

5B
831

PREM 19/331

SECRET

PART 1

Confidential Filing

UK / Polish Relations. Appointment of Mr
Babinch as Prime Minister.
Internal situation.

POLAND

PART 1

August 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
24-8-79.							
30-11-79		29-10-80					
5-11-79		30-10-80					
22-2-80.		6-11-80.					
12-3-80.							
14-4-80.		7-11-80					
21-7-80		12-11-80					
8-8-80		28-11-80					
28-8-80		ends					
2-9-80.							
4-9-80							
6-9-80.							
10-9-80.							
16-9-80							
19-9-80							
22-9-80							
24-9-80							
1-10-80							
7-10-80.							
10-10-80							
23-10-80							

PREM 19/331

● PART 1 ends:-

Bank of England to FCO 28.11.80

PART 2 begins:-

Pres. Carter to PM (T231/80) 1.12.80



From the Secretary of State

CONFIDENTIAL

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
11 Downing Street
London, SW1

MODBA 0/R, Plead

Prime Minister

(2)

PNVH is surely right in saying there should be no delay. Even waiting till mid-December seems fairly lenient. Ant

28 November 1980

Dear Geoffrey,

POLAND

Cecil Parkinson has prepared the attached report on his visit to Poland last week and I think colleagues should see this. We have already agreed that a response should be given to the Polish request for help along the lines of the note which Ian Gilmour circulated to OD. Cecil's experience on the spot has usefully brought the issues into even sharper relief and defined a number of priorities. He concludes that from a commercial point of view Poland does not merit any more credit than is necessary to protect our present investment and to keep a foothold in the market against the time when it returns to the prosperity which its natural resources ought to ensure. From a political point of view the West had to avoid two mistakes (1) denying all credit and thus forcing Poland inextricably into the hands of the Russians; (2) being so co-ordinated in its approach that it gives the impression of taking over the direction of the Polish economy. This would also provoke the Russians and be unacceptable. This is why the Poles wish to discuss their problems on a bilateral basis and not to summon a meeting of their creditors in the West. The present approach of bilateral talks plus private discussions between creditors, which he is sure the Poles know are going on, is the right approach. He has seen the notes of the meetings in Paris

CONFIDENTIAL



From the Secretary of State

CONFIDENTIAL

last Tuesday. It seems to him that the approach which we are adopting is a rather leisurely one and that the problems are more pressing than the meetings seem to feel.

We should have a clear idea of what we as the United Kingdom are prepared to offer. Refinancing of debt is inevitable. The extent to which we are prepared to meet the other demands for finance for food, chemicals, supplies and semi-manufactures should be settled as soon as possible on a contingency basis so that we can be ready to make our offer when the time is right, and certainly by the end of the year. I agree with his conclusion that there is nothing to be gained, and more likely something to be lost, by delay. Officials, co-ordinated by the Cabinet Office, are now busy putting together a full analysis of the situation and I think that we must use this as a basis for reaching decisions on the immediate problems by mid-December.

I am copying this to the Prime Minister, the Foreign and Commonwealth Secretary, other members of OD, the Secretaries of State for Industry and Energy, the Minister for Agriculture and Sir Robert Armstrong.

John Nott
John

JOHN NOTT

CONFIDENTIAL



SECRETARY OF STATE FOR TRADE

POLAND

I visited Poland from 10 to 14 November as leader of our Joint Commission team. In addition to the usual plenary sessions of the Joint Commission, I had meetings with three Deputy Prime Ministers, the Minister of Finance, the Minister of Foreign Trade and a number of Industrial Ministers. With the prospect of a strike by the Solidarity Trade Union being averted, at least for a while, I was well received and my programme was completed according to schedule. The Poles went out of their way to give me a friendly reception and discussed in more detail a number of issues raised with the Foreign and Commonwealth Secretary when he recently went to Warsaw.

