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MEMORANDUM FOR LIEUTENANT GENERAL BRENT SCOWCROFT
THE WHITE HOUSE

Subject: Issues Paper on US-Relations with
Eastern European Countries

Attached is an Issues Paper on US-Eastern
European Relations prepared for the President's
briefing by the Secretary.

George S. Springsteen
George S. Springsteen
Executive Secretary

Attachment:

Issues Paper

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Issues Paper for the Secretary's
Briefing for the President

EASTERN EUROPE

I. Background

The recent passage of the Trade Reform Act and the Soviet reaction to its emigration provisions, has had the net effect of leaving things the way they were in U.S. relations with the countries of Eastern Europe. For the future this means that we can expect a continuation of the fairly good ties which have developed with Yugoslavia, Romania and, to a lesser degree, Poland, and the possibility of some positive movement in relations with Hungary, Czechoslovakia, Bulgaria and the GDR as these countries attempt to share in whatever benefits continue to flow from U.S.-USSR detente. As for Albania, the hostile immobilisme of the past 30 years will doubtless persist, at least as long as the present leadership is around.

This extrapolation of present trends reflects accurately the priorities we have previously established among the Eastern European countries. Put simplest, these priorities are based on the degree to which each Eastern European government has supported U.S. interests world-wide or vis-a-vis the USSR. The measure of this support is the extent of independence from Moscow asserted by the separate communist regimes. Thus the objective we have pursued throughout the post-war period of fostering a diminution of Soviet power in Europe remains a fundamental objective of our foreign policy - even in the detente era.

II. The Situation Now

The pursuit of this objective is carried out against the backdrop of four major considerations:

1. The peoples of Eastern Europe are still Europeans, and they are basically pro-American and

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anti-Soviet. The centuries-old cultural and economic links between Eastern and Western Europe were not eradicated by the Iron Curtain, and there remain close family ties connecting thousands of Eastern Europeans with relatives in the West. Detente provides the atmosphere for the restoration and nourishment of these connections.

2. With the exceptions of Yugoslavia, Romania and Albania, all the countries of Eastern Europe support a common foreign policy line dictated by Moscow. This does not rule out degrees of independence and self-interest (witness Poland), but it does establish parameters beyond which Bulgaria, Poland, Czechoslovakia, Hungary and the GDR do not venture to assert their sovereignty.

3. The Soviets have never reconciled themselves to the maverick policies of Yugoslavia, Romania and Albania. Although unlikely to risk the fruits of detente by any overt attempt to reimpose control over these countries, the USSR can be expected to capitalize on any opportunity to realign them more closely with the Warsaw Pact.

4. A policy change of a fundamental nature has occurred in the Soviet Union and Eastern Europe. This was the decision to move from the autarkical, Moscow-managed economic system imposed by Stalin toward a much fuller involvement in the mainstream of world trade and economic activity. This move represented a tacit acknowledgment that the old system was not working and that only injections of technology and cash from the capitalist world could provide the modernization and qualitative improvements needed to meet more sophisticated consumer demands. The authorities would not wish this involvement to develop to the point of endangering their control, but the degree of inter-dependence and diversification is already sufficient to create a shared interest with the West in a stable, prosperous world economy.

III. U.S. Strategy

1. General

a) Our longer-term interest in encouraging the

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trend of Eastern European independence from Moscow continues in the era of detente. Despite the standstill on trade, there are possibilities to foster the notion that the Eastern Europeans have a stake in better East-West relations which may not necessarily be the same as the Soviets'.

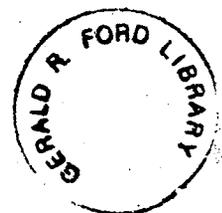
b) Our encouragement of Eastern European independence must be low-key, subtle and carefully calibrated to avoid arousing the suspicions of Moscow that we are attempting to threaten what it considers to be its legitimate security interests. The Soviets can probably accommodate to some dilution of their authority, but pushed to the wall, they could take drastic action under the Brezhnev Doctrine to avoid a radical reduction of control in Eastern Europe, even to the point of scuttling detente with the U.S. We can depend on the Eastern Europeans themselves to be equally concerned with this danger and to gauge their relations with us accordingly.

c) Although we can expect stepped-up measures to prevent ideological "contamination" from the West, this will prove decreasingly effective over the long run, and we should exploit every reasonable opportunity (CSCE, economic and cultural exchanges, VOA and travel) to broaden our contacts in Eastern Europe.

d) The USG should support efforts of American companies to do business with Eastern Europe, including those countries not now accorded MFN treatment and EXIM facilities. To the extent that the Easterners develop satisfactory economic ties with the West, they are more apt to resist pressures to integrate their economies with the Soviets and to add their voice to those in Soviet councils favoring continuation of detente. Also, even though these countries will never be major trading partners of the U.S., taken together, their purchases could make an important contribution to our already existing positive balance of trade (over \$300 million in 1973) with the area.

e) Any progress we make in encouraging general independence from the USSR will carry a corresponding reduction of overall Warsaw Pact

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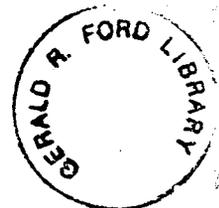


military effectiveness. Although each military establishment in Eastern Europe is committed to the defense of its homeland, they vary among themselves in their general combat readiness and their loyalty to Moscow.

