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POLAND

TWO FEATURES IN PARTICULAR HAVE BEEN SIGNIFICANT IN THE
SITUATION IN POLAND DURING THE STRIKES. ONE IS THE STRENGTH
AND FIRMNESS THE WORKERS DISPLAYED DURING THE NEGOTIATIONS
WITH THE AUTHORITIES AND THE OTHER THE COMPLIANCE OF THE REGIME
WHICH BROUGHT ABOUT A POLITICAL SITUATION THAT LED TO COMPREHEN-
SIVE CHANGES WITHIN THE POLISH LEADERSHIP AT THE MEETING OF THE
CENTRAL COMMITTEE ON 24 AUGUST AND LATER TO THE REMOVAL OF
EDWARD GIEREK AND HIS REPLACEMENT WITH STANISLAW KANIA AS
PARTY LEADER ON 5 SEPTEMBER.

AN IRRELATIONSHIP BETWEEN THE STRIKERS AND CENTRAL COMMITTEE
AND DISSIDENT GROUPS AND THE LATTERS INFLUENCE ON THE WORKERS
POLITICAL DEMANDS SEEMS OBVIOUS ALTHOUGH IT IS STILL UNCLER
HOW WIDESPREAD GEOGRAPHICALLY THIS HAS BEEN THE CASE. BUT TEM-
PORARY ARRESTS OF DISSIDENTS AND NOT LEAST THE CONTINUING WAR-
NINGS IN BOTH POLISH AND SOVIET NEWS MEDIA AGAINST ANTISOCIA-
LIST ELEMENTS INDICATE THAT THERE MAY EXIST A CLOSER COOPERA-
TION BETWEEN WORKERS AND DISSIDENTS THAT HITHERTO ASSUMED.
IF SO, IT WILL BE THE FIRST TIME IN POLAND THAT WORKERS AND IN-
TELLECTUALS HAVE ACTUALLY JOINED FORCES IN A CLOSER COOPERATION.
SUCH A COOPERATION HAS LONG BEEN CONSIDERED THE MOST SERIOUS CHAL-
LENGE THE POLISH LEADERSHIP MIGHT BE FACED WITH. THAT SPOKESMEN
FOR THE DISSIDENTS HAVE STRESSED THE NEED FOR A MODERATE ATTITUDE
IN THE SITUATION MAY BE A REALISTIC RECOGNITION OF THE INHERENT
DANGER OF A SOVIET INTERVENTION IN POLISH AFFAIRS IF MATTERS
DEVELOP TOO FAR.

SIMILARLY, THE COMPOSITION OF THE NEW POLISH LEADERSHIP PRESENT
NO CLEAR CUT PICTURE. NEITHER IS THE SOVIET HAND IN THE PERSONAL
CHANGES CLEAR. BUT CONSIDERATIONS FOR THE ECONOMIC DEVELOPMENT
HAVE OBVIOUSLY BEEN DICTATING THE APPOINTMENT OF THOSE INDIVI-
DUALS WHO FAVOR A NEW AND MORE LIBERAL ECONOMIC POLICY THAT AMONGST
OTHER THINGS SHALL ATTEMPT TO MEET SEVERAL OF THE WORKERS DE-
MANDS. OTHER PERSONAL CHANGES HAVE HAD A BEARING UPON THE SO-
LUTION OF THE CONCESSIONS OF POLITICAL NATURE I.E. THE REMOVAL OF
THE HEAD OF THE TRADE UNIONS.

