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CENTRAL INTELLIGENCE AGENCY  
NATIONAL FOREIGN ASSESSMENT CENTER

7 April 1980

MEMORANDUM

## ROMANIA: A SITUATION REPORT

Summary

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Romania, as it has developed under the direction of state and Communist Party chief Nicolae Ceausescu, has become an anomaly among Communist countries. It combines such "orthodox" attributes as full membership in the Soviet alliance system, party domination of domestic political life and a highly centralized economy, with a freewheeling and relatively independent foreign policy and a one-man dictatorship that in its personalization and concentration of power harks back to Romania's pre-war, monarchical past. There are signs that Ceausescu's authoritarian and austere domestic policies are wearing thin with the Romanian public and that his independent-minded foreign policies are in danger of becoming hostage to Romania's mounting economic problems. Ceausescu has thus far managed to keep his programs intact despite external and internal pressures by dint of his remarkable ability to gauge both the limits of Soviet tolerance and the extent to which his people will bear privations. His political and diplomatic skills will increasingly be put to the test as Romania enters the 1980s.

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This memorandum was requested by the Department of Commerce. It was prepared by [redacted] the Office of Political Analysis. It was coordinated within the Office of Political Analysis and with the Office of Economic Research. Comments and questions are welcome and may be addressed to Chief, USSR-EE/EE Branch/OPA, [redacted]

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Foreign Policies

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Ceausescu's principal foreign policy objective is to achieve as much independence from Moscow as possible, given Romania's geopolitical realities. The basic strategies employed by Bucharest in pursuit of that goal are to resist those Soviet policies that promote dominance over Romania, while avoiding any action so antagonistic to Moscow as to provoke retaliation, and to cultivate relations with as many non-Communist countries and independent-minded Communist parties as possible to counter Soviet pressure. By taking this course, Romania has succeeded in gradually extending the limits of acceptable autonomous activity, but it has also come into conflict with Soviet policy preferences. Romanian-Soviet relations, as a result, have come under some strain, particularly during the past two years.

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Since Romania's leaders proclaimed their country's foreign policy independence in the early 1960s, one of their major preoccupations has been to ward off Soviet pressure for further integration into the Warsaw Pact and the Council for Mutual Economic Assistance (CEMA). Ceausescu has often stated that military blocs are an anachronism and has actively campaigned for the simultaneous dissolution of both NATO and the Warsaw Pact. Romania has not participated in joint Pact exercises with combat troops since 1962 and does not allow such exercises on Romanian soil. Romanian resistance to greater military integration within the Pact reached its high point in November 1978 at a meeting of the Pact's Political Consultative Committee in Moscow, where Ceausescu opposed Soviet attempts to force an increase in the defense budgets of member states and to centralize control over Pact military forces. Bucharest has subsequently assumed a more accommodating stance toward Moscow on military issues, but has not retreated significantly from the stands it took at Moscow.

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Romanian opposition to economic integration within CEMA is also long-standing. Indeed, it was the primary issue over which Romania first broke with the Soviets. Last summer, at a major CEMA conference in Moscow, Romania fought--with only limited success--Soviet attempts to give the organization supranational powers in the areas of decisionmaking and conducting negotiations with international organizations. Bucharest further distanced itself from its CEMA partners this year by concluding a major trade pact with the EC--in direct defiance of the Soviet preference for a multilateral approach toward relations with the EC.

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The Romanians have also clashed with the Soviets on a variety of international issues they consider threatening to their foreign policy autonomy, including the Vietnamese invasion of Kampuchea and the Soviet intervention in Afghanistan. Bucharest's opposition to the Vietnamese takeover in Kampuchea derives at least in part from Romania's close relations with China--the ousted Pol Pot regime's principal ally. Bucharest has opposed the Soviet move into Afghanistan because of the obvious implications this latest demonstration of Moscow's willingness to intervene in a friendly or allied regime holds for Romania. The Romanians also fear the resultant deterioration in East-West relations will be detrimental to Romania's interests. Ceausescu, who advocates a negotiated solution to the crisis, is apparently coming under pressure to fall into line with the Soviets on this issue.

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Romania is highly vulnerable to a variety of Soviet pressures, including economic pressure. The USSR supplies about a third of Romania's total consumption of iron ore and, along with Poland and Czechoslovakia, about half its coking coal. As a result of Romania's worsening energy crisis and hard currency shortage, the potential for Soviet leverage has probably grown. Moscow has agreed to sell Romania a small amount of crude oil for hard currency--approximately one million tons--in 1980 and may be dangling offers of increased future deliveries before the Romanians. We have no evidence to date, however, that Moscow has made a concerted effort to apply the economic levers at its command.

