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OUTLOOK FOR STABILITY IN THE EASTERN
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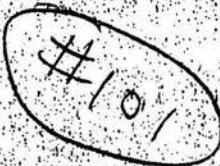
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TABLE OF CONTENTS

	Page
THE PROBLEM	1
SUMMARY	1
DISCUSSION	2
INTRODUCTION	2
SITUATION AND PROSPECTS IN INDIVIDUAL SATELLITES	3
Poland	3
Hungary	4
East Germany	5
Czechoslovakia	6
Rumania	6
Bulgaria and Albania	7
THE OUTLOOK IN THE SATELLITES	7
Stability	7
Future Soviet Policy	8
Satellite Economic Outlook	10
IMPACT OF WESTERN POLICIES	11
Economic Contacts	11
Exchanges	12
Propaganda	12
Negotiations with the USSR	12
APPENDIX	
Soviet Economic Aid to the Satellites	14
Other Intra-Bloc Credits Affecting the Satellites	14

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OUTLOOK FOR STABILITY IN THE EASTERN EUROPEAN SATELLITES

THE PROBLEM

To assess the prospects for stability in the European Satellites over the next few years.

SUMMARY

1. Since the crisis of October 1956, the USSR and the Satellite regimes have had considerable success in reimposing party unity and general submissiveness among the people, at least on the surface. Even in Poland, the Gomulka regime has strengthened its hold despite continuing unrest.
2. For at least the next few years the USSR and the Satellites will probably avoid further political innovation but maintain the general policies — especially in the economic field — followed during 1957. We estimate that by and large such policies will preserve relative stability in the Satellites over the next few years. Popular revolts are unlikely, largely because of the still fresh example of Soviet repression in Hungary; nor do we expect another coup on the Polish model elsewhere in the Satellites.
3. But the USSR and the Satellite regimes have by no means eliminated those forces in Eastern Europe which underlay the unrest of 1956. We foresee a continued atmosphere of change and ferment, more highly charged than under Stalin. Popular dissatisfaction, party factionalism, intellectual dissent, and chronic economic difficulties will continue to stimulate desires for reform and change. A period of political turbulence might again emerge if internal controls are relaxed, or there are economic crises, or uncertainties appear to characterize the policies of the USSR or local regimes. The greatest potentialities for unrest appear to exist in Poland and East Germany.
4. We also continue to believe that Poland's ability to maintain its semi-independence will be a key factor affecting future political developments in Eastern Europe. Barring an acute economic crisis, the Gomulka regime has a better than even chance of surviving the internal threats to its position. We also believe that it will be able to retain its relative freedom from direct Soviet control. In time this development, together with Yugoslavia's continued independence, may tend to encourage nationalist-oriented elements in the other Satellites to seek greater autonomy.

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5. For the short term at least the Soviets will almost certainly go slow in liberalizing their policy, but they do not seem to view a return to Stalinist policies as either necessary or feasible. The USSR will probably continue to extend substantial aid to alleviate economic difficulties. Moreover, once reassured that their position is no longer threatened, the Soviet leaders might gradually allow a more independent role to the Satellites, within the limits imposed by Soviet hegemony. On the other hand, should this hegemony again appear to be seriously threatened, reversion to a harsher policy would follow.

6. The West's ability to influence the course of European Satellite development

through policies and actions directed at the Satellites themselves is limited, particularly by tight Communist controls. Within these limits, however, the post-Stalin trends in Eastern Europe and the likely continuation of stresses and strains within the Satellites have created a situation more open to Western influence than at any time since 1948. Growing trade and East-West contacts offer some opportunities. But probably the only means — short of force — that could have a substantial positive or negative impact on Eastern Europe lie within the field of major East-West agreements which would fundamentally affect the current situation.

DISCUSSION

INTRODUCTION

7. The situation in Eastern Europe has now achieved a degree of stabilization which could hardly have been anticipated a year ago. Since the crisis of October 1956, all Satellite regimes have succeeded in reimposing at least surface party unity and popular submissiveness. Even in Poland, the Gomulka regime has strengthened its hold despite continuing unrest. While most of the people in the Satellites are still anti-Communist and discontented with economic conditions, they appear convinced for the moment that active resistance would be futile and would jeopardize whatever prospects they now have for a gradual improvement of their lot.

8. Perhaps the most important factor contributing to stabilization in Eastern Europe was the brutal Soviet repression of Hungary's rebellion. In addition, the fact that the West did not give effective aid to the Hungarian insurgents probably encouraged continued passivity on the part of most other Satellite peoples. More recently, Soviet technological successes have probably also had a stabilizing effect. By buttressing the impression of rap-

idly growing Soviet power, these developments reinforce the already widespread popular belief that the USSR can control Eastern Europe, by force if necessary, and that resistance is futile.

9. The events in Poland and Hungary also led to a slow-down in the more liberal Soviet policies toward the Satellites which had evolved after the death of Stalin and which had contributed significantly to the ferment in Eastern Europe. Subsequently, the need for ideological orthodoxy and the supremacy of the USSR has been vigorously restated and Soviet policies have assigned high priority to insuring the stability and unity of the Satellite regimes.