ON THE OTHER HAND, STANISLAW KANIA'S PASTAS PARTY SECRETARY
FOR INTERNAL SECURITY MATTERS MAY INDICATE PREDOMINANT CONSIDERA-
TIONS FOR THE MAINTENANCE OF THE LEADING ROLE OF THE PARTY IN
POLAND AND THEREBY ALSO FOR SOVIET EXPECTATIONS AND DEMANDS.
ONE OF THE MOST IMPORTANT TASKS OF THE NEW LEADERSHIP IN THE
NEXT MONTHS WILL BE THE INTRODUCTION AND THE IMPLEMENTATION OF A
SERIES OF LAWS IN ACCORDANCE WITH THE AGREEMENTS REACHED WITH
THE VARIOUS STRIKERS, COMMITTEES. IN THIS RESPECT, THE REGIME
WILL TO HONOUR ITS OBLIGATIONS TOWARDS THE WORKERS, WILL BE DECISE,

BUT SO WILL BE THE REGIMERS POSSIBILITY TO STRIKE A BALANCE BETWEEN THE FULFILMENT OF THE WORKERS DEMANDS AND THE PRESERVATION OF THE LEADING ROLE OF THE PARTY. ANOTHER DECISIVE FEATURE WILL BE THE REGIMERS ABILITY TO HONOUR ITS ECONOMIC PROMISES TO THE WORKERS IN VIEW OF THE STRAINED SITUATION OF THE POLISH ECONOMY. THE ECONOMIC EFFECTS OF THE STRIKES.

RIGHT FROM THE OUTSET OF THE STRIKE WAVE THE GOVERNMENT YIELDED TO DEMANDS FOR WAGE INCREASES. ALTHOUGH THE HIGHER MEAT PRICES HAVE BEEN MAINTAINED, THE NET EFFECT HAS NOT BEEN A REDUCTION IN PURCHASING POWER. ON THE CONTRARY, WAGE INCREASES FAR SURPASS PRICE INCREASES. A TOTAL INCREASE OF 12-15 PERCENT IN WAGES THIS YEAR IS ASSUMED.

PRIME MINISTER PINKOWSKI'S SPEECH TO THE POLISH PARLIAMENT ON 5 SEPTEMBER SHOWS THAT THE GOVERNMENT WILL SEEK TO MEET THE MAJORITY OF THE ECONOMIC AND SOCIAL DEMANDS OF THE WORKERS ALONG THE BALTIC COAST AND IN OTHER PLACES. THIS MEANS IN REALITY THAT THE GOVERNMENT IN THE SHORT TERM HAS LIMITED ITS OWN FREEDOM OF ACTION IN THE ECONOMIC POLICY.

A PROMISE HAS BEEN MADE THAT THE MEAT PRICES WILL NOT RISE UNTIL THE AUTUMN OF 1981, AND A NEW METHOD OF PRICE ANALYSIS AND PRICE CONTROL WILL BE INTRODUCED IN COOPERATION WITH THE NEW INDEPENDENT LABOR UNIONS LEADING TO SORT OF A SEMI-AUTOMATIC INDEXING REGULATION OF WAGES AND SOCIAL GRANTS. THIS MEANS THAT WAGE INCREASES CANNOT BE NEUTRALISED BY PRICE RISES FOR THE TIME BEING.

IN CONSEQUENCE, A STRONG INCREASE IN REAL INCOME MUST BE EXPECTED THIS YEAR AND IN 1981. ACCORDING TO PRIME MINISTER PINKOWSKI, MARKET SUPPLIES WILL ONLY GROW BY AN ADDITIONAL 2 1/2 PERCENT ON A YEARLY BASIS. INDEED, A PROMISE OF AN INCREASE IN MEAT IMPORTS AND CURTAILMENT OF MEAT EXPORTS HAS BEEN ISSUED BUT THE REAL PURPOSE MIGHT BE TO COMPENSATE FOR A DROP IN MEAT PRODUCTION IN ORDER THAT MEAT SUPPLIES WILL NOT FALL BELOW THE LEVEL OF 1979. TO THIS EFFECT A COUPON SCHEME FOR MEAT MIGHT BE CONSIDERED. SUCH A SCHEME WAS ALSO AMONGST THE GDANSK WORKERS DEMANDS.

