little ice with ordinary people. On the credit side people were better dressed; there was not so desperate a shortage of housing; more consumer goods and consumer durables were on offer in the shops and more private cars were on the roads; more city dwellers than ever had country cottages; public utilities worked better. Most observers seemed to believe that the Czechoslovak population had resigned themselves to the system for ever and a day in return for expecting a modest but sustained progression of material living standards.

### Reactions to events in Poland

5. First reactions by the Czechoslovak régime to the dramatic developments in Poland from the late summer were muted. The standard assessment of observers in August was that the Czechoslovak working man was so much better off than his despised Polish counterpart that unrest in Poland would not spread south, nor, since the Czechoslovak Party was run on such a tight rein, would there be any infection of radical ideas. Husák and his colleagues seemed at first to share this assessment. Then things started to change. From September there was a crescendo of media articles and speeches by senior hard-liners attacking *Solidarnosc* and Walesa himself, accusing the West of stimulating counter-revolution, criticising the Polish Church for meddling and, by late November, drawing ominous parallels between Czechoslovakia 1968 and Poland 1980 and asserting the Brezhnev doctrine. Traffic of senior visitors to and from neighbouring Warsaw Pact countries increased, and on 12 November Husák persuaded Kadar of Hungary to take a stiffer public line. After the Warsaw

Pact Summit at Moscow on 5 December at which the option of military intervention was apparently put into suspense the barrage continued for a week or two, but then gradually died down by the year's end.

6. What were the reasons for this campaign? I do not subscribe to the theory that it was entirely Moscow-orchestrated. The old-style fundamentalists and the modern-minded pragmatists in Husák's ruling team will have been nervous about Poland for varying reasons. Economic collapse in Poland would adversely affect its neighbours. If things got too badly out of hand direct or near-direct rule by the Soviets in Poland would reduce the room for manoeuvre available to Czechoslovakia and other Warsaw Pact countries in running their own affairs. Either scenario would seriously reduce the prospects of introducing effective reforms of economic and industrial management. In the longer term erosion of the supremacy of the Party in Poland could undermine the régime's own security in positions of power. It seems inherently likely that the Czechoslovak hard-liners argued in Moscow for early intervention in Poland; it is not to be excluded that even the pragmatists did so too, arguing to themselves that intervention now would have less serious negative effects than intervention later when Poland was in an even greater mess. Some of the foregoing is speculative. But the behaviour of the Czechoslovak régime has given a strong indication that Husák and his colleagues have lost some of the confidence which they appeared to have last summer that the future of orthodox Marxist-Leninism in Czechoslovakia was safely assured. The events of 1967-69, a traumatic experience for all of them, once again cast a heavy shadow. Perhaps they are even asking themselves, as they should, whether the logic of history is on their side.

#### **Performance of the economy**

7. During the 1970s there seems to have been some relatively successful muddling through despite the damage done by the abortive and unreliable attempts at reform in the late 1960s, which was much in evidence when I served here last time. The authorities claim a growth of national income of 22 per cent from 1975 to 1980 and a 10 per cent growth of personal consumption over the same period, but admit a tailing off in 1980 and 1979 by comparison with 1976-78. They keep pretty quiet about the 1980 figures. There is no sign of imminent collapse but some fundamental problems need to be tackled. Czechoslovak Ministers openly admit that the country cannot be sheltered from the disciplines of the world economy. Czechoslovakia is short of energy and raw materials, many factories are obsolescent or worse, and there is much waste and overmanning. The tramlines on which the economy now grinds along must eventually come to a terminus which may not be that far away. Agriculture seems to be the only sector which is generally well organised and efficient.

#### **Economic strategy**

8. The declared intention is to go realistically only for modest growth, to concentrate on advanced technology industries with high added value to apply strict criteria on resource allocation, to improve product quality and marketability for internal and external markets, to increase hard currency earnings, and to improve productivity. Although much has been spoken and written of the 1981-85 Plan, it seems to have gone through many drafts and re-drafts and hard proposals on specific investment and new programmes have still not seen the light of day. There has probably been some doughty infighting between Ministries in the competition for resources on behalf of the industrial trusts for which they are responsible.

### Proposals for management reform


9. Coupled with this strategy are proposals for management reform known as the "Set of Measures". Broadly the intention is to encourage more cost-effective production and a higher quality product by rewarding skill and innovation and by penalising poor performance. The more verbiage that is put out about the new system the less it becomes clear how it is supposed to work. The crucial question will be who or what determines performance and success, and the answer seems to lie in government inspectors and relative plan fulfilment, which hardly sounds like thoroughgoing reform. The intention of the younger technocrat Ministers, supported no doubt by the more perceptive people in the Party apparatus, is to shake industry out of its rut and introduce flexibility and dynamism. Several of them have said that inefficient managers, however solid their Party records, will have to go.

