

REG. P.
ACTIV. P.
N° 10400/80

P. A. Sub - Registry
File No 19-10-01 (Poland)

6.10.02 (Poland)

Reg PA

cc Mr Celle
Mr devesque
Melle Lembrakoff
Mr Malet

CANADIAN DELEGATION
TO NATO
DELEGATION DU CANADA
AUPRES DE L'OTAN

DECLASSIFIED - PUBLIC DISCLOSURE / DÉCLASSIFIÉ - MISE EN LECTURE PUBLIQUE

POLAND: INTERNAL SITUATION :

SYNOPSIS: THERE ARE CONTINUING REPORTS OF WORK STOPPAGES IN DEMAND OF INCREASED WAGES FROM SCATTERED PARTS OF THE COUNTRY AS HIGHER FOOD PRICES PARTICULARLY MEAT GO INTO EFFECT. THE GOVERNMENT'S TACTIC OF QUICKLY REACHING A SETTLEMENT WITH INDIVIDUAL GROUPS OF WORKERS HAS CONTINUED SUCCESSFULLY TO KEEP WORKERS OFF THE STREETS. IT SEEMS VERY LIKELY, HOWEVER, THAT THE NET RESULT OF THE ACTIONS WILL BE A VIRTUAL ACROSS THE BOARD INCREASE IN SALARIES THE ECONOMIC CONSEQUENCES OF WHICH COULD OFFSET EXPECTED GAINS TO BE DERIVED FROM REDUCING OR REMOVING SUBSIDIES ON BASIC COMMODITIES. HEAVY RAINS AND FLOODING THREATEN TO LEAD TO ANOTHER BAD HARVEST AND THERE ARE GROWING FEARS OF MORE SERIOUS FOOD SHORTAGES DURING THE WINTER MONTHS. DISCUSSION IN WSAW MEDIA OF GENERAL SITUATION AND WORKERS REACTION TO INCREASED MEAT PRICES AND OTHER GRIEVANCES HAS BECOME MORE EXPLICIT SUGGESTING CONCERTED ATTEMPT BY GOVT TO HAVE PEOPLE UNDERSTAND AND SUPPORT ITS EFFORTS TO SORT OUT MESS IN ECONOMY.

...2

Document NOT to be removed
from file.

PAGE TWO

2. INDUSTRIAL UNREST IN THE LUBLIN AREA CONTINUED PART OF LAST WEEK AT A FARM MACHINERY PLANT WHERE WORKERS WERE REPORTED TO BE IN THE PLANT BUT HUMMING NATIONAL SONGS RATHER THAN WORKING. THE FIRST REPORTS OF ACTION IN THE GDANSK AREA WERE ALSO RECEIVED EARLY LAST WEEK WHERE TRAIN WORKERS STAGED A SUDDEN BUT BRIEF STOPPAGE. SO FAR THE HEAVILY INDUSTRIALIZED AND IMPORTANT MINING CENTRE OF KATOWICE (WHERE MANY WORKERS ARE PAID PARTLY IN MEAT) HAS APPARENTLY NOT/NOT HAD ACTUAL STOPPAGES, BUT THERE ARE INCREASING REPORTS FROM DIFFERENT AREAS OF SETTLEMENTS OFFERED BEFORE ACTION WAS ACTUALLY TAKEN. THE AUTHORITIES STRATEGY OF REACHING VERY QUICK AND SOMETIMES PRE-EMPTIVE SETTLEMENTS THUS CONTINUES TO BE EFFECTIVE IN PREVENTING ESCALATION INTO MORE DRAMATIC AND POTENTIALLY VIOLENT DEMONSTRATIONS. ALSO THE SITUATION FORCED ON THE GOVT OF DISCUSSING WITH WORKERS RATHER THAN OFFICIAL LABOUR UNIONS THE SETTLEMENTS TO VARIOUS GRIEVANCES MAY HAVE THE WELCOME EFFECT FOR THE GOVERNMENT OF GIVING THE WORKERS A GREATER SENSE OF RESPONSIBILITY FOR THE ECONOMIC PROBLEMS FACED BY THE COUNTRY. FROM THE WORKERS PERSPECTIVE, THEIR SUCCESS IN WHAT EFFECTIVELY AMOUNTED TO COLLECTIVE BARGAINING WILL BE AN EXPERIENCE NOT/NOT EASILY FORGOTTEN. WHILE IT IS TOO EARLY TO BE CERTAIN THAT THIS WILL RESULT IN A PERMANENTLY AND DRAMATICALLY CHANGED LABOUR-MANAGEMENT RELATIONSHIP, IT IS EVIDENT THAT POLAND IS IN THE MIDST OF A FASCINATING EXPERIMENT WITH POTENTIALLY FAR-REACHING CONSEQUENCES.

