

## GERMAN DEMOCRATIC REPUBLIC: ANNUAL REVIEW FOR 1981

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

## SUMMARY

An uneasy but not unsuccessful year for the GDR. Its leaders played their part in Soviet policy on Poland knowing that things would not be allowed to deteriorate too far and that their own people were effectively immunised from infection (paragraphs 1-3).

2. The GDR faithfully replayed Soviet propaganda, particularly on European security where West German public opinion was the main target; but the propaganda was not without domestic effect (paragraphs 4 and 5).

3. The Honecker/Schmidt meeting in December also had its place in Soviet strategy, although the East Germans have their own motives in improving inner-German relations. Some *rapprochement* seems likely in 1982; but the GDR régime's lack of confidence in its people will impose limits (paragraphs 6 and 7).

4. Honecker's visits to Japan and Mexico were important for the building up of the GDR's international status (paragraph 8).

5. The economic outlook is tough but the régime is maintaining its ambitious growth targets. There are risks (paragraph 9).

6. UK exporters did not do very well in 1981. Political relations play a part in guiding GDR commercial decisions. UK/GDR relations have improved. We cannot lose and might gain by developing them further without demanding a commercial price in advance (paragraphs 10-12).

(Confidential)  
My Lord,

*East Berlin,  
4 January, 1982.*

For the German Democratic Republic 1981 was an uneasy but not unsuccessful year. Throughout it the situation in Poland hung like a dark cloud on the horizon and threatened a storm which would have serious implications for the GDR's interests. The international environment was decidedly unfavourable for the development of the GDR economy. And for a country which feels such an urgent need to make its presence felt in the world but whose foreign policy must at all times conform with Soviet strategy, the continuing tensions in East/West relations were inhibiting. However the Polish situation did not erupt; the GDR's economic targets for the year were largely achieved; solid progress was made in the development of the country's foreign relationships; and at home its high standard of social order was maintained.

2. The deterioration of the situation in Poland was, as far as the GDR leadership was concerned, the result of mistakes made by the Polish party which the East Germans claim to have recognised and to have pointed out to the Poles in a comradely fashion at an early stage. It was for them a reflection not on the socialist system but on the Poles. However its continuation had disturbing implications for the cohesion of the Warsaw Pact and for GDR communications with its Soviet ally and protector; and there can be no doubt that this country's leaders were longing to see the process of restoring socialist normality begun in Poland, by whatever means. There were reports at an earlier stage in the crisis that the East Germans were inclined to favour Soviet military intervention. But during 1981 they went along apparently wholeheartedly with the policy followed by the Soviet Government of eschewing direct intervention and exercising maximum external pressure on the various political forces in Poland; and they did their bit in the way of financial aid and relief supplies for Poland. In fact there is no scope for divergent views between the GDR and the Soviet Union on how the Polish situation should be handled. The Russians decide that. But there is also no significant divergence of interest between the two and the GDR leaders must throughout have found reassurance in the fact that there was a limit for the Russians, not very different from their own, as to how far the situation in Poland could be allowed to deteriorate.

3. [REDACTED]

4. Throughout the year the GDR media and its leaders repeated with unvarying fidelity the themes of Soviet propaganda on Poland and every other major topic. This phenomenon was most striking in the area of European security and NATO plans to improve its theatre nuclear forces. There was a continuous barrage of propaganda here on the dangers to peace in Europe posed by aggressive NATO circles which were allegedly seeking confrontation and a raising of tension. It seemed by the middle of the year that no speech could be made and no major article written, whatever its main theme, which did not refer to the threats to peace and the need for great efforts in support of Soviet moves to strengthen it. At times one was almost persuaded that the East German leaders were gripped by deep anxiety. However the principal object of all this propaganda was the West German public; and its intensity and volume, I believe, reflected merely the thoroughness and commitment of the GDR in pursuit of the Warsaw Pact aim of strengthening opposition in West Germany to the NATO decision to deploy Pershing 2 and Cruise missiles.

5. Inevitably however the East German public too fell victim to some extent to this flood of warnings of disaster if NATO persevered with its plans to upset the balance of nuclear power in Europe. The peace movement in the Federal Republic has, needless to say, no genuine equivalent here; but the anxiety and concern which gave rise to it are present. One manifestation of them is the growing pressure, mainly among young Christians, in favour of a form of "social service for peace" for young men with conscientious objections to compulsory military service. This idea was firmly rejected by the authorities. In December

the authorities allowed a meeting to be held in East Berlin of prominent East and West German intellectuals on the problems of preserving peace, which had been organised by a writer of independent views, Stephan Hermlin. The decision to permit the meeting, despite the unorthodox views likely to be expressed, was no doubt partly an acknowledgement of the extent of concern in this country about these issues.

6. The rôle of the GDR *vis-à-vis* the Federal Republic within a co-ordinated Soviet strategy towards the West was reflected not only in its propaganda but also in the meeting between Herr Honecker and Chancellor Schmidt which took place at Werbellinsee in December. Nobody here or in Moscow appears to have pretended at any stage that the twice postponed visit to the GDR by Herr Schmidt could take place until Brezhnev had given the green light or that that would happen until the latter had paid his planned visit to Bonn. An important aim of the Russians and East Germans in bringing to an end the period of frost in relations between the two German states was to reinforce the stake in détente in Europe of the West German Government, which the Soviet Union sees as a significant asset in its task of disuniting NATO. But there is more to the GDR approach to inner-German relations than the implementation of the Soviet political strategy in Europe, even though this determines the framework within which the GDR must operate. For the régime here a reasonably cordial relationship with the Federal Republic is important because of the economic and financial advantages it can extract from it, because its domestic image benefits and because its international standing is enhanced by its being treated as an equal interlocutor by the other German state.