ACCORDING TO OFFICIAL STATEMENTS INDUSTRIAL PRODUCTION FELL BY 8-11 PERCENT IN AUGUST CORRESPONDING TO NEARLY 1 PERCENT ON A YEARLY BASIS. A LOSS IN PRODUCTION OF THIS MAGNITUDE MIGHT WHOLLY OR IN PART BE COMPENSATED THROUGH WORKING OVERTIME IN THE INDUSTRY.

THE NEGATIVE EFFECT ON THE FOREIGN TRADE BALANCE IS ESTIMATED BY THE POLISH MINISTER OF FINANCE AT 1/2 BILLION DOLLARS.

IN ADDITION TO THE STRIKES, EXTENSIVE FLOODS HAVE CAUSED DAMAGES TO POLISH AGRICULTURE MAKING IT DOUBTFUL WHETHER THE ALREADY REDUCED PRODUCTION TARGETS WILL BE FULFILLED. ECONOMIC PERSPECTIVES.

FOR THE NEXT FIVE YEAR PLAN PERIOD A YEARLY GROWTH OF APPROXIMATELY 4 PERCENT IN INDUSTRY, SLIGHTLY OVER 2 PERCENT IN AGRICULTURE AND APPROXIMATELY 3 PERCENT IN TOTAL PRODUCTION IS EXPECTED. THESE FIGURES ARE ESTIMATED TO BE WITHIN REACH, BUT INSUFFICIENT SUPPLIES OF RAW MATERIALS MAY PRESENT A SERIOUS OBSTACLE, IN PARTICULAR WITHIN THE INDUSTRY. OIL IMPORTS FROM THE SOVIET UNION WILL REMAIN ON THE 1980-LEVEL AND IMPORTS FROM THE WEST OF IMPORTANT RAW MATERIALS, SEMI-MANUFACTURED PRODUCTS AND SPARE PARTS ARE LIMITED BY POLAND'S SEVERE FOREIGN EXCHANGE SITUATION. SERVICING POLAND'S TOTAL DEBTS OF 20 BILLION DOLLARS COSTS 7 BILLION DOLLARS A YEAR OR APPROXIMATELY 85 PERCENT OF EXPECTED EARNINGS IN HARD CURRENCY. THIS YEAR, POLAND NEEDS AT LEAST 1 BILLION DOLLARS OF UNITED CREDITS AND THE PROSPECT THAT THESE

CREDITS MIGHT NOT BE OBTAINED MAY EXPLAIN THE POLISH DECISION IN JUNE TO LIMIT IMPORTS FROM THE WEST BY 1 BILLION DOLLARS AND THE CONSEQUENT DOWN ADJUSTMENT BY 1 PERCENT OF THE TARGET FOR INDUSTRIAL PRODUCTION.

IN SPITE OF THE STRIKES, POLAND HAS BEEN ABLE TO OBTAIN PROMISES OF CREDITS AMOUNTING TO 1 BILLION DOLLARS FROM WESTERN BANKS AND THE GOVERNMENT OF FRG. FURTHERMORE, THE SOVIET UNION HAS EXTENDED A CREDIT OF AT LEAST 550 MILLION DOLLARS FOR IMPORTS OF RAW MATERIALS FROM THE WEST. FINALLY, ADDITIONAL SPECIAL CREDITS FOR POLAND ARE BEING CONTEMPLATED BY SEVERAL WESTERN COUNTRIES. BUT EVEN THESE CREDITS TAKEN INTO ACCOUNT, THE POLISH ECONOMY WILL REMAIN UNDER STRAIN IN THE COMING FIVE YEAR PLAN PERIOD. IN ORDER TO ATTAIN MERELY A MODEST REDUCTION IN FOREIGN DEBTS, POLISH EXPORTS TO THE WEST MUST INCREASE BY ABOUT 70 PERCENT UP TO 1985 WHILE IMPORTS MUST GROW BY ONLY 20 PERCENT. CORRESPONDINGLY, ACTUAL EXPORTS TO THE SOVIET UNION MUST GROW CONSIDERABLY IN ORDER TO COMPENSATE FOR THE EXPECTED PRICE INCREASES FOR SOVIET OIL. ON THIS BACKGROUND, IT IS ESTIMATED THAT APPROXIMATELY HALF OF THE YEARLY 3 PERCENT PRODUCTION INCREASE WILL BE NEEDED JUST TO MAINTAIN STATUS QUO AS REGARDS THE FOREIGN DEBTS. IT IS HIGHLY DOUBTFUL WHETHER A PLANNED YEARLY INCREASE OF 2 AND A HALF PERCENT IN CONSUMPTION DURING THE NEXT FIVE YEARS CAN BE MAINTAINED. CONSEQUENTLY THE NEW POLISH LEADERSHIP MAY SEEK TO MAKE THE EFFECTS OF THE CONCESSIONS GIVEN TO THE WORKERS RATHER SHORT TERMED AS FAR AS LIVING STANDARDS ARE CONCERNED.

