

EASTERN EUROPE

I. Perspective on Eastern Europe

Evolutionary changes in the direction of internal liberalization and economic reform, increased independence, and limited movement toward association with the West continue. These positive trends reflect the vitality and aspirations of the peoples and the growing recognition which East European leaders are giving to political and economic realities.

These changes are a cause for satisfaction. However, their pace and character vary significantly from country to country. Experience shows also that further forward progress is likely to be subject to interruptions and even, as in the case of Poland, substantial retrogression.

These changes provide us with improving opportunities for our policy of "building bridges" to Eastern Europe. At the same time, they show that the policy of "building bridges" both by us and by western European countries, is achieving positive results.

II. Policy Objectives and Inhibiting Factors

We seek, within the framework of building world peace and a secure and stable European community, to encourage the positive trends in Eastern Europe and to use the opportunities they provide (1) to improve the general climate of relations, (2) to reestablish the bases for reassociation with the West, and (3) to resolve our outstanding bilateral problems.

Apart from continuing ideological differences, the impact of Viet-Nam has limited, although not precluded, our bridge building efforts by inducing restraints on both sides. This has been most applicable to the development of better political and

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economic relations. To a lesser degree, it has influenced our cultural relations. We operate, therefore, under substantial restrictions resulting from negative public and Congressional attitudes.

III. Recent Developments in Eastern Europe

The current ferment is most dramatically shown in Czechoslovakia and Poland. While it is too soon to assess the full meaning of recent events, their impact on the Soviet system, on life and society throughout Eastern Europe generally and on future developments is sure to be significant.

1. Czechoslovakia: Party First Secretary Alexander Dubcek, who replaced hard-liner Novotny in January, has formed a coalition of intellectuals, students and, to an extent, workers, which has been able to force Novotny's resignation from the Presidency and to remove pro-Novotny members from the Party Presidium and major Government positions. The new Action Program, published on April 10, emphasizes national reconciliation with some compromises based on recognition of individual and group rights and a balanced federation between Czechs and Slovaks. The Program reaffirms the Party's leadership role but emphasizes this is to be one of guidance rather than of detailed direction and that the Government will be allowed to carry on its proper functions.

It calls for decentralization and management reforms in the direction of a socialist market economy, constitutional guarantees of individual rights and liberties, freedom to travel abroad and National Assembly control over internal security forces. There will be many difficulties in implementing the Program but there has been extraordinary freedom of the press, speech and assembly during the past several months.

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Dubcek has reassured the Soviet Union of Czechoslovakia's socialist direction, solidarity and loyalty. He expressed the desire, however, for good relations with all countries, including the US.

The Party daily "Rude Pravo" said on April 19 Czechoslovakia would not be "a weak brew of a common political line or of the policy of the Soviet Union. Nobody can prescribe for a party or a country what is and what is not its international duty."

US Position: Our position, like that of other Western countries, is to make clear informally and discreetly to the Czechs on appropriate occasions that we welcome the steps they are taking toward liberalization. We believe it advisable to avoid any steps at this time likely to embarrass the new leadership in its internal course or in its delicate relationships with the Soviet Union and other East European neighbors.

Contingencies involving Soviet economic pressures or other developments which might occasion Czech appeals to the US for economic support have been studied. Under present legislative restrictions (no aid, PL-480, Exim loans or guarantees, MFN tariff treatment), our ability to respond in such circumstances is limited. In this connection, Czechoslovakia has been a substantial supplier of arms to North Viet-Nam.

While prospects for improved bilateral relations appear more favorable, the major issue of a claims/gold settlement remains. The Czechs have said they will shortly respond negatively to our November 1967 proposals for a settlement of these problems. We have urged they leave the door open for negotiation.

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We are not prepared to consent, as the Czechs desire, to release the Nazi-looted Czech gold (held by the Tripartite Gold Commission) until there is a satisfactory settlement of US financial claims. The gold is our only effective leverage for such a settlement. The Czechs have mounted a major propaganda campaign, most recently with an April 19 interview by the new Foreign Minister Hajek, to pressure us for the return of the gold.

The case of the Czech defector General Sejna, whose extradition has been requested by the Czechs, is still under consideration. Our probable decision in due course to refuse extradition is not likely to have any permanently damaging effect on US-Czech relations.