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Romania's growing dependence on foreign oil--it now imports about half its crude oil needs--may be forcing a change in Bucharest's Middle East policy. Ceausescu has traditionally pursued an "even-handed" approach toward the major disputants in the region. Through his efforts to mediate their differences he has earned a reputation as an effective behind-the-scenes arbitrator of international disputes--a role he clearly relishes. Ceausescu helped arrange the historic Sadat-Begin meeting in 1977 and is now seeking to bridge differences between Egypt and the other Arab states. There are signs, however, that Romania may be tilting slightly--at least in its rhetoric--toward the more militant forces in the region, possibly out of concern to retain access to Middle Eastern oil.

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Bucharest has actively courted Third World countries in order to gain political and economic support for its independent policies. Romania is particularly interested in playing a role in the Nonaligned Movement--with which it now has guest status--but is unlikely to increase its influence substantially as long as it is a member of the Warsaw Pact.

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Ceausescu has also sought closer relations with the West to buttress Romania's defense against Soviet domination. He clearly believes that the "special relationship" he has sought to develop with Washington is especially valuable--both politically and economically--in this effort. Economic cooperation protocols signed in March with the Occidental Petroleum Corporation illustrate the benefits Romania hopes to derive from this relationship.

#### Domestic Policies

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Ceausescu's independent and nationalistic foreign policies strike a responsive chord at home, where anti-Russian feeling runs high. Indeed, domestic political considerations have probably been a major motivating factor in many of Ceausescu's anti-Soviet actions. Ceausescu's domestic policies of rapid industrialization and authoritarian internal controls, however, have been decidedly unpopular.

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As a result of the regime's emphasis over the past decade on capital accumulation and investment, the standard of living has remained the lowest among Warsaw Pact states while the economy's growth rates are the highest. As domestic reserves of energy and other key raw materials have become depleted, however, even the rate of economic growth has begun to falter.

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In the face of mounting economic difficulties, the regime has initiated a number of belt-tightening measures. Prices have been increased over the past two years for energy and various consumer goods and an energy conservation program has been implemented that sharply limits public consumption.

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Ceausescu has sought to improve economic performance by launching a program to reform economic management. The program seeks to spur productivity by tying workers' salaries and bonuses more closely to enterprise profits and to

increase production efficiency by phasing out success indicators that reward managers for lavish material expenditures. Ceausescu is also trying to mobilize public support for his economic programs by creating an aura of mass involvement in the political process. These strategies are flawed, however, by Ceausescu's reluctance to yield essential control over economic and political decision-making.

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Public reaction to these measures so far has been restrained, but the regime is undoubtedly concerned that consumer discontent could erupt and touch off disturbances in other troubled sectors of Romanian society. Workers have shown some restiveness, essentially over bread and butter issues. A widespread slowdown by disgruntled coal miners occurred in the summer of 1977, and sporadic incidents of industrial unrest have come to light since then. Tensions between the Romanians and their large Hungarian minority have boiled over occasionally, though the Magyars seem quiet at the moment. Small dissidence movements have also emerged among Romanian intellectuals and certain religious groups in recent years, but have not posed a significant problem for the regime. The chances of general disturbances seem remote, but the regime has betrayed its nervousness by the quickness with which it has moved during the past year to squelch the smallest manifestations of dissent.

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Ceausescu's dominance of the Romanian political scene, which was reaffirmed last November at the 12th Congress of the Romanian Communist Party, has been demonstrated during the past year by the extensive personnel changes he has overseen on both the national and local levels, under the rubric of "cadre rotations." In the latest round--in late March--the most prominent winner was his wife, Elena, who was elevated to the post of First Deputy Prime Minister. A member of the party's prestigious Permanent Bureau, Mrs. Ceausescu is thought by some to be the most powerful political figure in Romania after her husband.

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Through periodic cadre rotations--which keep party and government functionaries off balance and under control--and manipulation of the bureaucratic structure, Ceausescu has amassed enormous power. He now rules the country through a small group of loyal lieutenants and appears able to bypass the regime's traditional power centers.

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Ceausescu's autocratic ruling style and the personality cult that enshrines him and his wife appear to have provoked some resentment within the bureaucracy, possibly reflected in the stinging attack leveled against him by an aged party veteran at the party congress in November. There is no evidence, however, of any organized opposition to Ceausescu or of any serious disagreement--within the apparatus--to the basic thrust of his policies.



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