...3

PAGE THREE

3. WHAT MUST BE OF CONCERN TO GOVT ECONOMIC PLANNERS, HOWEVER, IS THE PROSPECT THAT AN ACROSS THE BOARD WAGE INCREASE OF 10-15 PERCENT COULD MORE THAN OFFSET THE EXPECTED GAINS TO BE DERIVED FROM REDUCTION OF SUBSIDIES ON BASIC COMMODITIES. WHILE PRICES IN OTHER AREAS, SUCH AS CONSUMER DURABLES FOR EXAMPLE, HAVE ALSO BEEN RISING STEADILY, THE HIGHLY SENSITIVE PROBLEM OF SUBSIDIES HAS ONLY BARELY BEGUN TO BE ADDRESSED AND IT IS HARD TO IMAGINE FUTURE ATTEMPTS TO INCREASE SAY BREAD OR MILK PRICES NOT/NOT LEADING TO ANOTHER ROUND OF WAGE INCREASE DEMANDS. THE GOVT NEVERTHELESS GIVES EVERY INDICATION OF BEING DETERMINED TO PURSUE ITS POLICY OF BRINGING PRICES MORE CLOSELY IN LINE WITH ACTUAL PRODUCTION COSTS AND IF THE CURRENT 10-15 PERCENT WAGE INCREASES CAN BE MADE TO HOLD FOR ANY LENGTH OF TIME IT MAY HAVE MADE MARGINAL GAINS IN THE OVERALL PICTURE. MORE IMPORTANTLY PERHAPS IT MAY HAVE CROSSED A VERY IMPORTANT POLITICAL THRESHOLD WHICH HERETOFORE IT HAS BEEN HESITANT EVEN TO APPROACH AS A RESULT OF THE 1976 EXPERIENCE. FURTHER EVIDENCE OF THE GOVTS DETERMINATION TO ALTER PRICING STRUCTURE IS A REMARKABLE FRANKNESS IN MEDIA COMMENTARY ON THE SITUATION. TRYBUNA LUDU EDITORIAL OF 19 JUL [REDACTED] REFERRED TO QUOTE PAUSES UNQUOTE IN PRODUCTION AND OPENLY ADMITTED TO PRODUCTION DIFFICULTIES (SHORTAGES OF MATERIALS, ETC) AS A LEGITIMATE CAUSE OF WORKER DISCONTENT (DUE TO LOSS OF PRODUCTION BONUSES). ZYCIE WARSZAWY ARTICLE OF 24 JUL ENTITLED QUOTE LET US DEFEND THE REAL WAGE WITH WORK

...3

PAGE FOUR

UNQUOTE IN ADDITION TO DEPLORING WORK STOPPAGES AS COUNTER-PRODUCTIVE MADE EXPLICIT AND LENGTHY MENTION OF WORKERS GRIEVANCES (MANAGEMENT OF WAGE FUND, WORKING CONDITIONS, COST OF LIVING, MARKET SUPPLIES AND PRICES, DECLINE IN OUTPUT RESULTING IN FALL IN EARNINGS, FAULTY CALCULATION OF EARNINGS, INTERNAL OPERATION OF SOME COMPANIES.)

ARTICLE ALSO SPECIFICALLY CITED LUBLIN INCIDENT WHERE QUOTE TRANSPORTATION SERVICES ENGAGED IN THE SUPPLY OF GOODS TO THE MARKET UNQUOTE WERE BROUGHT TO A HALT. GOVT APPARENTLY HOPES THROUGH SUCH CANDID ADMISSIONS OF DIFFICULTIES TO EVOKE A SYMPATHETIC RESPONSE TO ITS EFFORTS TO RESTORE ORDER AND EFFICIENCY IN THE ECONOMY.

