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## GERMAN DEMOCRATIC REPUBLIC: ANNUAL REVIEW FOR 1983

(Her Majesty's Ambassador at East Berlin to the Secretary of  
State for Foreign and Commonwealth Affairs)

## SUMMARY

1. The GDR propaganda campaign to prevent INF deployment in the Federal Republic was incessant. The GDR leaders were probably concerned more about the international and domestic repercussions than the military threat (paragraphs 1 - 2).
2. Inner-German realtions were uneasy early in the year. Following Honecker's May visit to Moscow the GDR leaders expanded contacts with the Federal Republic and showed anxiety to insulate the relationship from the effects of INF deployment. They made the most of their freedom of manoeuvre (paragraphs 3 - 6).
3. Efforts to extend the GDR's contacts and influence elsewhere in the world continued. UK/GDR relations took a modest step forward; but the trade balance tilted sharply against us (paragraphs 7 - 8).
4. The GDR met its hard-currency debt obligations and recorded solid economic progress (paragraphs 9 - 10).
5. The GDR citizen had few blessings to count but nothing more than a slight weakening of domestic morale was evident. The Karl Marx and Luther celebrations had little popular impact; the church gained confidence from the latter. The independent peace movement was strengthened (paragraphs 11 - 12).
6. The regime is concerned about the possible future trend in domestic attitudes; and about international developments. It will want to maintain current policy towards the Federal Republic (paragraph 13).

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East Berlin  
3 January 1984

Sir,

1. The focus of GDR concern in 1983 was the prospect of intermediate range missile deployment in the Federal Republic and elsewhere in Western Europe. With little apparent regard to the effect such predictions were bound to have on domestic morale GDR spokesmen incessantly

echoed Soviet warnings of the increase in the danger of war which the deployment of cruise and Pershing missiles would bring. The target of this war of nerves was public opinion in the Federal Republic; appeals and messages issued in a flood and all records were broken in the organisation of mass demonstrations "for peace" and against new NATO missiles.

2. There was more to the GDR leaders' efforts to prevent INF deployment in West Germany than loyal support of Soviet aims. But fear of the military threat probably played far less part than anxiety about the international political effects and the possible internal repercussions. A further sharpening of the East/West confrontation following deployment could lead to a freeze in political and economic relations between the two German states with consequent damage to popular morale in the GDR and to the authority of the regime. At some point - perhaps not until early spring - the East German leaders received the unwelcome news that if NATO went ahead military counter-measures by the Warsaw Pact would have to be announced; that these would include the stationing of Soviet longer-range tactical missiles in the GDR; and that increased military expenditure by member countries would be required. The effect could only be to exacerbate the regime's domestic difficulties.

3. The INF issue dominated relations between the two German states. It did not change the task facing East German policy-makers: that of extracting the maximum economic and political benefit from the relationship while remaining faithful to Warsaw Pact objectives. But it did make it difficult to reconcile these aims - and indeed threatened to bring them into conflict.

4. First, however, the East Germans had to come to terms with the presence in Bonn of the Kohl government. They displayed excessive nervousness about the line which that government would follow in inner-German relations and there was in the early weeks of the year a series of articles and speeches denouncing its alleged intention to abandon the policy of cooperation. To some extent the nervousness was genuine but no doubt to some extent it was played up in order to exert pressure on those concerned in Bonn and to ensure that the East German public would know where the responsibility lay if relations deteriorated. However by mid-March GDR fears were allayed and at the Leipzig Fair Honecker went so far as to say that he looked forward to paying his projected visit to the Federal Republic in 1983. Only six weeks later in the wake of the death of a West German citizen while being questioned by GDR frontier guards and an upsurge of anti-GDR feeling in the Federal Republic, there came an indignant East German announcement of the indefinite postponement of the visit. Honecker perhaps spoke without proper consideration at Leipzig; in any case by late April, with his visit to Moscow due early in May and grave uncertainties overhanging the autumn, the East German leaders may well have decided that the reaction in the Federal Republic to the border incident offered a convenient occasion to get off the hook.

