

30 December 1983

## CZECHOSLOVAKIA: ANNUAL REVIEW FOR 1983

*Chargé d'Affaires at Prague to the Secretary of State  
for Foreign and Commonwealth Affairs*

## SUMMARY

1. A static year (paragraph 1).
2. International affairs dominated initially by peace initiatives and latterly by Czechoslovakia's involvement in the response to United States' INF deployment in Europe (paragraphs 2-4).
3. Trade difficulties with the West and increased economic dependence on the Soviet Union. Continuing emphasis on reduction of external indebtedness and the need for swift exploitation of new technology (paragraphs 5-7).
4. Some achievements in the internal economy but a number of shortfalls. Apathy of the work force (paragraphs 8-10).
5. Population quiescent except for Charter 77, with which the Government deals comparatively moderately (paragraphs 11 and 12).
6. Prosperity assured if Government vigorously pursues economic reform and modernises industry. Otherwise it will probably continue to muddle through (paragraph 15).
7. Importance of demonstrating British interest in Czechoslovakia (paragraph 14).

*Prague  
30 December 1983*

Sir,

1983 did little to advance or retard Czechoslovakia's fortunes. The leadership, itself virtually unchanged except through death, could point with satisfaction to full employment and a steady standard of living as evidence of stability. But stagnation more properly describes the state of economic performance, the constant resistance to needed change at all levels of the hierarchy, apathy on the shop floor and continuing public disillusion.

## International Affairs

2. The Government focussed on "Peace" during the first half of the year. The Warsaw Pact Summit, meeting in Prague, issued on 4 January a Declaration, subsequently presented in capitals by Czechoslovak Ambassadors, calling *inter alia* for a treaty between NATO and the Warsaw Pact on the mutual renunciation of the use of military force.

3. There was thereafter a much publicised build-up to the World Assembly for Peace and Life Against Nuclear War. This six day event in June at which Prague was host to 3,500 delegates (half of them from non-Communist countries) was in the event moderately successful in Communist-world terms but, only partly because of inept handling of Western journalists, a flop as regards wider impact. The tone of debate was overwhelmingly critical of the United States and the honest quest for peace was predictably portrayed by the Czechoslovak media as a Socialist monopoly.

4. As the date approached for the deployment of new US missiles in Europe, the publicity machine adopted an increasingly belligerent tone. After unnerving the public (probably more than planned) about the growing risks of nuclear war, the invective reached its height when the Party Secretary for international affairs likened President Reagan to Genghis Khan and Hitler. On 24 October the Government announced that, as an "inevitable response" to US deployment, Soviet nuclear missiles would be sited in Czechoslovakia. Since then there have been repeated efforts to justify this move to a clearly apprehensive public. Perhaps there had been nuclear weapons on their soil all along. But it was now officially confirmed that Czechoslovakia was no longer on the sidelines: she was now in the nuclear game. Moreover, and yet more unwelcome, she was further locked into the Soviet orbit.

## Trade

5. The Czechoslovak economy, too, became more tied during the year to that of the Soviet Union which now accounts for 42% of her foreign trade turnover – with a 14% increase in bilateral trade planned for 1984. As an assured source of raw materials and machinery, as a dependable (though increasingly demanding) customer and as an important partner in scientific and technical co-operation, the Soviet Union was confirmed as the central factor in Czechoslovakia's economic development.

6. The Government explained that the importance of co-operation with the Soviet Union had been heightened by difficulties in exporting to non-Socialist countries (provisional statistics for bilateral trade do not bear this out in relation to the United Kingdom – our exports virtually static and our imports by October already above the total 1982 figure). The West was in "extended crisis"; moreover, a number of capitalist countries were practising, as part of a long-term strategy against the Socialist bloc, financial and credit discrimination. Czechoslovakia could free itself from economic and political decisions in the West only by further reducing foreign indebtedness, even at the cost of foregoing swifter economic development.