10. Moreover, the orthodox Satellite regimes were themselves further encouraged by the Hungarian example to remain unyielding toward internal desires for relaxation of controls and greater autonomy. Indeed, as early as the spring or summer of 1956, the ferment evoked by the Soviet de-Stalinization campaign had already caused all the Satellite regimes except those in Poland and Hungary to draw back from any further liberalization,

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even where it had been promised. Through a general tightening up — paralleling that in the USSR itself — the regimes have repressed the agitation for radical reform. Party dissidents, "national Communists," and student and intellectual liberals have been largely forced into silence. Khrushchev's increasing dominance, and his strong endorsement of such Stalinists as Ulbricht and Novotny, have probably resolved Satellite doubts as to the vigor of Soviet policy and reassured orthodox leaders of continued Soviet support. Though Poland has managed to maintain its semi-independent position, this has as yet had little apparent impact on the other Satellites.

11. Also contributing to the trend toward stabilization in Eastern Europe have been increased Soviet and Satellite efforts to reduce popular economic discontent. The ruthless Soviet draining of the Satellite economies which had occurred in the days of Stalin has been checked. During 1956 and 1957 (especially since the Hungarian revolt), the USSR committed itself to extend aid to the Satellites to a total of \$1.2 billion in credits and grants and made debt cancellations and reimbursements to an even greater amount (see Appendix). Largely as a result of this Soviet aid, the Satellite economies made a good recovery from the unsettling repercussions of the Polish and Hungarian crises and presented a relatively favorable economic picture at the end of 1957. A modification of economic programs to put greater emphasis on consumption, coupled with generally good harvests, has resulted in some improvement in standards of living. However, heavy industry still receives relative priority in most countries. Gross industrial output has continued to rise, although cutbacks in investment and allocation of raw materials have reduced rates of growth substantially below the pre-1953 level.

SITUATION AND PROSPECTS IN INDIVIDUAL SATELLITES

Poland

12. Though the Gomulka regime has made some progress toward consolidating its position, popular discontent, economic difficulties, and continued party factionalism pose a

chronic threat to its stability. So far Gomulka has been able to gain and hold a base of popular support by presenting himself as a defender of national interests, and as a humanitarian Communist, but this program involves considerable risk. Externally, if the regime goes too far in its role as champion of Polish autonomy it jeopardizes its relations with the USSR. Internally, since the Party and the secret police apparatus have been seriously weakened, the Gomulka regime has thus far had to rely largely on the favorable public image of Gomulka himself, on the political realism of what is perhaps the major stabilizing force in Polish society, the Roman Catholic Church, and on the self-restraint of the Polish people.

13. Popular enthusiasm for Gomulka has diminished during the past year as he has proved unable to fulfill initial expectations of radical political and economic reform and improvement. The urban living standard — unlike that in rural areas — has improved only unevenly and is unlikely to show notable gains over the next few years. In addition, there is evidence of disillusionment and apathy among the intellectual and youth circles which supported Gomulka. A rise in alcoholism, corruption and lawlessness among younger groups (known as hooliganism) has reached serious proportions. Moreover, Gomulka has barely begun his fight to transform his disunited and ineffective Party into a dynamic and loyal apparatus. In this, as in his program generally, he is plagued by the legacy of the Stalinist past and beset by the disruptive activities of left and right party factions.

14. But some progress recently has been made on all these counts. The regime has been able to retain and probably strengthen the substantial degree of internal autonomy it won in 1956. The Stalinist faction in the Party has lost some of its strength and probably active Soviet support. The "revisionists" — essentially those anti-Soviet party elements which seek a more democratic form of socialism and ever-expanding contacts with the West — also exercise diminished influence. A campaign is underway to purge the Party of lukewarm, undesirable and dissident elements and to

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bolster Gomulka's authority at all levels. Economically, a bountiful 1957 harvest has improved consumption prospects, and substantial aid commitments from both the Bloc and the West have enabled the regime to pursue its plans for economic improvement. Further, public order — threatened by scattered strikes and the Warsaw riots in October — has been maintained more effectively in recent months without recourse to old forms of terror which would have damaged the regime's public stature. Nevertheless, the fundamental causes of Polish instability will probably continue to exist over the next few years.

15. Gomulka's internal policies, particularly since last summer, show signs of a trend toward political hardening. The campaign against the liberal press and the "revisionists" has been accelerated. This hardening of the regime's line, reflecting its desire to strengthen Party control and to bolster internal stability, is apt to continue. But we do not regard it as indicating an intention to change major policies. Gomulka has largely adhered to his original domestic program, which, while based on Communism, includes economic reform, the accord with the Roman Catholic Church in Poland, and the abolition of secret police terror.

16. So long as the Soviet threat persists there appears to be, in the public mind, no feasible alternative to Gomulka. Therefore, although the fundamental causes of Polish instability will remain, we believe that internal developments are unlikely to lead to a popular revolt unless there is a serious decline in the standard of living. Even if the current level of Soviet aid to Poland were reduced we think the regime could at least temporarily avoid a sharp decline in living standards by cutting back investment programs. A substantial cut in Western aid to Poland would have only a marginal impact on the Polish economy, although such a development would probably weaken Gomulka's stature at home and reduce his leverage with the Soviets.

17. While we do not expect a popular revolt against the regime in Poland, we cannot completely exclude the possibility. Should a revolt occur, the regime probably could not maintain

power unassisted, since many military personnel would probably side with the revolt. In such circumstances, the regime might call for Soviet military aid. The Polish armed forces in these circumstances would probably be so disunited and demoralized as not to be an important factor.

