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NADA/ASSESSMENT/SEPT 002/JIC/121033Z
THE FOLLOWING IS AN ASSESSMENT BY JIC .
POLAND.

1. THE SITUATION IN POLAND REMAINS EXTREMELY FLUID. THE NEW (Poland) LEADERSHIP FACES IMMENSE POLITICAL AND ECONOMIC PROBLEMS. SPORADIC STRIKES ARE STILL TAKING PLACE, SOME OF WHICH INVOLVE CLEARLY UNACCEPTABLE POLITICAL DEMANDS. THE ATMOSPHERE IS ONE OF CONTINUING UNCERTAINTY.
2. THE REMOVAL OF GIEREK WILL SOLVE FEW PROBLEMS BUT WILL PROVIDE SOME SCOPE FOR A FRESH START. WE DO NOT KNOW MUCH OF THE VIEWS OF HIS SUCCESSOR, STANISLAW KANIA, HITHERTO PARTY SECRETARY IN CHARGE OF INTERNAL SECURITY. SUCH A POST WOULD NORMALLY BE HELD BY A MAN OF ORTHODOX VIEWS WHO IS TRUSTED IN MOSCOW. HOWEVER, DURING KANIA'S TERM OF OFFICE INTERNAL SECURITY HAS BEEN RELATIVELY RELAXED AND CHURCH/STATE RELATIONS, ALSO HIS RESPONSIBILITY, HAVE IMPROVED CONSIDERABLY. KANIA APPEARS TO HAVE BEEN RESPONSIBLE FOR HANDLING THE RECENT STRIKE NEGOTIATIONS ON BEHALF OF THE POLITBURO, GAVE THE TWO RELEVANT REPORTS TO THE CENTRAL COMMITTEE, AND PRESUMABLY APPROVED OF THE FINAL SETTLEMENT. HE AND THE DEFENCE MINISTER APPARENTLY VETOED THE USE OF FORCE IN GDANSK. KANIA WAS PROBABLY CHOSEN AS PARTY LEADER BECAUSE OF HIS BROAD EXPERIENCE WITHIN THE PARTY AND HIS KNOWLEDGE OF ITS APPARATUS AND PERSONNEL, THE ROLE HE PLAYED IN THE RECENT CRISIS, AND HIS ACCEPTABILITY TO MOSCOW. BREZHNEV'S MESSAGE TO HIM WAS FULSOME, WHILE CLEARLY SPELLING OUT WHAT WAS EXPECTED FROM HIM. THE MESSAGE SENT TO GIEREK AT THE SAME TIME WILL HAVE INDICATED TO THE NEW POLISH LEADERSHIP THAT THE SOVIET UNION FAVOURS CONTINUITY AND STABILITY RATHER THAN ANY RADICAL DEPARTURES IN PARTY POLICY. THE OTHER CHANGES IN THE POLITBURO AND SECRETARIAT GIVE PROMOTION TO A NUMBER OF RELATIVELY OPEN-MINDED ECONOMIC SPECIALISTS, SOME OF WHOM WERE INVOLVED IN THE STRIKE NEGOTIATIONS.
3. THE NEW LEADERSHIP FACES THE DAUNTING TASK OF TRYING TO RESTORE THE AUTHORITY, SELF-CONFIDENCE, AND CREDIBILITY OF A WIDELY DISCREDITED PARTY. ITS ROOM FOR MANOEUVRE IS SEVERELY LIMITED BY THE PROVISIONS OF THE STRIKE SETTLEMENT WHICH IT CAN ONLY SEEK TO UNDERMINE AT RISK OF FURTHER SERIOUS TIME IS ALSO SHORT: SOME OF THE WORKERS' LEADERS HAVE THREATENED A NEW WAVE OF STRIKES IF THE AGREEMENT HAS NOT BEEN LARGELY CARRIED OUT BY THE ANNIVERSARY OF THE 1970 RIOTS IN DECEMBER.

