

CZECHOSLOVAKIA: ANNUAL REVIEW FOR 1987

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

SUMMARY

1. Husak's retirement and the election of Jakeš as Secretary-General in December unlikely to lead to early reform. Effective change still blocked by Party determination to retain control (paras. 1-3).
2. Glasnost remains limited. Some success in extending the boundaries of what is permissible (paras. 4-8).
3. Despite a widening economic debate the economy failed to respond and difficulties lie ahead (paras. 9-11).
4. Another satisfactory year for Anglo-Czechoslovak relations. Political discussions at three levels; British exports do well (paras. 12-15).
5. Czechoslovakia still awaits a political mechanism for change (para. 16).

BRITISH EMBASSY

PRAGUE

11 January 1988

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

Sir,

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Introduction

1. There were three key events in Czechoslovakia in 1987:-
 - (a) The election on 17 December of Miloš Jakeš as Secretary-General of the Czechoslovak Communist Party in succession to Gustáv Husák who retired from the post held since Dubček was forced out in April 1969.
 - (b) Gorbachev's visit to Czechoslovakia in April.
 - (c) The inauguration (but not the conclusion) of the debate over measures to reform the Czechoslovak economy.
2. In October the Director of the Economic Institute told me that Czechoslovakia had no political mechanism for restructuring the economy. The main theme of the year, carried forward into 1988, is how far the leadership has the insight, ability and will to tackle the task of removing the political, economic, and intellectual and moral debris that weighted down the country since 1968. As 1988 is a year of anniversaries - seventy years of Czechoslovakia's existence, fifty years since the Munich Agreement, forty years since the Communist takeover, twenty since the suppression of the Prague Spring - the performance of the new Secretary-General and the leadership's capacity to frame an adequate set of policies will be under special scrutiny.

Internal Developments

3. Jakeš was always the most likely successor to Husák. Within the upper reaches of the hierarchy he had Party responsibility for the economy, a task discharged without at any time illuminating or extending the range of the debate over the organization of the economy. His rôle in purging the Party of all socialists with a human face and in restoring strict Party discipline made him acceptable to ideologists like Bilák. He had been at Soviet Party High School. Party control over all aspects of Czechoslovak life will remain safe in his hands.

4. Gorbachev's visit in April had earlier compelled a reluctant Husák to utter and thereby legitimise the word reform, previously anathematized because of its association with the Prague Spring of 1968. Although the Czechoslovak leadership have consistently claimed Soviet endorsement for their policies, their problem has been to explain to their own people that what is going on in the Soviet Union or may be allowed in Czechoslovakia has nothing to do with the events that led to the Warsaw Pact invasion of Czechoslovakia in August 1968. The policy is to filter Soviet examples through Czechoslovak experience. The Czechoslovak leaders transformed Soviet "glasnost" into the weaker notion of "veřejná informovanost" - public "informedness", ie encouraging people to know and speak up about the issues which the Party wishes to have discussed.

5. There have been some useful results. An incompetent or corrupt party or local government official or manager has reason to fear exposure. The failures of factories to supply needed items have been widely publicised. Rudé Právo is more worth reading. The 50th anniversary of the death of T G Masaryk, father of Czechoslovakia but no admirer of the Russians, was marked by an almost balanced article in Rudé Právo. But there or thereabouts it stops. The series of congresses of writers, musicians and other artists held in 1987 produced, with one exception to prove the rule, speeches of familiar turgidity and no hint of a cultural ferment spilling over from Moscow. The trial in March of the leaders of the Jazz Section was an embarrassing compromise between forces wanting to suppress a group trying to inform their members about cultural and intellectual developments in the West and those wishing to avoid the spotlight of unwelcome publicity directed on them by the West.

6. Yet beneath the surface there have been signs that more Czechoslovaks, not only identified dissidents, have been willing to test cautiously whether the permissible limits can be widened further. There have been fringe art exhibitions, harassment rather than persecution of dissidents, and firm but not harsh handling of unwelcome demonstrations such as marked the annual commemoration of John Lennon's assassination or Human Rights Day two days later. In February Mr Renton was able to meet Charter 77 signatories and members of the Jazz Section without Bilák challenging the fact the next day. Strougal may have had this in mind when he told Mr Renton that the Czechoslovak authorities would need to find some way of living with people who disagreed with them.

7. The position of the Catholic Church is in important respects a test of the leadership's intentions. Here it has been a disappointing year. The usual talks between the government and the Vatican over the empty bishoprics have been held, but with no apparent breakthrough. Meanwhile two elderly bishops have died, thus increasing further the vacuum of episcopal authority in Czechoslovakia. And Cardinal Tomásek, who will be 89 in June, cannot go on indefinitely.

8. The autumn of 1987 saw the first death of a Czechoslovak citizen as a result of AIDS. Reports about drink-related crime, the cheaper forms of drug-abuse, vandalism and continuing worries about the place of Czechoslovakia in world health statistics are signs of the extent to which many of the social problems of the West are now established in this country.

The Economy

9. With two years of the 8th Five Year Plan gone, there has been little or no progress towards curing the systemic diseases of high inputs, low productivity, wage drift and lack of motivation. The introduction of a rational price system has been delayed. Attempts to stimulate investment in new technology and equipment and to promote a recognisable spirit of enterprise remain words. Investment in 1988 will be reduced, mainly because the inadequate performance of industry will leave the government short of resources for investment this year. Few will be convinced by the line that because of failure to meet targets in the first two years of the current plan, some of those for the third year are to be revised downwards so that all can come right in 1989 and 1990.