2. Poland: Student demonstrations against censorship and restrictions on cultural freedom, which began on March 8, have now quieted down. Deep-seated resentments remain. The Party/Government leadership has used repressive policy measures and warned it would not tolerate further disturbances. The leadership has launched an anti-Semitic propaganda campaign aimed primarily at removing from the Party, State and cultural apparatus those Communists of Jewish origin who played a key role in Poland during the Stalinist period. Many Polish Government and Party officials, as well as intellectuals, have been fired as part of the drive against diverse "opposition" elements including not only those identified with the Polish regime during the Stalinist period but also "Zionists", revisionists and liberals. Many, although not all, of these are of Jewish background. In this atmosphere created by anti-Semitic utterances of the leadership, the small Jewish community (20-30,000) feels under strong psychological pressures. There is, however, as yet

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no firm evidence that the Jewish community generally has been subjected to physical persecution or to religious persecution in the sense of interference with worship.

The current use of harsh police measures and the resort to an anti-Semitic campaign evidence the failure to materialize of the dream of freedom which took form with the events of October 1956 and Gomulka's return to power at that time.

US Position: The Department's press spokesman on April 1 made clear that the US deplores anti-Semitism wherever it occurs. While declining to discuss recent Polish events, he drew attention to the tragic consequences which historically have resulted from the encouragement of anti-Semitism. We are following developments in Poland very closely but until this complex situation, involving chronic Party-Government factionalism, is clarified we are exercising great care and restraint in any US official public comments.

Over the past several years our bilateral relations have not developed favorably. We have encountered various difficulties in matters such as the size and treatment of our military attache staff, treatment of US citizens, and US Social Security payments to annuitants in Poland. Planning for an English Language Teaching Program in Poland is continuing but the implementation of this program is dependent on a Congressional local currency appropriation.

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3. Romania: Internally, the Party-Government leadership maintains firm orthodox control. Externally, Romania continues to pursue a course based on national interest highly independent of the Soviet Union. It gains freedom of maneuver from its rich endowment in natural resources. Romanian public media have reported objectively on recent Czech developments and the Romanian Government seems to approve Czechoslovakia's new course.

US-Romanian bilateral relations have not been materially affected by Viet-Nam and continue to show improvement, including progress in cultural exchanges. Romanian Deputy Premier Birladeaneau, Chairman of the National Council of Scientific Research, has accepted an invitation from the President's Science Adviser to visit the US in May. Romania continues to explore the possibilities of purchasing equipment and technology in the US for a heavy water plant for its nuclear power program and for a synthetic rubber plant.

4. Yugoslavia: Yugoslavia--the first East European country to throw off Soviet domination (1948) and to pursue successfully a fully independent national course--continues to show its independence and to push aggressively the development of a free market economy. Political and social institutions are being increasingly liberalized. The response to the new Czech leadership has been favorable and there has been Yugoslav press criticism of the retrogressive tendencies in Poland.

Despite Viet-Nam and the Congressional prohibition (1966) on PL-480 sales, our bilateral relations continue to develop favorably in the political and economic as well as in the cultural exchanges field.

5. Hungary: The Kadar Government continue to follow a relatively conciliatory policy internally. The economic reforms which entered into effect on

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January 1 are designed to adapt the existing command economy to many of the features of a socialist market economy. In foreign policy, Hungary, highly dependent on the Soviet Union politically and economically, follows closely the Soviet line.

No early progress is in prospect toward the settlement of outstanding bilateral problems, such as US claims. Reacting sharply to the defection of the former Hungarian Charge in Washington, Radvanyi, the Hungarians have still not named an Ambassador, although our Ambassador was accredited at Budapest last fall.

Hungary shows some sympathy to Czech developments. However, conscious of its own 1956 experience, it clearly believes that events should not be allowed to get out of hand. Hungarian media have generally followed the hard-line position of the Polish press on student unrest.

6. Bulgaria: The Bulgarian leadership, adhering to orthodox internal policies and bound tightly to Soviet foreign policy positions, has tried to insulate Bulgaria from liberalizing influences. Bulgarian media have given extremely restricted coverage of Czech and Polish events by stressing Czechoslovakia's continuation as a member of the socialist camp and echoing the Polish Government's official line.

US-Bulgarian relations are limited, though a consular convention is under discussion and the Bulgarians are showing some interest in acquiring US industrial plants and technology. A Bulgarian trade mission is scheduled to visit the US in May.

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7. Albania: The Albanian Party-Government leadership, closely aligned with Red China ideologically and in foreign policy, maintains the most repressive internal system in Eastern Europe. Its view of liberalization in Czechoslovakia and ferment in Poland is totally negative. We do not recognize or have official relations with the Albanian regime.

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