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4. ONE OF THE MOST DIFFICULT PROBLEMS WILL BE DEALING WITH THE INDEPENDENT TRADE UNIONS. THESE ARE ALREADY BEING ESTABLISHED IN MANY PLACES, NOT ONLY FOR FACTORY WORKERS BUT FOR WHITE-COLLAR WORKERS AND PROFESSIONAL GROUPS. THE AUTHORITIES CAN OBSTRUCT OR DELAY THE OPERATIONS OF THESE UNIONS, BUT THIS CANNOT BE CARRIED FAR WITHOUT FORFEITING SUCH GOODWILL AS HAS BEEN GAINED BY THE DECISION TO PERMIT THEM. THE CURRENT TACTIC SEEMS TO BE TO TRY TO REINVIGORATE THE OFFICIAL TRADE UNIONS AND GIVE THEM NEW POWERS SO THAT THEY BECOME AN ATTRACTIVE ALTERNATIVE TO THE NEW UNIONS. THIS SEEMS LIKELY TO FAIL IN MANY CASES, THOUGH IT WILL DEPEND TO SOME EXTENT ON THE QUALITY OF LEADERSHIP AVAILABLE TO THE RIVAL UNION BODIES AT THE LOCAL LEVEL AND HOW FAR ECONOMIC GRIEVANCES CAN BE SATISFIED. DISPUTES ARE LIKELY TO ARISE OVER THE LEVEL AND NATIONAL FUNCTIONS OF THE NEW UNIONS AND THE ESTABLISHMENT OF A CENTRAL BODY FOR THEM (THE STRIKE AGREEMENTS DO NOT ALLOW FOR SUCH A BODY.) CONFLICT OVER THE ROLE OF POLITICAL DISSIDENTS ALSO SEEMS INEVITABLE. THE SOCIAL SELF-DEFENCE COMMITTEE (KOR) ACTIVISTS WHO HELPED THE STRIKERS HAVE BEEN BRANDED IN THE POLISH AND SOVIET PRESS AS "ANTI-SOCIALIST ELEMENTS". CHARGES AGAINST THOSE ARRESTED DURING THE STRIKE BUT LATER RELEASED AT THE INSISTENCE OF THE STRIKERS HAVE NOT BEEN DROPPED, AND AT LEAST ONE HAS BEEN WARNED TO HAVE NOTHING TO DO WITH THE NEW UNIONS. THE GDANSK LEADER, WALESZA, HAS HOWEVER TAKEN ON AS AN ADVISER THE KOR LEADER KURON, WHO HAS MADE NO SECRET OF THE FACT THAT HE FAVOURS FURTHER POLITICAL CHANGE IN POLAND AND THE REST OF EASTERN EUROPE. THE AUTHORITIES ARE BOUND TO SEE THIS AS AN OPEN CHALLENGE, BUT PRECIPITATE ACTION AGAINST THE DISSIDENTS COULD PROVOKE A STRONG REACTION.

5. CURRENT INDICATIONS ARE THAT, IN AN ATTEMPT TO RESTORE PUBLIC CONFIDENCE, THE NEW LEADERSHIP WILL TRY TO ESTABLISH AT LEAST A MEASURE OF CONSULTATION AND A SEMBLANCE OF OPEN GOVERNMENT.

KANIA'S RECENT VISITS TO A NUMBER OF PROVINCES ARE AN INDICATION OF THIS. THERE IS TALK OF GREATER DEMOCRACY IN THE PARTY, GREATER POWERS FOR PARLIAMENT, AND MORE INFORMATION AND DISCUSSION (PROVIDED THEY DO NOT PUT INTO QUESTION THE COUNTRY'S BASIC POLITICAL STRUCTURE). THE LEADERSHIP MAY HOPE THAT A BETTER INFORMED PUBLIC WILL BE MORE WILLING TO TOLERATE THE ECONOMIC STRINGENCIES THAT ARE INEVITABLE OVER THE NEXT FEW YEARS AND MORE WILLING TO CO-OPERATE IN CHANGES INTENDED TO BRING LONG-TERM IMPROVEMENTS.