18. A major threat to Gomulka's position could arise from a Soviet shift to political or economic pressures or subversion. We believe these would be resisted by the regime to the extent they appeared seriously to threaten Gomulka's basic program. Polish capabilities for such resistance, however, are limited. For example, cessation of Soviet trade and aid, unless replaced by the West, would probably prove disastrous to the economy. The regime's resources to combat Soviet-directed subversion are limited, in large part because the USSR already probably has a potential apparatus within the Polish party, armed forces, and government. If the USSR intervened militarily to remove Gomulka or to assert control, we believe that the Gomulka regime, having once stood up to a Soviet military threat, might do so again. If it did, we believe that the bulk of the Polish military forces would remain loyal to the regime and actively oppose Soviet intervention.

19. Finally, it is plain that the present structure and policies of the Polish government depend very greatly upon the person of Gomulka. If he were to die, there are others who would try to carry on his regime. They might succeed in doing so, but there would probably be greatly increased pressures from the Stalinist wing of the Party, opposite pressures from the general public, and possibly new attempts by the USSR to reassert control.

Hungary

20. The Soviet-backed Kadar regime has during the past year made significant progress toward consolidating its position. The Bloc has provided economic assistance totalling some \$580 million — about \$380 million in long-term loans, and almost \$200 million in debt cancellations and grants. This aid, together with recovering industrial production and a good harvest, has enabled the regime

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to stave off an economic crisis. The current standard of living probably is, in many ways, superior to that of 1956 and almost certainly better than prevailing in the pre-1953 Rakosi era. Despite the regime's complete lack of popular support, arrests and repression have silenced virtually all meaningful overt opposition. The Party has been able to reassemble, and claims to have built up its membership to some 400,000 members. It has reasserted its control in urban areas; in rural areas, where it is considerably weaker, it has remained relatively inactive. It has by and large avoided antagonizing the peasants, offering them considerable incentive to produce and allowing them a large measure of freedom from central authority.

21. Over the long haul, however, the regime will almost certainly seek to achieve more than superficial economic stability and political quiet. In fact, we believe that a new phase in regime policy, stressing an expansion of party power over the people and a more vigorous economic program, is likely over the next few years. Political persecution may eventually ease — if only because virtually all revolutionary figures (possibly including Nagy) will have been tried. A trend toward somewhat tighter economic controls, however, is likely. Passive resistance will probably remain at a high level but another revolt is very unlikely so long as the people are convinced that Soviet troops, even if withdrawn from Hungary, would re-enter to crush the revolt.

22. Party first secretary Kadar gives no evidence of becoming another Gomulka. Politically, the similarities between his regime and the former Stalinist dictatorship of Rakosi far outweigh the differences. We believe, however, that Kadar and some of his immediate supporters may still appear potentially unreliable in Moscow's eyes if only because they were somewhat compromised by service in the Nagy regime during the revolution. Further, there do appear to be some personal or doctrinal differences between the adherents of Kadar and the essentially unreconstructed Stalinists of the Rakosi era. The Party's ability to organize effective cadres throughout the country will probably be hampered by some opposition to Kadar on the part of the

middle level functionaries who were associated with the Rakosi regime, many of whom appear to be of the unreconstructed variety. Although the recent resignation of Kadar from the premiership cannot as yet be interpreted as reflecting any diminution in his real power, it is possible that he is considered by Moscow to be an interim instrument as first secretary and that, once his usefulness is over, he may be replaced by a figure with a more orthodox background.

East Germany

23. So long as the USSR remains adamantly opposed to German reunification except on its own terms, it must support a regime which can maintain tight control over a highly disaffected population. The Soviet leaders, recognizing the basic unpopularity of the East German regime as well as the unique problems created by the existence of the West German Republic, have been more fearful of the consequences of internal relaxation here than elsewhere in the Bloc. As a result, they have consistently supported the Stalinist regime of party leader Walter Ulbricht and have regarded the presence of substantial Soviet forces in Germany as essential for internal security reasons.

24. Ulbricht and his supporters, themselves highly doctrinaire in outlook and aware of their inability to create a popular base for their regime, have maintained basically repressive policies throughout the post-Stalin era. However, they did, probably on Moscow's instructions, permit some slight relaxation of police state methods, and economic difficulties have led to substantial cutbacks in overambitious industrialization programs.

25. Currently the Ulbricht regime has embarked on a new and harder line designed to consolidate its position. A program of heightened security, stiffened border controls, repression of the churches, and increased discipline over intellectuals and the Party began last fall. Because of chronic weaknesses in the East German economy, including the continued large scale flight of people to West Germany and resultant labor shortages, a tightening of economic controls is also underway.

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This includes plans for increases in worker production norms, wage cuts, and increased pressures on farmers and artisans to join collectives. Moscow probably views with dissatisfaction the poor performance to date of the East German economy and the relative tardiness of its socialization. Nevertheless, during 1956-57, Moscow found it necessary to extend substantial economic aid, including roughly \$280 million in credits, and a reduction by half of East German payments for Soviet occupation costs. To maintain even the present slow rate of economic growth, the GDR will probably be forced to seek additional aid from the USSR over the next few years.