2. The Favored Trio

a) Yugoslavia - a class by itself. The paramount question of the past decade still remains: what happens when Tito leaves the scene? The potential problems associated with this event are substantial, but on balance we are optimistic. A transition-of-power mechanism is in place, Tito's successors are committed to the unity of the country and Yugoslavia's independent, non-aligned policy is likely to continue. Our recognition of this situation is in itself a contribution to stability. As for the future, we can expect no substantial change in the bumpy but basically positive relations characteristic of the past 20-25 years. This means continued differences over how to deal with the developing world, with independence movements and over the role of military alliances. In the final analysis, however, an economically strong, politically independent and stable Yugoslavia is not only important to our strategic interests in Europe. It is also the best advertisement we could wish for the fruits of independence among communist states. In furtherance of this objective we should continue to cultivate the likely successor to Tito, carry further our recently initiated talks on resumed arms sales and be ready to assist Yugoslavia through its current difficult economic situation.

b) Romania. Ceausescu continues to assert his independence from Moscow, while running an orthodox regime internally. He has shown a willingness to work closely with us on a number of international issues, and he has the facility and vision to make significant contributions toward some of our objectives. Our new ability to extend MFN will permit us to capitalize further on Ceausescu's cooperative spirit. Bucharest will persist in resisting any pressure to toe the Moscow line. To the extent this succeeds, the Romanians could encourage a style of communist foreign policy compatible with our interests. Meanwhile, we must



pay continued attention to Romania's economic problems. With the lowest per-capita income in Eastern Europe (outside Albania), Romania's relatively weak economic performance could become a factor of destabilization for Ceausescu.

c) Poland. While protecting their political flanks with Moscow, the Poles have undertaken a far-reaching reorientation of their foreign trade in a westerly direction. Gierak is staking his political future on an expanding economy and a more humane political regime at home. He sought and got our endorsement for these policies during his October 1974 visit to the U.S. Capitalizing on the national pride of the Poles, and a tradition of close ties with us, we can depend on Warsaw to exert some moderating influence on the Soviets and to support vigorously and effectively our efforts toward detente. In sum, more-of-the-same seems to be our best policy prescription for the future in Poland.

3. The Outsiders

Progress in our bilateral relations with Hungary, Czechoslovakia and Bulgaria has been slow and somewhat erratic throughout the post-war years. On the whole, however, there has been forward movement in such areas as consular conventions, claims settlements, cessation of VOA jamming and aviation agreements. Although not yet fully articulated, it is likely that these countries will follow the lead of the Soviets and balk at any linkage of emigration with trade relations. This need not mean an aimless drift in our relations, though, provided they are willing to take concrete steps accommodating to our interests. We will have to see to what extent they are now willing to undertake such moves.

a) Hungary. The Soviets allow the Hungarians a wider latitude in economic management than most other CEMA countries, in return for which Budapest often assumes the role of stalking horse for Moscow's dealings with other Eastern European regimes. We should quietly encourage the economic experimentations of the type currently underway in Hungary, since their success could foster further liberalization in the economic sphere among other Eastern European countries. Such a trend is bound to have



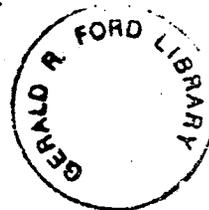
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political ramifications sooner or later. As for a more substantial general improvement in relations, however, we must await a more friendly tone out of Budapest, beginning with such specific acts as better treatment of American visitors, less strident media comment on the US policies and more cooperation in the ICCS.

b) Czechoslovakia. Still under control of a regime installed following the 1968 Soviet invasion, Czechoslovakia has carefully avoided any actions, political or economic, likely to arouse the suspicions of Moscow that another "Prague Spring" could evolve. Nevertheless, the Czechs have tried to establish a toe-hold on the detente band wagon. The provision of the Trade Reform Act prohibiting MFN to Czechoslovakia until a better claims settlement is negotiated limits prospects for any further improvement in US-Czech relations for the time being. The willingness of the Czechs to make some concessions aimed at eliminating this discriminatory treatment will be an important indicator of their desire to advance bilateral ties. Foreign Minister Chnoupek has declared his government's intention to do what is possible in this direction.

c) Bulgaria. The Bulgarians have traditionally been the most subservient of Moscow's clients. There are recent signs indicating a considerably more balanced view of the U.S., and we will be watching to see how much further this will go following the Soviet reaction to the Trade Act. The Bulgarians, like the Czechs and Hungarians, will probably feel limited in what they can do to keep a small share of detente alive in hopes that the situation might improve later. We must calibrate our response accordingly.

d) GDR. The GDR also closely adheres to the Soviet line. Since the GDR's geographic location is of considerable importance, the Soviets have a vital interest in assuring that the GDR continues to pursue this policy. Because of this special Soviet-GDR relationship, we have little choice but to pursue limited objectives vis-a-vis the GDR, particularly since we have had relations only since last September. Our priorities with the GDR



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over the next two years are the negotiation of a consular agreement and a claims settlement as well as the resolution of a number of humanitarian cases. Given the GDR desire to acquire American technology, we can expect a major GDR effort to expand trade with the U.S.

e) Albania. We have publicly said that we are ready to talk about resuming diplomatic relations but Tirana is harshly negative. We propose to leave the initiative for the time being with the Albanians.

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