5. Following Honecker's return from Moscow GDR policy towards the Federal Republic underwent a marked change. Beginning with Hans Jochen Vogel, the SPD leader, at the end of May, Honecker and his Politburo colleagues received an unprecedented flow of West German visitors during the summer and early autumn, including Franz-Josef Strauss, Egon Bahr, Helmut Schmidt and Richard von Weizsacker, the Governing Mayor of Berlin. At his meetings with these and other West German visitors Honecker pressed for the renunciation of INF deployment and took the line that relations between the two German states could not remain unaffected if deployment went ahead. But he appealed rather than threatened and made clear that in practice the GDR leaders would seek to avoid a serious deterioration in relations. Soon in official contacts between the two governments the East Germans began indicating their interest in renewing or opening discussions on

bilateral issues over which they had previously dragged their feet. In June the Federal Republic made an investment in the improvement of contacts by guaranteeing a DM1 bn bank loan to the GDR; the latter made no move in response until September when the minimum exchange requirement for visitors under the age of 15 was abolished and automatic shooting devices along the inner-German border began to be dismantled. These moves fell short of the response for which Bonn had hoped. The rapprochement nevertheless continued: talks took place on environmental questions, on a cultural and a science and technology agreement and by the end of the year agreements had been concluded on postal arrangements, the cleansing of the Roden river and the Berlin city railway. Clear though it had become that Honecker and his colleagues were determined to preserve inner-German relations as far as possible, it was nevertheless remarkable that he should in his speech to the Central Committee on 25 November have stated so soon after the Bundestag vote in favour of INF deployment and so unequivocally that the GDR's aim would be to limit damage to inner-German relations.

6. It seems clear that in May Honecker returned from his consultations with Andropov feeling he was free to pursue the GDR interest in an improvement and expansion of relations with the Federal Republic. To what extent subsequent GDR moves enjoyed specific Soviet approval is less clear; I suspect that Honecker pushed his luck somewhat. The lack of a firm hand in the Kremlin guiding Soviet policy in the latter part of the year may have made it easier for him to follow his own line in inner-German relations. At the same time however the uncertainty in the direction of Soviet policy caused uneasiness in East Berlin; support for certain aspects of it appeared a little less enthusiastic.

7. Despite these preoccupations there was a continuing effort to extend GDR contacts and influence elsewhere. In practice this country is willing to pursue good relations with anyone willing to respond; even the US received indications of a wish to improve relations when a Congressional delegation visited East Berlin in November. In Western Europe attention continued for both political and economic reasons to be focussed on Austria and France. The Austrian President's state visit in October was a high point of the year. The GDR was concerned about the continuing tensions in the Middle East and actively promoted Soviet policy while developing contacts with potential sources of finance or oil, in particular Kuwait. Opportunities for extending GDR influence in Africa and elsewhere in the Third World were seized: Mugabe's visit in May led to the opening of a Zimbabwe Embassy at the end of the year. A careful but steady growth of contacts with China took place.

8. Our own relations with the GDR took a modest step forward in the tenth anniversary year of the establishment of diplomatic relations. The East Germans would like to receive a visit from a British Foreign Secretary - we remain the odd-man-out of the European Community in this regard; but no pressure was applied. The visit of Mr Rifkind in October for the latest round of bilateral consultations was appreciated; these served to bring out once again the profound difference of national viewpoints. The attendance of the Minister for Trade, Mr Rees, at the Spring Trade Fair at Leipzig in March and the signature there of a new Cooperation Agreement was another positive move. But the improvement in trade which the East Germans encouraged us to expect has not begun to materialise. At the end of September the trade figures showed a fall of 21% in our exports to the GDR and a growth of GDR exports to the UK of 23%. But several of our Community partners had similar or worse results.

9. Such imbalances in bilateral trade were one reflection of the policy pursued unremittingly by the GDR throughout the year to enable it to meet its hard currency debt obligations - a task

which continued to be given priority over other economic objectives. Besides forcing exports to the West and restricting imports from hard currency sources the East Germans wherever possible channeled Western imports through the Federal Republic so that intra-German clearing arrangements could be used and foreign exchange expenditure avoided. To an increasing extent consumer needs were met by expanding domestic production and importing goods on extended supplier credits. Extra currency was squeezed out of the West Germans under bilateral arrangements, eg for postal services and anti-pollution measures, in addition to the DM1 bn loan made available in June. The East Germans showed considerable skill too in the manipulation of Western markets: silver, steel and oil were all acquired for credit or barter and sold for cash.