26. The hardening of the political line has led to increased disaffection among party intellectuals and among the youth groups; the toughening of economic policy is believed to have caused dissension at the very highest levels. In fact, five of the nine Politburo members apparently are opposed to Ulbricht's economic program because of its anticipated effect on popular morale. Such opponents probably seek a modification of that program rather than Ulbricht's ouster. Should the USSR step into this controversy, we believe that it would almost certainly maintain its support of Ulbricht, although it might, in the process, decide to compromise some of the issues.

27. The immediate effects on popular morale of this hardening of the line will probably include a growth of tension and a higher flow of refugees to West Germany unless prevented by the new controls. We believe that the possibilities of local and sporadic strikes and disturbances will increase along with mounting repression. But an East German revolt is unlikely, in view of the continued presence of 22 Soviet divisions and general public awareness that a resort to violence would prove abortive, as it did in Hungary, or in East Germany itself in 1953.

Czechoslovakia

28. From a Soviet point of view, Czechoslovakia is probably the most successful and stable communist state in Eastern Europe. The Czechoslovak economy, though plagued by

such matters as shortages in fuels, raw materials, and manpower, is probably the strongest in Eastern Europe and has not received Soviet aid in recent years. The standard of living — which never reached as low a point as elsewhere in the Bloc — has risen perceptibly over the past few years. The regime by and large has been unruffled by the changing scene since the death of Stalin; extreme shifts in policy have generally been avoided. Thus the primary goals of post-Stalin Soviet policy are closer to accomplishment in Czechoslovakia than in any other Satellite. The Czechoslovak Party leaders voluntarily acknowledge their fealty to the Soviet Union; yet these leaders head a party which is probably stronger and more self-sufficient than that of any other Satellite.

29. Factional disputes do not jeopardize party efficacy and the top leadership appears stable. With the election of party leader Novotny as President, effective power has been concentrated in the hands of a doctrinaire leader unreservedly loyal to the USSR — a man singled out for special praise by Khrushchev. There was a period of some ferment in the spring of 1956, echoes of which still sporadically appear among the intellectuals. There is also widespread separatist sentiment in Slovakia, even within the Party. Nevertheless, the population generally appears to be apathetic and not disposed to risk, through precipitate action, the gains — primarily economic — made since 1953.

Rumania

30. Since the Hungarian revolt, the Rumanian regime has in some ways gone farther than the other orthodox Satellites in the general direction of post-Stalin reform. It appears, for example, to be making a sizeable effort to improve living standards and to increase trade with the West. Further, Rumania's relations with Yugoslavia have consistently been better than those of other orthodox Satellites and it has renewed its pre-Hungary campaign to improve relations with the US.

31. These developments have prompted some optimistic Yugoslav and Polish observers to suggest that Rumania is gradually attempt-

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ing on its own initiative to move toward autonomy. We believe that the factors cited in support of this thesis can be explained more satisfactorily in other terms—including a real need for expanded trade with the West, internal economic improvement, and an apparent regime desire to identify itself with the policies of Khrushchev. We believe that if, in fact, the Rumanian regime is to gain notably greater autonomy, this would be accomplished slowly and cautiously and under Moscow's auspices.

32. The tighter security controls and political repression characteristic of the period immediately after the Hungarian revolt appear to have been reduced as a concomitant of diminishing popular unrest. In view of the continued weakness of the economy, however, punishment for "economic crimes" has been made more severe. The Party, though probably one of Eastern Europe's weakest in numbers of faithful and capable personnel, is firmly in control, is supported by the presence of Soviet troops and is probably united behind party leader Gheorghiu-Dej.

Bulgaria and Albania

33. The two most backward of the Satellites, Bulgaria and Albania, are — culturally, economically, and politically — the most Sovietized states in Eastern Europe. Party policies, especially in Albania, have been less affected by post-Stalin changes than those of the other Satellites. This is probably a reflection of the local leaderships' reluctance or inability to adjust easily to new patterns, coupled with specific economic and political weaknesses which argue for a continuation of a tough party line. Albania's geographical isolation from the rest of the Bloc and its antagonism toward Yugoslavia are probably also in part responsible for the party's zeal in maintaining a rigid policy at home and fealty to Moscow abroad. Similarly, Bulgaria's common border with three potentially hostile neighbors probably serves to reinforce the party's conservatism and interest in close ties with Moscow.

34. Popular discontent in both countries remains strong. Much of it is generated by the low standards of living and, in Bulgaria, a

high rate of unemployment. But repressive regime policies have held dissidence in check and will probably continue to do so, barring an unlikely relaxation of internal controls. As for party factionalism, it probably does not represent a serious challenge to Bulgarian stability, despite some personal rivalries in the leadership and some degree of agitation for more liberal policies. In Albania, where the two top leaders — Hoxha and Shehu — have been solidly entrenched for more than a decade, a remnant of the once-strong pro-Yugoslav element may have escaped previous purges, but, if so, it is too weak to exercise meaningful influence under current circumstances. Although there may be some personnel changes in the leadership of the two countries, prospects are few for notable shifts in policy.

THE OUTLOOK IN THE SATELLITES

Stability

35. We believe that the relative stability now prevailing in Eastern Europe will probably be preserved over the next few years. For the short term at least, both the USSR and the Satellite regimes — including the Polish — are likely to follow an essentially conservative line, emphasizing internal consolidation, avoiding further political innovations, and maintaining the general outlines of policies — including the relatively flexible economic programs — followed during 1957. By and large this approach will probably enable the Satellite regimes to maintain their authority and to restrain overt manifestations of dissidence; we therefore do not expect a revival of those conditions which led to the major upheavals of October 1956.