AT THE SAME TIME THE LEADERSHIP CLEARLY SEES THAT THERE MUST BE STRICT LIMITS TO THIS PROCESS OF LIBERALISATION. THE PROPOSED RELAXATION IN CENSORSHIP, FOR INSTANCE, IS HEDGED ABOUT WITH EXCEPTIONS DESIGNED TO PREVENT ANY QUESTIONING OF THE COUNTRY'S BASIC POLITICAL STRUCTURE. ANY LOOSENING OF RESTRAINT AND ANY INCREASED CONSULTATION ARE, HOWEVER, LIKELY TO LEAD TO DEMANDS FOR MORE; AND ANY FAR-REACHING LIBERALISATION COULD BE DIFFICULT TO STOP. IN THIS CASE THE POLISH SITUATION, WHICH HAD ITS ORIGINS IN A WORKERS

REVOLT ENTIRELY DIFFERENT FROM THE IDEOLOGICAL PROTEST AND GROWING INFLUENCE OF LIBERAL IDEAS WITHIN THE CZECHOSLOVAK PARTY WHICH GAVE RISE TO THE PRAGUE SPRING OF 1968, COULD BEGIN TO ACQUIRE SOME OF THE FEATURES WHICH LED TO DRIFT AND A LOSS OF CONTROL BY THE PARTY THERE. THE NEW POLISH LEADERSHIP IS AWARE OF THIS, BUT MAY BE PUSHED IN THE DIRECTION OF LIBERALISATION BY THE EQUAL DANGER OF A BREAKDOWN IN PUBLIC ORDER CAUSED BY A FAILURE TO FULFIL HARD-WON CONCESSIONS.

ECONOMIC IMPLICATIONS.

OVERALL DEFICIT WAS STILL VERY HIGH DUE TO DEBT SERVICING PAYMENTS).

THIS IMPROVEMENT WAS ACHIEVED PARTLY BY THE DIVERSION OF GOODS FROM THE DOMESTIC TO EXPORT MARKETS, A TREND WHICH WILL NOW HAVE TO BE REVERSED IN ORDER TO MEET THE PROMISES OF IMPROVED MARKET SUPPLIES CONTAINED IN THE STRIKE AGREEMENTS. THE FINANCE MINISTER HAS ESTIMATED THAT THE TWO-WEEK SHOWDOWN AT THE PORTS COST POLAND ABOUT DOLLARS 500 MILLION IN LOST TRADE, MOST OF WHICH PROBABLY RELATES TO HARD CURRENCY GOODS. THERE IS LITTLE SCOPE FOR FURTHER CUTS IN HARD CURRENCY IMPORTS, 91 PER CENT OF WHICH NOW CONSIST OF BASIC CONSUMER SUPPLIES AND THE INDUSTRIAL MATERIALS ESSENTIAL TO PRODUCTION.

7. BEFORE THE STRIKES POLAND'S HARD CURRENCY BORROWING REQUIREMENT

WAS SAID TO BE DOLLARS 7.8 BILLION, OF WHICH DOLLARS 7.2 BILLION HAS BEEN OBTAINED OR PROMISED. THE SHORTFALL FOR 1980 MUST NOW BE AT LEAST DOLLARS 1 BILLION. THERE ARE NO SIGNS THAT WESTERN COMMERCIAL LENDERS ARE PREPARED TO MEET THIS REQUIREMENT. THE POLES MUST HOPE THAT THE SOVIET UNION WILL MAKE UP AT LEAST SOME OF THE DEFICIT. THE FINANCE MINISTER HAS SAID THAT THE SOVIET UNION GAVE POLAND HARD CURRENCY CREDITS TO THE VALUE OF DOLLARS 550 MILLION BETWEEN MAY AND AUGUST.