7. By the end of the year the Government was claiming that this prudence, together with successful adjustment in 1981 and 1982 to reduced supplies of oil and raw materials, now permitted the speeding up of economic growth. But – reassuring to British exporters – Czechoslovakia must continue to meet its foreign currency obligations promptly and in full. The cost of imports must be met by selling high quality goods in an increasingly competitive and demanding market. By making it the subject of a Central Committee

plenum meeting, the Government demonstrated the priority it was giving to the rapid utilisation in industry of advances in science and technology and to ensuring minimum delay between successful research and its translation into production and sales. A new State Commission was given responsibility for this and a special investment fund established for the import of advanced industrial machinery and the development of economic "intensification" (the more efficient use in production of energy, raw materials and manpower). And there has been much talk, but little decisive action (for one thing life is too comfortable for managers) towards greater autonomy at local enterprise level.

### Internal Economy

8. The clement weather of 1983 helped energy economy, transport, the construction industry and subsidiary activity – and notably an excellent wheat harvest. Production plans were also exceeded, it is claimed, in the electrotechnical, engineering and metallurgical industries, the last an unwelcome achievement, contrary to the planned run-down of energy-intensive sectors. On the other hand one in four of all enterprises failed to reach their targets and the value of stocks, almost half of them finished products, approached that of the net national income. A number of items, including bicycles, freezers, colour television sets and footwear, remained in short supply. But there were no rises in the price of the bulk of consumer goods and food shops had noticeably more on offer.

9. All in all, not the stuff to create an upsurge of discontent or spark off disturbances. But hardly calculated to rouse people from the general apathy which remains the greatest single impediment to swift economic advance.

10. The Government sought to stimulate interest in work through wage differentiation. But, and I quote the Prime Minister, "detrimental egalitarianism still persists; the principle of merit is asserting itself only slowly". He identified among the main reasons for breakdown in production, laziness, inconsistency and poor management (attempting to hide shortcomings and putting local interests above the public good). It was all summed up in November by Jakeš, member of the Praesidium ". . . . in spite of all the explanation of our policy, in spite of all the resolution and propaganda, in spite of all that is considered ideologically correct, policy is not consistently implemented in practice".

### People

11. Apathy at work reflects a more general sense of disillusion. In some ways life is not as bad as it was – and is certainly better than what the Czechoslovak learns of things in Moscow. Looking Westward however (through, for example, Austrian and FRG television if not by direct experience of travel) he realises what he is missing. But the Czechoslovak, recognising the futility and risk of open criticism, opts for the quiet life. Thus he has given little public voice to issues of increasing concern in 1983 – Soviet missiles on his soil, the Government-acknowledged threat of environmental pollution or restrictive official attitudes to youth pop culture. Almost the only open questioning of Government policy, on a range of issues, comes from Charter 77, the inextinguishable group, a thousand or so strong, of selfless patriots, disillusioned intellectuals, former leaders and a sprinkling of natural troublemakers. The Government reacted relatively moderately to their activities in 1983. No show trials. No flagrant instances of harsh physical treatment. But, *pour encourager les autres*, Charter spokesman Ladislav Lis received a 14-month prison sentence for alleged subversion and about thirty others (about ten of whom will have completed their sentences during 1984) remain in gaol for their political or religious convictions.

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12. Whilst public criticism of the régime is thus quietly and effectively muzzled it is rare to find, even amongst officials, any disobliging private references to Britain and the West; rare, too, to catch a private echo of official rhetoric about recent Socialist achievement or the development of "Socialist man"; rarer still to hear a kind private word about the Soviet Union.

### Looking Forward

13. Yet it is only with the Soviet Union's acquiescence that any decisive change will come. Since 1968 Prague has been chary of embarking on any initiative which might cause Soviet displeasure. Given clearer signals from Moscow, a determined injection of advanced technology and decisive enough economic reform to motivate the workforce, growing prosperity could be assured. Without such a grasping of the nettle it is tempting to forecast a bleak future. But Czechoslovakia confounds the doomster. Although shackled by a system which penalises initiative and administered since 1968 by an increasingly stagnant reserve team, Czechoslovakia, with its native wit and skills, will probably contrive, as it has done in 1983, to muddle through.

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15. I am sending copies of this despatch to HM Representatives at Moscow and at other East European posts and at Vienna, Bonn and NATO.

I am, Sir,  
Yours faithfully,

A B P SMART