36. As for Soviet hegemony in Eastern Europe, we believe that the basic identity of interests between the USSR and its Satellite regimes, their dependence on Soviet aid and support, and the USSR's overwhelming military power, together with its willingness to use force if necessary, will maintain the essential solidarity of the Bloc over at least the next five years. Poland is the only Satellite which might be in a position to attempt to become another Yugoslavia, and for reasons we have already suggested we do not believe this likely.

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37. But however successful the USSR and its Satellites have been in restoring at least temporary stability, they are still far from eliminating those forces in Eastern Europe which underlay the unrest of 1956. These forces still exist beneath the surface, and are manifest in discontent over current policies within the parties, particularly at middle and lower levels; intellectual and student agitation for liberal reform and national independence; popular hostility to the regimes, stimulated and, in a sense, led by party and intellectual dissidents; and economic discontent, common to all who do not enjoy privileged rank. A period of political turbulence might again emerge if internal controls were relaxed, or there were economic crises, or policies of the USSR or local regimes appeared uncertain. The greatest potentialities for serious unrest currently appear to exist in Poland and East Germany, though even here a popular uprising seems unlikely.

38. Moreover, we continue to believe, as we estimated in NIE 12-57, that Poland's ability to maintain its present semi-independence will be "a key factor affecting the future political developments in Eastern Europe." The success or failure of the Gomulka regime will greatly influence the future role of the nationalist-oriented elements which exist in most of the Satellites, though now quiescent. We do not now foresee conditions leading to a Polish-type coup in any other Satellite, but if the Polish experiment is successful and Moscow's acquiescence in it continues, nationalist elements in more orthodox Satellites may be encouraged to seek greater autonomy.

39. The continued existence of Yugoslavia as a communist country independent of Moscow will also tend to encourage nationalist elements in the Satellites to seek greater autonomy. To the extent that the Soviet-Yugoslav rapprochement continues, the contradiction between Soviet acceptance of the Yugoslav status and Soviet policy toward the orthodox Satellites will further stimulate such pressures. If elements should emerge in the Satellites which, while adhering to communism, sought greater autonomy, they would probably receive such encouragement and support from Tito as he believed could be offered with-

out seriously offending Moscow. Any movement in the Satellites which was anti-Communist or so strongly nationalist as to invite Soviet armed repression would almost certainly not have Tito's support. Indeed in such a case he would probably line up with Moscow.

40. In sum, while we anticipate that the stability achieved in 1957 will continue, we also anticipate an atmosphere of change and ferment more highly charged than under Stalin. Popular dissatisfaction, party factionalism, intellectual dissent, and chronic economic difficulties all appear to be continuing problems. These create very real pressures within the Satellites which — combined with varying Polish, Yugoslav, and Chinese "roads to Socialism," possible future Soviet vacillations and purges, growing contacts with the West — will continue to stimulate desires for reform and change. The extent to which these desires are realized depends very largely on Soviet policy.

Future Soviet Policy

41. We perceive a diminished ability on the part of Moscow to exercise unilateral authority in the Communist world. The necessity of maintaining at least outward unity in the Sino-Soviet Bloc and the international Communist movement has led the Soviets to compromise on some issues and at least to consider the opinions of other Communist parties on others. Further, Soviet policy in some areas has tended to be internally conflicting; thus, Soviet demands for Satellite conformity and loyalty have been offset somewhat by the Soviet practice of accepting the Gomulka regime in Poland and of maintaining the more relaxed and flexible outlines of post-Stalin policy. This factor tends to increase confusion among the Satellite parties and keep nationalist ferment alive.

42. Under these circumstances, the Soviet Union will probably encounter trouble in its efforts to handle the complex issues associated with its presence in Eastern Europe. We believe that these problems are recognized in Moscow and that the relatively sterile Stalinist approach to Eastern Europe has come to an end. For the short term at least, while

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memories of Hungary and Poland are still fresh, the security of the USSR's position in the Satellites will remain uppermost in Soviet minds and measures to insure it given first priority. Thus for the next few years Moscow will almost certainly remain generally cautious in its approach, going slow in the liberalization of its Satellite policy.

43. But the Soviet leaders do not seem to view a return to Stalinist policies as either necessary or desirable; they may even regard it as infeasible. Thus, despite the recent pulling back on the reins, Soviet policy during 1957 has retained most of the liberalizing features—especially in the economic field—which have emerged since Stalin's death. Barring further serious threats to Soviet hegemony, such a relatively flexible policy will probably be continued. The Soviet leaders probably remain prepared to tolerate certain differences among the Satellites, especially in internal economic and social policies, and to tailor their policy to meet varying Satellite requirements, so long as Soviet hegemony and basic Communist tenets are not called into question. The USSR will continue to place major reliance on indirect methods of control, preferring to let the Satellite regimes deal with their own internal problems unless these get out of hand.