10. By these and other means the GDR succeeded in paying the interest due on its Western debt. It also achieved a reduction in net debt as recorded by the Bank for International Settlements from \$ 8.3 bn at the end of 1982 to \$ 7.4 bn in the middle of 1983 and an increase in assets in the same period from \$ 2.4 bn to \$ 2.9 bn. This achievement, largely substantive but partly the product of skilful window-dressing, had its intended effect of strengthening Western bankers' confidence in the GDR. Meanwhile the domestic economy recorded solid progress. An overall growth rate of 4.3% was achieved at the same time as a substantial reduction in the use of energy and raw materials and an increase in the productivity of labour. However living standards showed no improvement.

11. All in all the GDR citizen had few blessings to count in 1983: he was exhorted to work harder but gained little or no material benefit from increased effort; he was constantly warned of a growing danger of war about which he could do nothing - except work still harder in order to "strengthen socialism"; and he was disturbed by the prospect of a deterioration in East/West relations and a raising of the barriers to contact with West Germany. There was no sign however that these stresses caused more than a slight weakening of domestic morale or any substantial growth of opposition to the regime. The average East German's mood was not much helped by the two national celebrations of the year: the 100th anniversary of the death of Karl Marx and the 500th anniversary of the birth of Martin Luther. Karl Marx Year was marked by a high-level conference in April of representatives of ruling and non-ruling Marxist parties; the Luther celebrations, in which the state as well as the Evangelical Church invested much money and effort and over which they cooperated closely, gave rise to various ceremonies and commemorative events. By the end of the year the Karl Marx celebrations were forgotten and those for Luther nearly so; but the church had gained strength and confidence from the latter and the state little or nothing from either.

12. One manifestation of dissidence which the events of 1983 conspired to strengthen was the independent 'peace' movement. The effect of incessant warnings from the authorities about the dangerous consequences of Western missile deployment was reinforced by the exposure given in both the GDR media and West German radio and television to the activities of Western anti-missile protesters. The announcement of the intended deployment of Soviet nuclear missiles in the GDR added to popular anxiety - to a greater degree than necessary since what was in fact part of a programme of modernisation of weapons which were already deployed but whose presence was not admitted had to be represented as a new departure. The church, which is the only channel for the expression of independent views on such issues, was impelled by the growing disquiet among its adherents to speak out more firmly than ever in favour of a reduction of nuclear arsenals by both superpowers and against the militarisation of GDR society. The authorities, while taking strong action against peace demonstrations, generally showed restraint in dealing with church-based peace activities. It is not certain that this restraint will continue. The problem for the authorities is to

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determine whether the role of the church has ceased to be a moderating one and it is acting as a positive encouragement to independent peace activists. The fact that an attempt made in November to persuade people to sign declarations of support for the deployment of Soviet missiles in the GDR had to be abandoned demonstrates both how strong feelings on this matter here are and how seriously the authorities can misjudge popular opinion.

13. The trend in popular attitudes is one of the most worrying of the imponderables which the regime faces as it looks to the future. It will probably avoid a serious deterioration but can hardly expect an improvement. Popular anxiety about the arms build-up will not go away. Economically the prospects are reasonably good: the GDR will continue to meet its debt obligations and a 5% increase in investment will help to make up lost ground; but defence expenditure will go up by at least 7.2% and there will be little if any improvement for the consumer. For the first time a measure of unemployment could occur as measures to increase labour productivity take effect. The other big worry is the direction which international developments will take: the GDR is peculiarly subject to the play of external forces. This year the GDR leaders made the most of the somewhat greater freedom of manoeuvre which was available to them to protect their interests. But tighter restrictions could be imposed by Moscow at any time and there will be an anxious watch for signs of Andropov's fate and the likely nature of a successor regime. The GDR regime itself is unlikely to undergo change: Honecker appears to be fit and under no threat. To the extent that they can he and his colleagues will continue to conduct the policy of carefully-judged cooperation towards the Federal Republic which serves their political and economic interests but poses no threat to internal stability.

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

I am, Sir  
Yours faithfully

P M MAXEY