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NADA /ASSESSMENT /MAR 008/JIC /201645Z

THE FOLLOWING IS AN ASSESSMENT BY JIC .  
POLAND .

1. RELATIVE INDUSTRIAL PEACE HAS RETURNED TO POLAND AT THE PRICE OF FURTHER CONCESSIONS BY THE AUTHORITIES . INDUSTRIAL PRODUCTION HAS IMPROVED SLIGHTLY BUT FOOD SUPPLIES ARE DETERIORATING AND THERE HAVE BEEN DELAYS IN THE DRAWING UP OF ECONOMIC PROGRAMMES . SOYUZ -81 IS UNDER WAY AND IS PROVING TO BE A NORMAL EXERCISE IN THE SERIES . INTERNAL SITUATION .
2. AT A MEETING ON 12 MARCH OF THE COMMISSION CHARGED WITH PREPARING THE FORTHCOMING EXTRAORDINARY PARTY CONGRESS THERE WERE SIGNS OF INFIGHTING IN THE DISCUSSION ON THE LATEST DRAFT OF THE PROGRAMME FOR THE CONGRESS . THE COMMISSION CHAIRMAN , OLSZOWSKI , TOOK A HARD LINE , WARNING AGAINST TURNING THE PARTY INTO A MERE DISCUSSION CLUB AND AGAINST THE PURSUIT OF SUPERFICIAL REFORMIST INNOVATION . IN HIS CLOSING SPEECH KANIA RECOMMENDED THAT THE PROGRAMME SHOULD BE SUBMITTED TO MAJOR PARTY ORGANISATIONS FOR DISCUSSION , PERHAPS IN THE HOPE THAT THIS WOULD HELP TO ENSURE A MODERATE LINE AS WELL AS TO DELAY THE HOLDING OF THE CONGRESS .
3. THE THREATENED STRIKES IN RADOM IN SUPPORT OF 20 DEMANDS INCLUDING DISMISSALS OF AND LEGAL ACTION AGAINST LOCAL OFFICIALS AND POLICE INVOLVED IN THE 1976 RIOTS WERE CALLED OFF FOLLOWING THE RESIGNATION OF THREE KEY OFFICIALS , THE OFFER OF NEGOTIATIONS WITH THE GOVERNMENT AND AN APPEAL BY WALESA TO THE STRIKERS TO AVOID HARMING THE UNION AND ALLOW THE GOVERNMENT TO GET ON WITH ITS WORK . OTHER POTENTIAL TROUBLE -SPOTS INCLUDE BYDGOSZCZ , WHERE FARMERS ARE REPORTED TO HAVE BEGUN A SIT -IN TO BACK UP VARIOUS DEMANDS RELATED TO AGRICULTURE , INCLUDING REGISTRATION OF THE PRIVATE FARMERS UNION . (DEPUTY PREMIER RAKOWSKI HAS HINTED FOR THE FIRST TIME THAT THE AUTHORITIES MIGHT MODIFY THEIR NEGATIVE STAND ON THIS ISSUE .) TIMBER WORKERS ARE ALSO THREATENING STRIKES FROM 23 MARCH IN PROTEST AT NON -FULFILMENT OF AN AGREEMENT WITH THEIR MINISTRY . ACTION AGAINST DISSIDENTS CONTINUED WITH THE BRIEF DETENTION OF MICHNIK OF KOR . THE FAILURE OF THE KOR LEADER KURON TO REPORT TO THE POLICE AS INSTRUCTED POSES A DILEMMA FOR THE REGIMES , WHICH CAN SCARCELY TOLERATE PERSISTENT FLOUTING OF ITS AUTHORITY BUT DOES NOT WANT A NEW CONFRONTATION WITH SOLIDARNOSC .

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N A T O S E C R E T

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of three pages.

## ECONOMIC PROBLEMS .

4. THE REGIME IS HAVING CONSIDERABLE DIFFICULTY IN DRAWING UP PLANS FOR POLAND'S ECONOMIC RECOVERY . A REVISED DRAFT OF THE GUIDELINES FOR ECONOMIC REFORM IS NOT NOW EXPECTED BEFORE MID -APRIL . THE FIRST VERSION OF THE REPORT ON THE STATE OF THE ECONOMY HAS BEEN SENT FOR REDRAFTING . PUBLICATION OF THE 3-YEAR STABILISATION PLAN HAS BEEN DELAYED , ALTHOUGH WESTERN CREDITORS HAVE BEEN GIVEN AN OUTLINE OF ITS CONTENTS . IT STRESSES THE NEED FOR AUSTERITY (EG REDUCED MEAT CONSUMPTION , PRICE RISES ) , DECENTRALISATION , AND THE USE OF FINANCIAL LEVERS AND PROPOSED SWITCHES IN INVESTMENT AND ENCOURAGEMENT FOR PRIVATE AGRICULTURE . DRAFT LAWS ON STATE ENTERPRISES AND WORKERS'S SELF -MANAGEMENT , WHICH ARE TO COMPLEMENT THE ECONOMIC REFORM , HAVE NOW BEEN PUBLISHED .