44. An indication of the pragmatic nature of current Soviet policy is the USSR's reluctant acceptance of the "new" Poland, which appears to be a long-range adjustment rather than a temporary accommodation. Tension in Soviet-Polish relations has abated since 1956, in part because the Gomulka regime has restrained anti-Soviet and anti-Communist popular sentiments and has removed the immediate threat to the party's position. Concurrently, direct Soviet press attacks on Polish liberals have abated and Moscow has withdrawn its open support of the pro-Soviet (Natalin) faction in the Polish party. The USSR is still giving substantial economic aid to Poland, and is continuing to equip the Polish army. Should the situation in Poland appear to be getting out of hand, the Soviet leaders retain a large arsenal of political, economic, and military weapons with which to exert pressure on the Gomulka regime or even to

destroy it, although they cannot be certain that pressures will always prove effective or that their use would not, in fact, boomerang.

45. In time, moreover, should Poland remain in a state of semi-orthodoxy and dependence, and Soviet control over the other Satellites not be threatened, Moscow might gradually allow a more independent role to other Satellites, within the limits imposed by the desire to maintain Soviet hegemony. Khrushchev and his colleagues apparently believe that if some concessions are gradually and judiciously meted out, conditions in the Satellites will improve, the domestic prestige of the regimes will be enhanced, and eventually the Satellite peoples will become reconciled to a close relationship with the USSR. Moscow has probably at least considered the feasibility of gradually allowing evolution toward a group of semi-independent Communist states (closely allied to Moscow). We doubt that the Soviets have as yet made up their minds on any such plan, especially after Poland and Hungary, but they may come to believe that allowing some such evolution would reduce the chances of serious Satellite unrest, improve prospects for economic growth, and enhance the reputation of the USSR in non-Bloc areas.

46. On the other hand, should essential Soviet control over the area appear to be threatened or should Poland move notably farther away from orthodoxy, pressures in Moscow for a reversion to a harsher policy would almost certainly grow. In the event of a Satellite revolt beyond the capacity of the local regime to suppress or a Satellite attempt to secede from the socialist camp, the Soviet leaders would almost certainly intervene militarily. This, in turn, would probably lead to the conclusion that the post-Stalin Satellite policies in general were a failure and that a return to more repressive polices offered the best means of coping with the problems in Eastern Europe.

47. Soviet reaction to another Satellite party "coup" like that in Poland — aimed at greater autonomy rather than outright secession — would be largely dependent on the particular circumstances of the moment. If, for example, intervention threatened to embroil the

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USSR in a major military campaign, the Soviet leaders would probably again attempt to make the best of a bad but tolerable situation and use indirect techniques to regain control or to limit the extent of deviation. If, on the other hand, there appeared to be few outside risks and little chance of sustained local opposition, the Soviet leaders might intervene. We do not believe, however, that the USSR will be confronted with such a choice during the next few years; a recurrence of the special circumstances which permitted the Polish coup is highly unlikely. None of the other Satellite parties now appears to have either the inclination or the resources to declare its independence.

48. The USSR's post-Hungary concern over its position in Eastern Europe and its resultant sensitivity toward potentially disruptive Western influence in this area probably contribute significantly to the recent Soviet efforts to obtain some form of East-West ratification of the European status quo. Moscow, already concerned about US aid to Poland, probably fears that the West may be able to exert considerable influence toward encouraging greater independence on the part of Satellite regimes. The Soviets presumably believe that any US acquiescence in the status quo in Eastern Europe would tend to undermine Satellite hopes of future US support and thus reduce the likelihood of "deviation" or unrest.

49. Despite various Soviet hints as to the desirability of mutual East-West troop reductions, we believe that the USSR will continue to maintain sizeable forces in Eastern Europe. The USSR has recently announced that 41,000 (of an estimated 380,000) Soviet troops will be withdrawn from East Germany in 1958, as well as 17,000 from Hungary (out of an estimated 75,000). However, it will almost certainly retain a sizeable garrison in East Germany. A major reduction would not only threaten its hold on this key Satellite (a major source of uranium), but would have repercussions in Poland and ultimately the whole Satellite area. Indeed the presence of Soviet forces in East Germany is probably regarded by Moscow as a desirable form of implicit pressure on the Poles and Czechs.

Satellite Economic Outlook

50. Unsatisfactory economic conditions will remain a factor contributing to popular ferment and intra-party differences in the Satellites over the next few years. The progress of the various Satellite regimes in overcoming economic distress has, for the most part, been slow and is unlikely to accelerate very rapidly. Some modest improvement in economic conditions will probably take place, but we estimate that gains in living standards will on the whole be smaller than those of the past several years. We also anticipate reduced rates of industrial growth similar to those of the 1955-57 period but materially lower than those realized during 1948-53; in both Hungary — where output is probably still below pre-revolution levels — and Poland these rates in 1957 were at the lowest point since the institution of Communist planning. Under these circumstances, the USSR will probably have to provide further credits and deliveries of badly needed goods, such as fuels and raw materials, to bolster the Satellite economies and somewhat improve living standards.

51. In addition the Soviets will probably further increase their efforts to rationalize the Bloc economic structure on the basis of an intra-Bloc division of labor, emphasizing both bilateral cooperation through joint economic commissions and multilateral consultation through the Council for Economic Mutual Assistance. The stated objective is now the long-range coordination of Satellite-Soviet economic plans for 1960-75. However, this program is only in its initial stages and will probably be weakened by the difficulties of resolving conflicts of economic interest among Satellites and by Poland's refusal to accept Soviet economic dictation. Competition among the Satellites for Western markets is likely to hamper integration plans. The program will also continue to be plagued by Bloc shortages of certain key raw materials, fuels and agricultural products, and by the legacy of past emphasis on industrial self-sufficiency in each country.