7. For the Federal Republic on the other hand the main objective in acquiescing in the development of a relationship which brings such substantial benefits for the GDR régime is to reduce the barriers to contacts between citizens of the two German states and to improve the material lot of the ordinary East German. The talks at Werbellinsee were not expected to bring and did not bring immediate progress. But an understanding appears to have been reached about the next phase in the development of the relationship; and in particular about the connection between on the one hand some relaxation in the minimum requirement for the exchange of hard currency by visitors from the Federal Republic, which acts as a powerful deterrent to contact, and on the other hand a renewal of the large West German interest-free credit for inner-German trade and financial transfers for GDR infrastructure projects. Provided the general climate of East/West relations allows, a measure of *rapprochement* seems likely in 1982 on the basis of mutual concessions in these areas. But the GDR authorities will ensure that they get very much the better of the deal and that any reduction in the barriers to contact between their citizens and West Germans is limited and strictly controlled. They appear to have as little confidence as ever in the ability of their people to resist the blandishments of the West German way of life.

8. In the GDR media the inner-German aspects of the Schmidt/Honecker meeting were played down and it was represented almost exclusively as an encounter between two statesmen with widely differing viewpoints but a shared concern as Germans and as Europeans over the dangers of the current international situation. Honecker's appearance on the world stage in the rôle of statesman is of great importance to a régime which continues, for reasons connected both with its international standing and its domestic authority, to hunger for acknowledgement as a state like any other. From this point of view the inner-German summit was a significant gain. (And if, as seems likely unless there is a sharp deterioration in East/West relations meanwhile, Honecker pays a

visit to the Federal Republic in 1982, that will be an even greater one.) The State Visits which he paid to Japan in May and to Mexico in September, following on that to Austria in November 1980, similarly marked important stages in the building up of the international stature of the GDR; and the media here made an immense fuss over them lest any GDR citizen fail to appreciate their significance. But the visits had other purposes too: each held the promise of trading or technological benefit for the GDR; and each, as a contribution to the strengthening of the international ties of the socialist camp, could be expected to gain Honecker credit in Moscow. A similar mixture of motives lay behind the GDR's continuing efforts to develop its relations with Third World, particularly African, countries.

9. The GDR leaders take pride in having come through 1981 without falling far short of their ambitious growth targets for the year: indeed some were exceeded. But the outlook is tough: the GDR's hard currency indebtedness has climbed to a disturbing level and many large-scale investment projects which require imported equipment have had to be shelved. Hard coal has had to be imported from the West to make up for the shortfall in Polish deliveries. Before the end of the year the decision by the Soviet Union to reduce by 10 per cent its deliveries of soft-currency oil to the GDR (as to other East European countries) in 1982 threatens to add a further burden to the GDR's foreign debt. This and other difficulties led to a flurry of consultations here before the publication of the final version of the 1981-85 Five-year Plan in December. But when it emerged it revealed little or no readiness on the part of the Politburo to reduce sail in face of the heavy economic seas through which they will have to navigate in the coming years. The GDR leaders are a determined, intelligent and realistic group of men with a good record of economic management; one is inclined to give them the benefit of the doubt. But their targets for the five years are immensely ambitious; and there are inconsistencies between targets. There is a risk that the GDR's economic development will become unbalanced; and that its hard currency debt will get out of hand. Nor does the Five-year Plan offer the prospect of substantial improvement in living standards for the workers, on whose productivity and adaptability to new production methods its success crucially depends.

10. Although there are still no full statistics for GDR/UK trade in 1981, it clearly did not expand much. The GDR complains of a fall in exports; UK firms have failed to win any large contracts. [REDACTED]

[REDACTED] Such sizeable contracts as have been open to Western competition were during 1981 won by French, Austrian and West German as well as Japanese firms. The West Germans are a special case; but the other three are the non-socialist industrialised countries which have co-operated most actively with the GDR in developing their political relations in the recent past. Although hard-headed economic planners like the East Germans do not award contracts unless the terms and the technology are right, the state of bilateral political relations undoubtedly plays a part in determining where the GDR places its business.

11. Our own relations with the GDR have improved and after my arrival here in August were pronounced by Honecker and others to be "good". The lever which raised them to this level from the previous one of merely "reasonable and useful" was the successful visit paid to London in June by Hermann Axen, the third man in the GDR political hierarchy. As regards the next stage, the policy we have been pursuing of withholding a top-level Ministerial visit to this country until substantial contracts have been placed with British firms has in my

view lost any validity it may have had. If it has not produced results by now, it will not do so in the future. We have a choice between developing our relations with this country a stage further through a high-level visit in this direction without insisting on a commercial price or letting them stagnate.

12. Is it worth strengthening our relations with a State which only survived by walling its people off from their fellow-Germans and has so little independence of action? Having come as far as we have in the relationship we cannot lose, and we might gain, by developing it further. We can take it that whatever we do, the GDR will continue to enhance its international standing: assuming Honecker visits the Federal Republic next year the time may not be far off when other Western countries, no doubt with France in the lead, agree to receive him. The GDR is a reality, a stable and economically strong country and virtually a neighbour of ours. It is a factor in European affairs no less important than the other East European countries (nor essentially any nastier). We should, like our major European partners, get as close as we can to it and be in a position to influence it. And we should claim credit in Bonn for adding our voice to that of the West Germans in pressing for the improvements in GDR policy which they want to see.

13. 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.