5. CURRENT ECONOMIC PROBLEMS REMAIN ACUTE . AFTER A DISASTEROUS BEGINNING TO THE YEAR , INDUSTRY RECOVERED SLIGHTLY DURING THE FEBRUARY STRIKE LULL , DESPITE RAW MATERIAL SHORTAGES AND A DETERIORATION IN WORK DISCIPLINE AT THE END OF THE MONTH . HOWEVER , THERE ARE SERIOUS PROBLEMS WITH MARKET SUPPLIES . MEAT RATIONING , REPEATEDLY DELAYED , WILL NOW BEGIN ON 1 APRIL . SUGAR RATIONS HAVE BEEN REDUCED AND BUTTER RATIONING IS BEING DISCUSSED WITH THE UNIONS . WALESA HAS ALSO HINTED AT THE POSSIBILITY OF BREAD RATIONING . FOOD SUPPLIES ARE EXPECTED TO SHOW A 2.5 PER CENT PER CAPITA DECLINE THIS YEAR . THE AUTHORITIES ARE TRYING TO OBTAIN INTERIM FINANCIAL ASSISTANCE WHILE NEGOTIATING A FUNDAMENTAL RESTRUCTURING OF THE FOREIGN DEBT . THE FOREIGN PAYMENTS SITUATION IS NOW DESPERATE : FOREIGN RESERVES ARE EXTREMELY LOW AND EXPORTS TO BOTH COMMUNIST AND NON -COMMUNIST COUNTRIES HAVE FALLEN DRAMATICALLY . AS A RESULT IMPORTS FROM THE WEST ARE CONTINUING TO FALL . IMPORTS FROM COMMUNIST COUNTRIES , HOWEVER , HAVE INCREASED , PRESUMABLY REFLECTING IN PART INCREASED SOVIET ASSISTANCE . SOVIET AND EAST EUROPEAN REACTIONS .

6. SOVIET MEDIA COMMENT ON POLAND CONTINUES TO BE SPARSE . REPORTS HAVE COVERED IMPROVEMENTS IN THE INDUSTRIAL SITUATION IN POLAND , THE POLISH TV PROGRAMME ATTACKING KPN , AND ALLEGATIONS OF CIA INVOLVEMENT IN THE SUPPLY OF FUNDS AND EQUIPMENT TO SOLIDARNOSC THROUGH THE AFL /CIO . THE CZECHOSLOVAK MEDIA , AFTER A LULL FOLLOWING HUSAK'S MEETING WITH KANIA BEFORE THE CPSU CONGRESS , HAVE AGAIN BECOME THE MOST STRIDENT IN EASTERN EUROPE , WITH CRITICISM OF SOLIDARNOSC LEADERS AND ATTACKS ON KOR WHICH CONTAINED ANTI -SEMITIC OVERTONES . THE GDR MEDIA HAVE ALSO RESUMED ATTACKS ON POLISH DISSIDENTS AFTER A BREAK FOLLOWING THE APPOINTMENT OF JARUZELSKI . KADAR , THE HUNGARIAN PARTY LEADER , WHO HAS SO FAR TAKEN A NOTABLY RELAXED ATTITUDE TO POLISH DEVELOPMENTS AND THEIR EFFECTS , HAS FOR THE FIRST TIME SPOKEN OF IRRESPONSIBLE PEOPLE IN HUNGARY WHO ENGAGE IN SPORADIC SPECULATION AND WHO HAVE BECOME MORE ACTIVE RECENTLY . HE WARNED THAT ALTHOUGH DEBATE WAS WELCOME , DESTRUCTIVE ATTACKS WOULD NOT BE TOLERATED .

WARSAW PACT EXERCISES .

7. THE SOYUZ -81 EXERCISE IS IN PROGRESS . PARTICIPANTS INCLUDE AUTHORITIES IN THE BELORUSSIAN , CARPATHIAN AND BALTIC MILITARY DISTRICTS INCLUDING THE BALTIC FLEET AND -A+R FORCE IN THE GROUP OF SOVIET FORCES IN GERMANY , THE CENTRAL GROUP OF FORCES , THE NORTHERN GROUP OF

FORCES , AND NATIONAL FORCES IN THE GDR , POLAND AND CZECHOSLOVAKIA . THE EXERCISE IS BEING DIRECTED BY MARSHAL KULIKOV , THE WARSAW PACT COMMANDER IN CHIEF .

8. SOYUZ -81 APPEARS TO BE ON A SOMEWHAT LARGESCALE THAN PREVIOUS EXERCISES IN THE SOYUZ SERIES . ACTIVITY MAY INCLUDE A PARADROP AND AN AMPHIBIOUS LANDING SOMEWHERE ON THE BALTIC COAST , PROBABLY AT REGIMENTAL LEVEL OR LOWER , AND ACTIVITY BY SOVIET , POLISH AND EAST GERMAN AIR FORCES IN THE GDR . HOWEVER WE STILL EXPECT TROOP PARTICIPATION IN THE EXERCISE TO BE AT LEVELS BELOW

25,000. THERE IS NO EVIDENCE OF ANY MAJOR FIELD TRAINING ACTIVITY IN THE WESTERN MILITARY DISTRICTS OF THE USSR . NOR DO WE BELIEVE THAT THE EXERCISE WILL BE USED FOR ANY SOVIET MOVE AGAINST POLAND .

CONCLUSIONS .

9. WALESAS' OPEN SUPPORT FOR THE AVOIDANCE OF STRIKES AND WILLINGNESS TO HELP THE GOVERNMENT SHOULD HELP THE LATTER BUT COULD WEAKEN HIS OWN POSITION WITHIN SOLIDARNOSC . THE PUBLIC AIRING OF DISAGREEMENTS WITHIN THE PARTY IS LIKELY TO BE A MATTER OF CONCERN TO THE RUSSIANS , AS ARE THE CONCESSIONS WHICH CONTINUE TO BE MADE BY THE POLISH LEADERS UNDER PRESSURE FROM THE UNIONS . THE FAILURE OF THE POLISH REGIME TO ADOPT NEW AND TOUGHER POLICIES - EXCEPT FOR LIMITED ACTION AGAINST A FEW DISSIDENTS - SINCE THE MEETING OF SOVIET AND POLISH LEADERS IN MOSCOW ON 4 MARCH MUST BE A CAUSE TO GROWING DISSATISFACTION IN MOSCOW .

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