52. Because of their economic problems, we expect further efforts by the Satellites to increase trade with non-Bloc areas. Such trade

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has generally grown considerably since 1953, in both absolute and relative terms; by 1956 it had reached 33 percent of over-all Satellite trade turnover (compared to 26 percent in 1954). But there has already been a slowdown in the growth of trade with the West, caused in part by the expansion of intra-Bloc credit arrangements and trade agreements. This trend will probably continue. In the case of Poland, a drop in the world market prices of coal, its chief export, coupled with the availability of substantial Bloc credits, is likely to have similar results, unless offset by additional credits from the West. Non-Bloc trade will also be severely limited by chronic shortages among the Satellites of Western currencies and of readily exportable commodities.

53. Trade and extension of credits to underdeveloped countries — in particular by Czechoslovakia and East Germany — have been encouraged by the USSR to support its political offensive in these areas. While this trade is mutually profitable in many instances, it is built in part upon credits which the Satellites, except for Czechoslovakia, may be hard pressed to finance. The USSR has underwritten these credits in some instances.

IMPACT OF WESTERN POLICIES¹

54. The West's ability to influence the course of European Satellite development through policies and actions directed toward the Satellites themselves is limited. However, the shifts in Soviet policy since the death of Stalin, and the ferment and confusion in the Satellites which followed, have created a situation which is probably more open to Western influence than at any time since 1948. Despite the present trend toward stabilization of the Satellite structure, we foresee a continuation of stresses and strains within the various Satellites which, together with the trend toward expanded East-West contacts, the continued existence of a semi-independent Poland, and possible renewal of the trend toward greater

Satellite autonomy, provide increased opportunities for Western influence in Eastern Europe.

55. Nevertheless, despite still strong nationalist feelings among the Satellite peoples, the majority of whom are probably anti-Communist and anti-USSR in their attitudes, Western ability to give outside stimulus to popular dissidence or to provide a focus for anti-regime activities is generally far less than Communist capabilities to counter such attempts. As for the leaders of the regimes, their broad identity of interest with the USSR and general subservience to it make them highly resistant to Western influence, particularly as they regard the West as basically hostile to their own aims. In the last analysis, the West cannot expect by its own efforts to bring about the emergence of more autonomous regimes in Eastern Europe. In the two cases on record — Yugoslavia and Poland — the regimes involved sought on their own initiative to free themselves from Soviet domination. But if more of such regimes should emerge, real opportunities for Western influence would be created.

56. Aside from the influence of specific Western policies or actions, such factors as the Satellite assessment of the general posture of the West and its relative strength have a real, though intangible, impact on Eastern Europe. These factors shape the popular and even the party conception of US versus Soviet strength and of the consequent ability of either side to carry out its policies. For example, a lack of unity within the Western alliance or setbacks to Western policy in other parts of the world may be interpreted as indications of a relative weakening of the Western position. Similarly, Soviet scientific and technological successes depress popular morale, since they tend to undermine confidence in the Satellites that the West is both stronger and more advanced.

Economic Contacts

57. Expanded Western trade with or economic aid to the Satellites tends to lessen their economic dependence on the Bloc. In two actual cases, Western trade and aid gave psychological as well as material support to efforts to

¹In assessing the impact of Western policies, we have not considered the use of force or threats of force, e.g. an announced Western policy of encouraging revolts and of supporting them if they occur.

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gain greater freedom. Thus, Yugoslavia was able to resist a Soviet-imposed economic blockade largely because of Western aid. The case of Poland is less conclusive, but we believe that Gomulka's efforts to stabilize his position and to maintain his semi-independence from Moscow have been aided by US credits. Despite the relatively small amounts involved, they give the regime an enhanced status, a freer hand, and an improved bargaining position with the USSR. Moreover, the prospect of such US aid may be a factor encouraging any other Satellite leaders who may desire to follow the Polish example.

58. Greater Western trade with the orthodox Satellites, or possibly some form of aid to them, would have more equivocal results. On the one hand it might help to convince deviant leadership groups of US willingness to support them if they sought greater autonomy. On the other hand it might merely lend added prestige to the existing orthodox leaderships without encouraging any moves to increase their autonomy. Whether or not the economic well-being of the individual Satellite citizen improved as a result of expanded Western trade or aid would depend on the policies of the regime; it is possible that such trade would merely enable an expansion of present programs for the development of heavy industry. So far the USSR has generally acquiesced in greater Satellite economic contacts with the West; but in expanding its own economic assistance to the Satellites it is apparently trying to counteract the attractions of such contacts. The Soviet leaders may not have fully resolved conflicting inclinations on this matter, fearing the possible consequences but at the same time tempted by the notion that expanded Western trade or aid might help "build socialism" in Eastern Europe.

Exchanges

59. We believe that in this field lie some of the potentially most significant, though least tangible, opportunities for Western influence on Satellite developments. Believing that Western knowledge and techniques can be used profitably by the Bloc, the USSR and its Satellite regimes have permitted some limited exchanges and personal contacts between East

and West. This program has diminished the general popular feeling of cultural isolation and stagnation in the Satellites, particularly among intellectuals. But it may help to sustain ferment by introducing knowledge of Western material successes and Western concepts to those who otherwise might have remained largely ignorant.