HOW MUCH FURTHER ASSISTANCE THE RUSSIANS ARE PREPARED TO OFFER IS NOT YET CLEAR, THOUGH THEY PRESUMABLY STILL HAVE A STRONG INTEREST IN HELPING POLAND TO AVOID DEFAULT, IN MAKING IT POSSIBLE FOR THE POLES TO REFUSE ANY WESTERN ASSISTANCE WHICH MIGHT HAVE POLITICAL STRINGS ATTACHED, AND IN PREVENTING A FURTHER DETERIORATION IN THE POLISH ECONOMY WHICH WOULD AGGRAVATE WORKER UNREST. THE SOVIET UNION IS CURRENTLY IN A STRONG HARD CURRENCY POSITION AND WOULD HAVE NO DIFFICULTY IN PROVIDING ASSISTANCE, THOUGH THIS WOULD BE CERTAIN TO HAVE STRINGS ATTACHED. THE RUSSIANS AND OTHER EAST EUROPEANS ARE ALSO SAID BY THE POLES TO BE INCREASING OR SPEEDING UP DELIVERIES OF CONSUMER GOODS TO HELP THEM WITH THEIR IMMEDIATE MARKET SUPPLY PROBLEMS.

8. THE ECONOMIC CONCESSIONS TO THE STRIKERS UNDERMINE THE VERY BASIS OF THE GIEREK TEAM'S AUSTERITY PLAN FOR THE RECOVERY OF THE POLISH ECONOMY. THE NEW POLISH PREMIER HAS STRESSED THAT THE MEASURES SHOULD BE PAID FOR THROUGH INCREASED PRODUCTIVITY, BUT IN FACT WAGE AND PENSION RISES, REDUCTIONS IN WORKING HOURS, SLOWER PRICE RISES, IMPROVED MEAT SUPPLIES AND BETTER SOCIAL SERVICES WILL, IF IMPLEMENTED, MEAN A SUBSTANTIAL DIVERSION OF RESOURCES TO CONSUMPTION COUPLED WITH HIGHER INFLATION. MANY OF THE PROMISES ARE ALREADY BEING IMPLEMENTED - TO DO OTHERWISE WOULD RISK AN IMMEDIATE RESUMPTION OF STRIKES - BUT THE LEADERSHIP MAY TRY TO PERSUADE THE WORKERS THAT OTHER MEASURES MUST BE DEFERRED. THE SOVIET ATTITUDE.

9. THE SOVIET UNION HAS MADE CLEAR ITS DISLIKE OF THE CONCESSIONS THE POLISH LEADERSHIP HAVE MADE. FOR THE MOMENT IT IS PROBABLY PREPARED TO GIVE THE NEW LEADERSHIP A CHANCE TO DEAL WITH THE CONSEQUENCES AS BEST THEY MAY. IN TALKING OF "ANTI-SOCIALIST" ELEMENTS WITH "COUNTER-REVOLUTIONARY AIMS" AND LINKS WITH "WESTERN SUBVERSIVE ORGANISATIONS" THE RUSSIANS HAVE BEEN PUTTING PRESSURE ON THE POLISH LEADERSHIP AND LAYING THE PROPAGANDA GROUNDWORK FOR FUTURE INTERVENTION IF THIS SHOULD BE NECESSARY. SO FAR THEY HAVE NOT SUGGESTED THAT SUCH "ELEMENTS" ENJOY WIDESPREAD SUPPORT IN POLAND, EVEN AMONG THE STRIKE COMMITTEES, OR THAT THE "INTERESTS OF SOCIALISM" (I.E. THE SUPREMACY OF THE PARTY) ARE SO FAR SERIOUSLY THREATENED. THE RUSSIANS ARE LIKELY TO BE WATCHING TWO KEY AREAS: WHETHER THE NEW TRADE UNIONS SHOW SIGNS OF DEVELOPING A POLITICAL ROLE AND HOW THEY USE THE POWERS THEY HAVE, AND HOW FAR THE RELAXATION OF CENSORSHIP IS ALLOWED TO GO. ALTHOUGH ACCUSATIONS OF FOREIGN INVOLVEMENT PROBABLY REFLECT NO MORE THAN PROPAGANDA AT PRESENT, THE RUSSIANS COULD BEGIN TO BELIEVE IN THEM IN TIME. THEIR NORMAL SUSPICIOUSNESS IS LIKELY TO BE STRENGTHENED BY REPORTS THAT INDEPENDENT TRADE UNIONS ARE RECEIVING FUNDS FROM ABROAD AND THAT POLISH DISSIDENTS AND THE WESTERN MEDIA ARE TALKING OF THE PROSPECTS FOR FURTHER LIBERALISATION, BY THE POPE'S REMARKS ABOUT THE POLISH RIGHT TO SOVEREIGNTY, AND BY SUGGESTIONS IN THE WESTERN PRESS THAT ANY FINANCIAL ASSISTANCE SHOULD BE LINKED WITH POLITICAL OR ECONOMIC CHANGES IN POLAND.