Uppermost in the Poles' minds were of course their economic and financial problems which are quite as bad as we had feared. They talked quite frankly about these and I was struck by the way in which Ministers accepted that a fundamental change has taken place in relations between the Government and the workers and the Government and Parliament. There were no recriminations but apparent willingness to recognise that there have been severe failures both in the political and economic spheres. These now have to be put right in ways which preserve the supremacy of the Communist Party and would be acceptable to the Russians.

The Poles say that they will be making radical changes in the direction and management of their economy over the next five years. Significantly, their main effort in the agricultural sector will be in support of private enterprise since publicly-owned farms have totally failed to provide for the nation's food needs. They have conflicting requirements for increasing the supply of consumer goods to their own market for political and social reasons, of maintaining imports of non-industrial capital goods (capital investment will be cut back to about 14% of national income), and increasing exports to the West. Even so, they aim to secure a small trade surplus in 1981 and thereafter achieve the substantial surplus needed for them to begin repaying their debts. These expectations contain an element of optimism and it is unlikely that detailed projections will be ready for some months (their preliminary estimates show total hard currency debt reaching \$28bn in 1983 and beginning to fall in 1985). In the meanwhile, I was pressed for an early decision on what we could do to help particularly in relation to the rescheduling of payments shortly due to the UK, new trade-related credits for 1981 and some general indication of what we had in mind further ahead.

CONFIDENTIAL



The Poles have now spelt out the precise areas in which they are looking for financial help from us. These are as follows:

- a credit facilities for purchases amounting to \$200m/year during three years 1981-83 of industrial non-capital goods - principally chemicals, steel, textile fibres, machines, components and spare parts;
- b credit facilities for the purchase of 3-400,000 tonnes/year of British grain for the three years 1981-83 (or for five years if possible);
- c re-scheduling of debt payments and interest on loans already drawn down for certain major projects being undertaken by UK-based companies and now running late for one reason or another. The main projects in question are the URSUS tractor plant, the PVC plant at Wloclawek (VWOTS-WAW-VEK) and the LOT terminal building in Warsaw. Under this heading we also have a request for extension of existing facilities to allow these projects to be completed, although there is now some doubt whether the URSUS scheme will be carried through as originally envisaged;
- d re-financing of ECGD-guaranteed debt falling due in the period 1981-83.

Meeting all these requests would be very expensive - officials are now working out the exact cost. It is difficult to reach an overall view until we have a clearer idea of the implications of the whole package and Poland's prospects of being able to repay, but time is short. We have agreed on the overall political need to provide help, we want to protect the £1bn which ECGD already has at risk in the country and we want to avoid an early technical default which may have wide repercussions. To be wholly realistic, Poland is now in no position to meet all its obligations. The UK is not going to be paid in full on schedule and we might as well make a virtue out of the necessity of taking part in a financing operation. We also need to avoid the political and commercial disadvantages of being slow to respond by comparison with those of our Western competitors who have already provided, or are believed to be close to agreeing, further financial facilities. We should know more about others' intentions when the results of the informal meeting of officials called by the French on 18 November are available and this should help. I understand that a paper is now being circulated by officials on the outcome of this meeting.

Obviously we do not want to appear to be setting up financial arrangements which might be misrepresented as another shipbuilding deal, even though the present considerations are quite different.

CONFIDENTIAL

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Nevertheless, I believe that the realities of the situation, together with our political and commercial interests, require us to go some way towards meeting Poland's requests. This will have to be on a phased basis, taking account of Poland's own economic progress. But we need to take early decisions on the pressing project financing problems, on lines of credit for food and industrial products in 1981, and on what to do about the estimated £140m of repayments due under existing loan agreements in 1981 other than those in respect of the major projects mentioned above (for which £48m is due next year).

EP.

