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NATO SECRET

Mr. Philip Joseph
Acting Director, Economic Directorate
International Staff
North Atlantic Treaty Organization
Brussels, Belgium

Dear Phil:

US authorities have recently undertaken an analysis of the Polish situation and we are providing this information both to the POLAD's as well as the members of the Economic Committee. We hope that any information that might be available from members of the Economic Committee regarding the Polish economic situation would be shared in a timely way given the rapidly changing situation.

Sincerely,

Harry C. Blaney
Counselor for Economic Affairs

Enclosure:
as stated

cc: Members of the Economic Committee

This document consists
of 2 pages

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NATO SECRET

FROM: Department of State, Washington D.C. DATE: August 16, 1980

SUBJECT: Polish Internal Situation

RECENT WORK STOPPAGES IN GDANSK AND OTHER POLISH INDUSTRIAL CENTERS HAVE RAISED NEW QUESTIONS ABOUT POLAND'S FUTURE INTERNAL STABILITY. WHILE WORKER DEMONSTRATIONS HAVE GENERALLY BEEN CONFINED TO WORK SITES AND THERE HAS BEEN NO VIOLENCE, WE CONCUR WITH EMBASSY WARSAW'S JUDGMENT THAT POSSIBILITY FOR MORE WIDESPREAD CIVIL DISTURBANCES, INCLUDING BLOODSHED, CANNOT BE EXCLUDED. IN VIEW OF REPORTS IN REFTELS B AND C, WE ARE PARTICULARLY CONCERNED ABOUT THE POSSIBILITY OF WORK STOPPAGES GETTING OUT OF HAND IN GDANSK AREA AND PRECIPITATING POLICE OR OTHER MILITARY ACTION. DISTURBANCES IN THAT CITY IN 1970 RESULTED IN VIOLENCE AND MORE THAN 50 DEATHS AND LED TO FALL OF GOMULKA GOVERNMENT.

WE SEE THE STRIKES AND GOVERNMENT CONCESSIONS ON WAGES AND QUASI-UNION NEGOTIATING BODIES AS HAVING POTENTIALLY FAR-REACHING ECONOMIC AND POLITICAL CONSEQUENCES.

ON THE POLITICAL SIDE, A NEW ELEMENT OF PLURALISM

SEEMS TO BE DEVELOPING IN POLISH SOCIETY WITH WORKERS AND MANAGEMENT BARGAINING OUTSIDE THE OFFICIAL TRADE UNION/MANAGEMENT CHANNELS. THE CONCILIATORY GOVERNMENT ACTIONS IN RESPONDING TO WORKERS' PRESSURES MAY BE GIVING THE ACTIVIST ELEMENT AMONG THE POLISH WORKERS A NEW SENSE OF SELF-CONFIDENCE. AT THE SAME TIME, WE EXPECT THAT THE SOVIETS ARE CLEARLY WORRIED ABOUT THIS TREND AND SOME OF THE GIEREK GOVERNMENT'S STATEMENTS REFLECT CONCERN FOR SOVIET REACTION.

ON THE ECONOMIC SIDE, THE NEW ROUND OF WAGE INCREASES HAS DEALT AN IMPORTANT SETBACK TO POLAND'S EFFORTS TO COME TO TERMS WITH ECONOMIC STAGNATION AND EXTERNAL DEBT PROBLEMS. THE WORKERS' STRONG REACTION TO ANY SIGNIFICANT CUT IN THEIR STANDARD OF LIVING WILL MAKE IT EXTREMELY DIFFICULT FOR THE GOVERNMENT TO CONTINUE ITS AUSTERITY POLICIES AND INTRODUCE MUCH NEEDED STRUCTURAL REFORMS. MFAT PRICE INCREASES WERE MERELY ONE OF SERIES OF MEASURES WHICH GOVERNMENT WAS PLANNING TO ADDRESS FOREIGN DEBT AND INTERNAL ECONOMIC PROBLEMS. EMBASSY WARSAW REPORTING INDICATES THAT THE WORK STOPPAGES TO DATE APPEAR NOT TO HAVE SIGNIFICANTLY AFFECTED PRODUCTION IN KEY INDUSTRIAL SECTORS HOWEVER, IF DISRUPTIONS ON THE SCALE OF GDANSK AND LUBLIN BREAK OUT ELSEWHERE AND CONTINUE FOR AN EXTENDED PERIOD, THEY COULD HAVE A DEVASTATING IMPACT ON THE DOMESTIC ECONOMY AND EXTERNAL FINANCES, POSSIBLY LEADING TO A FORCED RESCHEDULING OF FOREIGN DEBT.

THE INTERNAL SITUATION IS FURTHER COMPLICATED BY FOOD SHORTAGES WHICH ARE ALREADY QUITE SEVERE IN SOME AREAS OF THE COUNTRY. THESE SHORTAGES COULD BE EXACERBATED IN THE COMING MONTHS BY ANOTHER BAD HARVEST. ALTHOUGH OUR CURRENT ESTIMATE OF GRAIN PRODUCTION IS 20.5 MILLION TONS, UP 3 MILLION TONS FROM LAST YEAR'S DISASTER, WIDESPREAD FLOODING HAS SEVERELY DAMAGED OTHER CROPS AND, IF HEAVY RAINS CONTINUE, COULD SIGNIFICANTLY REDUCE GRAIN OUTPUT TOO.

IN SUMMARY WE SEE THE REAL POSSIBILITY THAT MONTHS AHEAD WILL BRING NEW AND MORE TRYING HARDSEIPS FOR THE POLISH POPULATION WHICH COULD RESULT IN DESTABILIZING UNREST.

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