10. THE RUSSIANS WOULD PROBABLY ONLY DECIDE TO INTERVENE MILITARILY IF THE POLISH LEADERSHIP HAD LOST PHYSICAL CONTROL OF THE COUNTRY, PERHAPS THROUGH WIDESPREAD RIOTING OR PARALYSIS CAUSED BY A GENERAL STRIKE; HAD LOST POLITICAL CONTROL; OR HAD GONE SO FAR IN A PROCESS OF LIBERALISATION THAT THE SURVIVAL OF A COMMUNIST REGIME ACCEPTABLE TO THE SOVIET UNION SEEMED TO BE THREATENED. IT IS HARD TO JUDGE, HOWEVER, WHERE THE THRESHOLD OF SOVIET TOLERANCE LIES. POLAND IS ALREADY IN MANY WAYS A HIGHLY UNORTHODOX COMMUNIST STATE, WITH ITS INFLUENTIAL CHURCH, LARGELY PRIVATE AGRICULTURE, FLOURISHING UNDERGROUND PRESS AND PROLIFERATION OF DISSIDENT ORGANISATIONS. OTHER EAST EUROPEAN COUNTRIES ALSO DEVIATE FROM THE SOVIET NORM IN A VARIETY OF WAYS. POLAND'S INDEPENDENT TRADE UNIONS, THOUGH THEORETICALLY ANATHEMA, WILL PROBABLY BE TOLERATED IN PRACTICE PROVIDED THEY DO NOT CHALLENGE THE PARTY'S RULE. IF THE RUSSIANS DO COME TO BELIEVE THAT THINGS ARE IN DANGER OF GETTING OUT OF CONTROL THEY ARE LIKELY TO MAKE THEIR VIEWS QUITE CLEAR TO THE POLES. THE DANGER IS THAT BY THEN THE POLISH LEADERSHIP MAY LACK EITHER THE WILL OR THE ABILITY TO CALL A HALT. MILITARY INTERVENTION WOULD THEN BECOME INEVITABLE, DESPITE THE IMMENSE POLITICAL, MILITARY AND ECONOMIC COST OF AN INVASION AND OF THE ENSUING OCCUPATION. THE POLES WOULD PROBABLY PUT UP FIERCE SPONTANEOUS RESISTANCE, AND THE RUSSIANS MIGHT NOT BE ABLE TO RELY ON THE SUPPORT OF THE POLISH ARMED FORCES. EAST EUROPEAN REACTIONS.