ONE POSSIBILITY, NEGLECTED DURING THE GIEREK ERA, IS TO INTRODUCE ECONOMIC REFORMS. ADMITTEDLY, SINCE JANUARY A PROJECT HAS BEEN RUNNING AT 15 LARGE EXPORT ENTERPRISES, GIVING THEM WIDER AUTHORITY TO SPEND FOREIGN CURRENCY, TO INVEST AND TO IMPORT RAW MATERIALS AT THEIR OWN DISCRETION AS WELL AS GREATER FREEDOM IN THE FIELDS OF WAGES AND EMPLOYMENT. SIMILARLY, A GOVERNMENT WORKING GROUP IS PREPARING NEW STEERING MECHANISMS IN THE FINANCIAL FIELD. WITHIN THE WHOLE SOCIALISED INDUSTRY NEW AND SIMPLIFIED RULES FOR TAXATION, WAGE POLICY, BONUS PAYMENT ETC. ARE GOING TO BE WORKED OUT WITH EACH PLANT'S PROFIT APPARENTLY BECOMING THE MAIN CRITERIA FOR ITS FREEDOM OF ACTION. THESE NEW FEATURES SHOULD ACCORDING TO THE PLANS HAVE BEEN INTRODUCED GRADUALLY UP TO 1 JANUARY 1983, BUT WILL NOW BE ACCELERATED. IF SUCH REFORMS IN THE FINANCIAL FIELD ARE GOING TO MEET WITH SUCCESS, HOWEVER, THEY MUST BE ACCOMPANIED BY DECENTRALIZATION ON THE PLANNING SIDE. THE PERSONS PROMOTED IN AUGUST (DEPUTY PREMIERS KISIEL AND GRABSKI AND MINISTER OF FINANCE KRZAK) HAVE INDEED BEEN INVOLVED IN THESE REFORM PROJECTS. THIS INDICATES THAT REFORMS WILL RECEIVE A MUCH HIGHER PRIORITY WITH THE NEW LEADERSHIP. ONE FURTHER ARGUMENT IN FAVOR OF DECENTRALIZATION OF THE ECONOMIC DECISION PROCESS IS THAT IT MIGHT BE CONSIDERED A NECESSITY ALONG WITH THE DEMOCRATIZATION OF THE LABOR UNIONS.

IN CONCLUSION IT MAY BE SAID THAT ALTHOUGH POLAND POSSESSES THE POTENTIAL FOR OVERCOMING THE EFFECTS OF THE PRESENT CRISIS THROUGH INCREASED PRODUCTION, THE PROSPECTS FOR MARKED IMPROVEMENTS OF THE LIVING STANDARD IN THE NEXT YEARS ARE NEGLIGIBLE. BOTH SKILL AND LUCK WILL BE NEEDED TO ATTAIN A SITUATION WHERE POLAND IS NO LONGER DEPENDENT ON FOREIGN LOAN GIVERS. IN THIS RESPECT, THE PRESENT SITUATION VARIES FROM WHAT WAS THE CASE IN 1970 AND 1976 WHERE THE WORKERS WERE PUT AT EASE SOLELY BY FULFILLING THEIR ECONOMIC DEMANDS.

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