Propaganda

60. For many Satellite citizens — Party members included — Western broadcasts are still virtually the only medium of contact with the outside world. Despite official disapproval and jamming by all the regimes except the Polish, the direct and indirect audience of such services as VOA, RFE, BBC, and the American Armed Forces Network probably includes the majority of East Germans, Poles, Czechs, and Hungarians and a substantial minority elsewhere in the Bloc. While these broadcasts are not accorded unanimous praise by the listeners, they apparently help to counteract Communist distortions and keep alive both anti-Soviet and pro-Western sentiments.

Negotiations with the USSR

61. Given the severe limits on Western ability to influence Satellite developments directly, the area of potentially greatest Western impact on Eastern Europe, as well as the area of greatest risk, appears to lie-within the field of major East-West agreements which would fundamentally affect the European situation.

62. The very fact of negotiations on any such issues as mutual troop withdrawals, German reunification, or the status quo in Europe would have some impact on the Satellites. To the extent that the West seemed to be confirming Soviet hegemony over Eastern Europe, morale among the Satellite peoples and potential party deviants would tend to be depressed. On the other hand, negotiations which appeared to offer hopes of a Soviet troop withdrawal, particularly if coupled with convincing guarantees against their return, would have an opposite effect.

63. The development which would most radically affect stability in Eastern Europe would

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be a negotiated Soviet troop withdrawal. Of course the consequences of any withdrawal would depend on the surrounding circumstances, especially the extent to which there were convincing guarantees. Even if the Soviet troops actually withdrew from the area, the Satellite peoples would be hard to convince that the USSR would not re-enter in force if its hegemony in Eastern Europe were seriously threatened; indeed, Moscow might make known in various ways its determination to do so. Therefore, while popular revolts against the communist regimes might follow the withdrawal of Soviet troops (the likelihood would be greatest in East Germany) we believe that the initial reactions in most Satellites would be less violent. But some disturbances would probably break out, and there would almost certainly be growing pressures on the regimes for radical modifications in their policies.

64. If the Soviets and the local regimes did not react forcefully to these pressures, particularly if the USSR did not crush any revolts which occurred, the conviction would grow that the Soviets had permanently withdrawn and instability in the Satellites would greatly increase. The resulting outcome would vary in different Satellites. In time most Satellite regimes would probably be forced to radically change their character or might even be overthrown. We continue to believe that the Soviets would make a similar estimate of the consequences of troop withdrawal, and that this would be a major reason why they are highly unlikely to accept it.

65. Although also highly unlikely, an East-West agreement on German reunification which was interpreted in Eastern Europe as an abandonment of the USSR's East German Satellite would almost certainly have major repercussions throughout the area. Unless countered by positive and vigorous Soviet action, these repercussions — in the form of increasing dissidence, ferment, Party factionalism, riots, and strikes — might lead to upheavals or radical policy shifts in other Satellites, especially in Poland.

66. Current Soviet interest appears directed primarily toward an agreement which would gain Western sanction of the status quo in the Satellites. Even East-West talks on confirmation of the status quo in Europe would have a depressing effect on Satellite morale. Although already dimmed by Western inactivity, particularly during the Hungarian revolt, popular hopes have been sustained by the Western refusal to sanction the Satellite regimes. Thus in the short run, East-West agreement on the status quo in Eastern Europe would probably strengthen both the local regimes and the entire Soviet-Satellite structure even though it brought despair to the Satellite peoples. The long-range effects of such an arrangement, however, are less certain. To the extent that it reassured the USSR as to the security of its position in Eastern Europe, it might contribute to the willingness of the USSR to tolerate the emergence of semi-independent Communist regimes.

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APPENDIX

SOVIET ECONOMIC AID TO THE SATELLITES ACCORDING TO THE
AGREEMENTS OF 1956 AND 1957
(Million \$ at Official Exchange Rates)

	<u>Credits¹</u>	<u>Grants and Reimbursements</u>	<u>Debt Cancellations</u>
Poland	300	60	550
Hungary ²	294	10	170
East Germany ³	280	—	—
Bulgaria	143	—	—
Rumania	103	—	717
Albania	48	—	106
	<u>1,168</u>	<u>70</u>	<u>1,543</u>

¹ Development, goods, gold, and convertible currency credits.

² Plus \$37 million in postponement of the repayment of previous debts.

³ The July 1956 Soviet-East German economic agreement also provided for the reduction of the East German annual contribution to the maintenance of Soviet occupation forces by one-half (\$364 million per annum).

OTHER INTRA-BLOC CREDITS AFFECTING THE SATELLITES

	<u>Credits Received</u>	<u>Credits Extended</u>
Poland	187.50	10.00
Hungary	88.75 ¹	—
Albania	14.00 ²	—
Rumania	27.50 ³	17.50
East Germany	—	140.00
Czechoslovakia	—	114.75 ⁴
Bulgaria	—	1.75
	<u>317.75</u>	<u>293.00</u>

¹ Includes \$25 million credit from Communist China. In addition, Hungary received grants of \$6.5 million from the European Satellites and \$7.5 million from Communist China.

² In addition to this known figure, credits of unknown amount are extended to Albania annually by the Satellites. East Germany cancelled an Albanian debt worth \$16.5 million.

³ In addition a credit of unspecified amount from Czechoslovakia.

⁴ Includes \$2.25 million credit to Outer Mongolia.

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