4. UNFORTUNATELY FOR POLAND THE THREAT OF ANOTHER SAD HARVEST MAY BECOME A COMPLICATING FACTOR IN THE GOVERNMENT'S ATTEMPTS TO HANDLE THE PRESENT SITUATION. WITH PERSISTENTLY HEAVY RAINS CAUSING WIDESPREAD FLOODING ALREADY THERE ARE REPORTS FROM OUTLYING AREAS OF SHORTAGES OF MILK, BUTTER AND SUMMER VEGETABLES AND INCREASINGLY THE PROSPECT OF SERIOUS FOOD SHORTAGES OVER THE WINTER ARE BEING DISCUSSED PRIVATELY. IT IS POSSIBLE THAT THIS ADDITIONAL COMPLICATING FACTOR COMING AT THIS PARTICULAR TIME WILL THREATEN WHAT MAY OTHERWISE HAVE BEEN A SUCCESSFUL STRATEGY BY THE GOVERNMENT.

5. THE SITUATION IS THUS HIGHLY UNPREDICTABLE AND LIKELY TO REMAIN SO DURING THE NEXT SEVERAL MONTHS. A CONTINUATION OF HEAVY RAINS SEEMS CERTAIN TO LEAD TO DISASTROUS HARVEST PARTICULARLY OF STAPLE VEGETABLES (EG POTATOES, SUGAR BEETS) BUT GRAINS AS WELL. RESULTING

...5

PAGE FIVE

SHORTAGES WILL VERY LIKELY FURTHER PUSH UP FOOD PRICES OF PRIVATELY SOLD VEGETABLES AND FRUITS (WELL OVER HALF OF TOTAL). THIS IN TIME WILL PROBABLY LEAD TO RENEWED PRESSURE ON WAGES. THERE IS AT PRESENT ALMOST UNIVERSAL AND DEEP GROWING PESSIMISM ABOUT PROSPECTS FOR WINTER. ON THE OTHER HAND A RETURN TO MORE NORMAL WEATHER COULD NOT/NOT ONLY SAVE SOME OF THE HARVEST BUT COULD INFLUENCE THE MOOD OF THE PEOPLE IN RESPONDING MORE POSITIVELY TO GOVT ATTEMPTS TO ACHIEVE MORE REALISTIC PRICING.

6. ONE POTENTIAL MODERATING FACTOR IS THE CATHOLIC CHURCH WHICH TO DATE HAS AVOIDED OVERT CRITICISM OF THE GOVT AND IS BELIEVED TO APPRECIATE THAT THE GOVT HAS NO/NO ALTERNATIVE BUT TO ATTEMPT TO TACKLE STEP BY STEP THE COUNTRY'S BASIC ECONOMIC PROBLEMS. (EG DURING RECENT DISTURBANCES IN LUBLIN, CHURCH GOERS WERE URGED IN SERMONS TO REMAIN CALM AND RETURN TO THEIR JOBS). WHERE IT COULD AND MIGHT INTERVENE WITH THE GOVT MORE URGENTLY WOULD BE IF IT FELT THAT THE GOVT WAS IMPLEMENTING ITS POLICIES HARSHLY TO THE SERIOUS DETRIMENT OF THE AVERAGE POLE, OR IN A SITUATION WHERE THE DEGREE OF POPULAR UNREST HAD INCREASED SIGNIFICANTLY THE RISK OF STRONG SOVIET PRESSURE IF NOT/NOT OUTRIGHT INTERVENTION. TO DATE IT WOULD APPEAR THAT NEITHER POINT HAS BEEN REACHED THOUGH IT IS WORTH NOTING THAT THE GOVT WAS NOT/NOT ADVERSE TO HINTING AT THE SECOND POSSIBILITY WHEN IT APPEALED TO THE LUBLIN TRANSPORT WORKERS TWO WEEKS AGO TO RETURN TO THEIR JOBS.