10. The scheme is, however, faced with massive problems. Everywhere there are powerful vested interests on the side of inertia. Czechoslovakia is a land of small industrial towns, often with one main factory, in which unwritten agreements between manager, workers and local Party boss ensure a quiet and reasonably comfortable life for everybody. There could be serious trouble if workers in the more old-fashioned factories get less than their fellows and somnolent managers are sacked, particularly if the victims (as seems likely) belong to the ranks of the orthodox Party faithfuls. There is said to be a shortage of trained people in their 40s needed to work the new system because of the drain of emigration to the West. It will be important to watch developments, not only for their significance for British exporters but also for their implications for political evolution.

### Slovakia

11. The Slovak third of the country presents a rather different picture from the Czech lands. Slovakia started from a much lower economic base after World War II, has had more than its fair share of investment resources and did well out of federalisation arrangements—the main 1968 reform to survive unscathed. Slovakia had another relatively good year when living standards almost caught up with those in the Czech lands. For all these reasons there is less latent discontent with the system and barring disasters Slovakia may tend to act as a stabilising element if the Bohemians and Moravians start to turn sour again in the future.

### Prospects for internal stability and the need for renewal

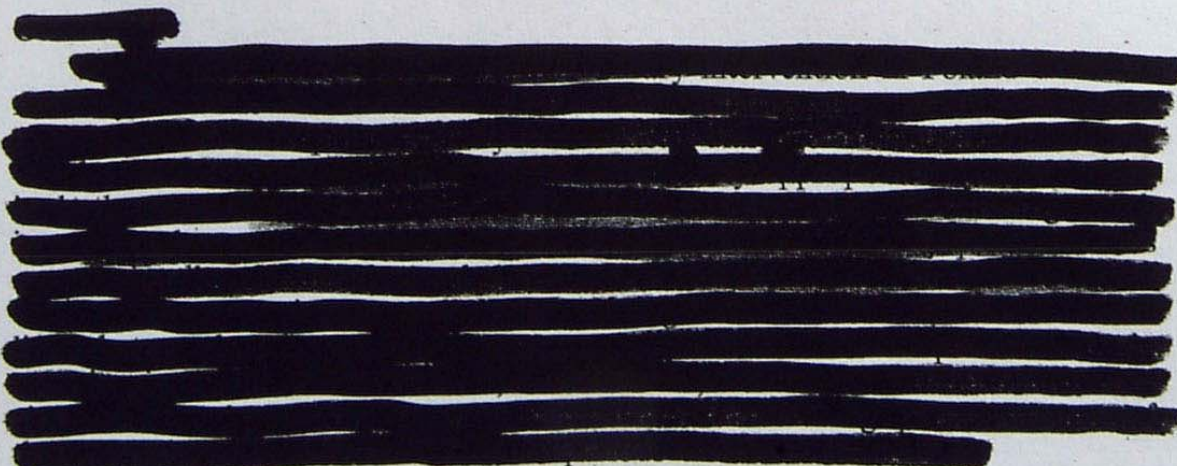


### Foreign relations

13. The country's performance on the international stage in 1980 was unremarkable. The Czechoslovak Government faithfully supported the Soviet Union in all international fora, and demonstrated friendship and support for the latter's clients in South East Asia, Afghanistan and Ethiopia. There were some moves to improve trading relations with Third World countries, especially those with mineral resources. In their dealings with Western Europe the Czechoslovak régime gave further evidence of their desire to be recognised as a Central European country with a distinct personality. Admittedly this had its element of domestic public relations but the word patriotism still exists even among senior Party members.

### Relations with Britain

14. British-Czechoslovak relations had quite a good year, despite our public rating as the second most hard-line NATO country in attitude to East-West relations and the public interest in Britain in the arrests of academics, including the Master of Balliol, visiting the unofficial university run by Julius Tomin. Tomin and his family subsequently received five-year exit visas and left for Britain in August. Visits by Ministers for Trade, Energy and Foreign Affairs respectively, two visits by Lord Shackleton, a good turn out by British industry at the Brno engineering fair and a successful technical week in Prague and Bratislava gave Britain a relatively high profile in the last four months of 1980. Czechoslovak exports to Britain were down by 8.5 per cent mainly because of tough market conditions in the UK. Our exports were up by about 12 per cent and look like running at some £80 million for the whole year. There are reasonable prospects for growth, particularly in certain sectors; forms of joint manufacturing, sales of licences and co-operation in third country business probably offer the best prospects for achieving a higher volume of earnings. The bilateral cultural programme ran smoothly with a reasonable score for the exchange of persons, some effective work in English language teaching, a continued service making British books and periodicals available to the public through the two main state libraries, and a modest list of manifestations. 1980 also saw the conclusion of a visa agreement which had been on the stocks for several years.



16. Copies of this despatch go to Her Majesty's Representatives at Moscow, Warsaw, East Berlin, Sofia, Budapest, Bucharest, Bonn, Vienna and NATO.

I am Sir

Yours faithfully

J. R. RICH