- 5 -

11. OFFICIAL REPORTING OF THE POLISH EVENTS IN OTHER EAST EUROPEAN COUNTRIES HAS BEEN LOW KEY, WITH THE POLITICAL DIMENSION LARGELY OBSCURED. MOST COUNTRIES HAVE REPEATED SOVIET CLAIMS ABOUT "ANTI-SOCIALIST ELEMENTS" AND WESTERN INTERFERENCE AND THE EAST GERMANS HAVE GONE FURTHER WITH AN ALMOST HYSTERICAL ATTACK ON WESTERN ATTEMPTS TO "ORGANISE A COUNTER-REVOLUTION AGAINST SOCIALISM". ROMANIA HAS GONE OUT OF ITS WAY TO POINT OUT THAT THE POLISH LEADERSHIP SHOULD BE ALLOWED TO SORT OUT ITS PROBLEMS WITHOUT OUTSIDE INTERFERENCE. THE PEOPLE OF THE EAST EUROPEAN COUNTRIES ARE WELL INFORMED ABOUT THE SITUATION IN POLAND FROM WESTERN BROADCASTS. THEY ARE LIKELY TO HAVE BEEN MOST STRUCK BY THE IDEA OF GOVERNMENT OFFICIALS NEGOTIATING WITH STRIKE LEADERS, AS BY THE ESTABLISHMENT OF INDEPENDENT TRADE UNIONS. IF THE LATTER PROVE TO BE ABLE TO PLAY A USEFUL AND GENUINELY INDEPENDENT ROLE IN POLAND, PRESSURE FOR SOMETHING SIMILAR COULD MOUNT IN THE LONG RUN IN NEIGHBOURING COUNTRIES. IN THE SHORT RUN THE RISK OF INFECTIONS IS PROBABLY LESS. POLAND'S COMBINATION OF WIDESPREAD POPULAR DISCONTENT, INDEPENDENTLY-MINDED WORKFORCE AND RELATIVELY SLACK INTERNAL SECURITY IS UNIQUE IN EASTERN EUROPE. INTERNAL SECURITY IS MUCH TIGHTER IN ALL THE OTHER COUNTRIES WITH THE EXCEPTION OF HUNGARY, WHICH RELIES INSTEAD ON A MUCH GREATER DEGREE OF CONSULTATION AND INFORMATION. IN HUNGARY AND THE G.D.R. THE PEOPLE ARE RELATIVELY WELL SUPPLIED WITH MATERIAL GOODS, THOUGH CONSUMER EXPECTATIONS ARE ALSO HIGHER. ALL THE EAST EUROPEAN REGIMES ARE NEVERTHELESS LIKELY TO TAKE MEASURES TO DIMINISH THE RISK OF INFECTION. THESE MAY INCLUDE BETTER SUPPLIES (OR PROMISES) OF FOOD AND CONSUMER GOODS, SOME SINGERING UP OF THE OFFICIAL TRADE UNIONS, A TIGHTENING UP OF INTERNAL SECURITY, AND AN ATTEMPT AT BETTER PUBLIC RELATIONS. THE EAST EUROPEAN LEADERS ARE ALSO LIKELY TO BE CONCERNED AT THE POSSIBILITY OF A GREATER DEGREE OF SUPERVISION FROM MOSCOW, PRESSURE TO REDUCE ECONOMIC LINKS WITH THE WEST (WHICH THE RUSSIANS MAY BLAME FOR MANY OF POLAND'S ECONOMIC PROBLEMS) AND THE OVERALL THREAT TO DETENTE.

CONCLUSIONS.

12. POLAND'S TROUBLES HAVE THEIR ROOTS IN WIDESPREAD GRIEVANCES OVER LIVING STANDARDS. THE STRIKES AND THE ENSUING SETTLEMENT HAVE AGGRAVATED THE UNDERLYING ECONOMIC PROBLEMS AND MADE THEIR RESOLUTION VIRTUALLY IMPOSSIBLE WITHOUT EXTERNAL ASSISTANCE. THE CONCESSIONS ON INCOMES AND LIVING CONDITIONS WILL BE EXPENSIVE TO CARRY OUT AND THOSE ON MARKET SUPPLIES BOTH COSTLY AND DIFFICULT TO IMPLEMENT. A NEW ECONOMIC STRATEGY WILL HAVE TO BE DEVISED. EVEN SO, POLAND WILL NEED INCREASED HARD CURRENCY SUPPORT FOR SOME YEARS: IT IS BOUND TO TURN TO THE SOVIET UNION AND/OR WESTERN GOVERNMENTS FOR HELP. THE NEW LEADERSHIP MUST AT THE SAME TIME TRY TO RESTORE THE MORALE OF THE PARTY (WHILE AT THE SAME TIME REMOVING SOME OF ITS MORE OBVIOUS PRIVILEGES) AND ITS CREDIBILITY NATIONWIDE: CONVINCE THE WORKERS THAT THE CONCESSIONS MADE ARE REAL BUT THAT NO MORE CAN BE GRANTED: RETAIN CONTROL IN THE FACE OF A SCEPTICAL AND MILITANT WORKFORCE: AND AVOID PROVOKING SOVIET INTERVENTION. IT WILL BE A PERILOUS BALANCING-ACT AND THE OUTCOME IS FAR FROM CERTAIN.

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- 5 -