10. These problems explain the emphasis on industrial restructuring as a method of curing all ills. In 1987 this took the form of draft legislation redefining the position, powers and responsibilities of the major industrial trusts and their subordinate units (enterprises and individual factories). Similar draft legislation was published for various co-operative associations, including agriculture. At the turn of the year Party and Government are considering the mass of comments made on the proposed new arrangements, and revised texts are expected. Meanwhile, more factories are to be involved in the scheme which is testing the coherence and practical consequences of making certain units self-financing.

11. The debate on these issues has thrown up major difficulties: the extent to which financial self-management is reconcilable with the leading rôle of the Party; whether it is realistic to impose the duty to make a certain return on capital if the factory relies on inputs from an unreliable monopoly supplier; what should happen if a key factory, in an area where the local party or government officials have political clout, is consistently loss-making. As the autumn CMEA summit showed, rational decisions on intra-CMEA prices, trade and investment depend on moves towards convertibility, discussion of which has flourished and become a coded way of pressing for realistic internal price structures. In Czechoslovakia some younger, more vigorous managers have been appointed, no better trained for the new circumstances than their predecessors but more likely to be able to adapt once they know the new rules. Meanwhile, the performance of the electronic and engineering industries intended to pull the Czechoslovaks into the new age remains gloomy. For example, it was announced in 1987 that a kilogram of Czechoslovak electronic products fetched an average price of \$1.81 on the world market, as against \$2.34 for the CMEA as a whole, and \$20.39 for the European Community. A local desk top computer is a weight lifting challenge. Unsurprisingly, Czechoslovak exports to non-Communist countries have fallen behind target.

Foreign Policy

12. Czechoslovakia's rôle remains that of providing solid support to Moscow in all areas of foreign policy. That said, the welcome given to the conclusion of the INF Treaty was genuine. The Czechoslovaks will be glad to see the Soviet INF weapons leave their country. In February they held the first post-Stockholm military exercise attended by Western observers and gave much publicity to the event. In private they hope that agreement on conventional force reductions will lead to withdrawal of some of the Soviet forces here but will balk at putting pressure on Moscow. For the rest, Czechoslovak foreign policy continues to be characterized by inward and outward tourism, with concentration on second-order matters such as the number of visits, agreements signed etc. There has been a historically significant thickening up of contacts with the Federal Republic of Germany and Austria, and those with Bonn are to lead to Chancellor Kohl's visit here later this month.

Anglo-Czechoslovak Relations

13. We have continued to build on the work of previous years. In 1987 there were political discussions with the Czechoslovaks at three levels: Mr Renton's visit to Prague and Bratislava in February, Mr Chňoupek's return visit to you in June, and the Czechoslovak Deputy Foreign Minister's political consultations in London in December. There were times when the British side felt that the specific gravity of what the Czechoslovak interlocutor had to say was low. Nevertheless, a framework of periodic high-level discussions remains an essential ingredient of our policy towards Czechoslovakia, and it is also an asset to us that the Czechoslovaks realise that British Ministers have an interest in this part of the world.

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14. It has also been a good year for our trade. Czechoslovakia is likely to be our second-largest Eastern European export market this year. As our businessmen know, it is a solvent market where persistence and a sustained presence bring rewards. The nature of the Czechoslovak economy, the conservative approach to foreign indebtedness, and the preference for upgrading key sectors of existing plants rather than installing new ones combine to make spectacular contracts a rarity. It is therefore welcome that three export contracts in excess of £4 million were concluded by British firms in 1987. British technological skills were publicised at an effective but low-key series of seminars in the context of a British Business Week opened by Lord Lucas of Chilworth, then Parliamentary Under-Secretary of State in the Department of Trade and Industry.

15. British culture sparkled at the Prague Spring, where our representatives included the Sadlers Wells Royal Ballet (an immense popular and critical success) and Sir Colin Davis. An /exhibition

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exhibition of modern British art was well received. As it is traditional here to regard a vigorous culture as proof of national vitality, regular exposure to British and Western art and culture are an important and highly cost-effective way of keeping non-Communist standards and objectives in the minds of people here.

The Prospects Ahead

16. In my Annual Review for 1986 I said that there was a buzz of expectation in this country at the possibility of change. At the start of 1988 things have started to happen and the hopes are still there. But Czechoslovaks also know that Gorbachev will be no deus ex machina and that for the time being the Party here will determine the rate and extent of change. In the longer term, success for Gorbachev in the Soviet Union would shift the limits of permissible change and reform in Czechoslovakia, just as his failure would strengthen the hand of the old guard. But for the time being Jakes's appointment is likely to mean a continuation of the line clearly enunciated by Fojtik (himself a possible successor to Bilák) in April: democratisation does not mean democracy and pluralism does not mean bourgeois pluralism. The attempts at economic reform will be neither a complete success nor total failure. Here and there the economy will work better, as rejuvenation of the managerial staff spreads, but at best there will be only gradual change in the Czechoslovak economy. The least encouraging sign for the future is the prevalence of old thinking in the higher reaches of the Party; the most encouraging is the range and quality of the debate among economists and managers as to what ought to be done - if the political mechanism for change were to be there. The system needs change; the people want it. If the door to reform, closed since 1968, is at last beginning to shift on its hinges, we need to be ready to take advantage of the openings that we perceive.

17. I am sending copies of this despatch to HM Representatives at Moscow, other East European posts, Bonn, Vienna, the Holy See, NATO and UKDEL CSCE Vienna.

I am, Sir,

Yours faithfully,

Stephen J. Barrett

S J Barrett