CECIL PARKINSON
21 November 1980

cc	Mr Tebbit	
	Mr Eyre	
	Secretary	
	Secretary	ECGD
	Mr Caines	Dep Sec
	Mr Dick	CRE4
	Mr Cotterill	ECGD
	Mr Breach	ECGD
	Mr Hall	ECGD
	Mr Pownall	CRE4

CONFIDENTIAL

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BANK OF ENGLAND
Threadneedle Street
London
EC2R 8AH

28 November 1980

Paul Lever Esq
Private Secretary to
the Financial Secretary
Foreign and Commonwealth Office
London
SW1A 2AH

M. Alexander (a/c)

Phu

R

2/12

Dear Lever,

You kindly sent me a copy of your letter dated 26 November to Michael Alexander about a possible call on the Prime Minister by Mr Kisiel.

From our point of view, there is no reason for advising against such a call, should the Prime Minister be willing and able to receive him. He expressed a wish to call on the Governor, but unfortunately the Governor will be at the Central Bank Governors' meeting in Basle on 8 and 9 December.

Kisiel is known to us here in the Bank, and is an urbane and reasonable person. From the Bank's point of view, one of the key questions that needs to be considered in determining HMG's response to the Polish request for economic assistance (which is, we understand, to be discussed at the OD meeting on 10 December) is how realistic the Polish Government's own medium to long term plans for solving their economic problems look. We would, therefore, very much endorse the Foreign and Commonwealth Secretary's suggestion that a visit by Kisiel to the Prime Minister would provide an opportunity for questioning Kisiel on this subject.

I am copying this letter to John Wiggins and Michael Alexander.

*Yours sincerely,
Anthony Loehnis*

A D Loehnis



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FCS/80/166

MINISTER FOR AGRICULTURE, FISHERIES AND FOOD

Food for Poland

1. During the Political Cooperation Ministerial Meeting in Brussels on 24 November the question of how the Community could make some of its food surpluses available to Poland was raised and the Commission was asked to put some suggestions forward in time for discussion at the European Council on 1-2 December. Ministers agreed that food aid as such would not be appropriate but there was some talk of a possible 'lend/lease' arrangement, though no-one explained how this would work.

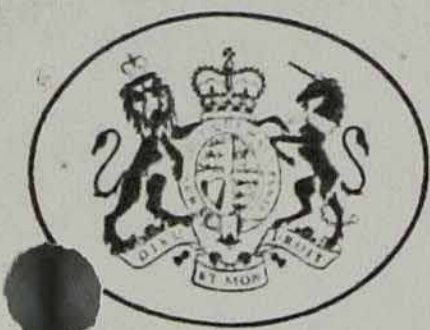
2. We do not know exactly what the Commission may now propose. But one obvious possibility would be some special arrangement for additional export restitutions in the case of Community food exports to Poland, which could I suppose even take the form of allowing the Poles to defer payment. I know that officials see a number of difficulties over anything of this kind but, given the political importance of the issue, I think that we need to examine very carefully whether in this case the objections are necessarily over-riding.

3. My comments on a number of the difficulties that have been raised are as follows:

a. Budgetary Cost. I understand that the Poles are interested in buying a large amount of British barley (perhaps as much as 750,000 tonnes). Thus we could expect to benefit considerably from any special export subsidies which might be agreed. This would be an important element to be set off against our budgetary share of the additional subsidies involved.

/b.

CONFIDENTIAL



- b. Monitoring of Destination. It should surely be possible to devise an administrative system to ensure that additional subsidies were only paid on food exports which actually went to Poland, eg by requiring evidence of delivery before the extra subsidy was paid. And, in Poland's present circumstances, there is surely little risk that once the food arrived in Poland it might be re-exported, eg to the Soviet Union.
- c. Undesirable Precedent. We should need to guard against the danger that the French, in particular, might see this as an opportunity to institutionalise a long term export policy for the CAP of the kind we have always strongly resisted. Moreover, if we go along with special subsidies for exports to Poland we could be accused once more of condoning a policy which will increase the cost of the CAP, where our policy in the restructuring context is the reverse. We should therefore need to make clear that Poland represented a special case and could not be regarded as a precedent, eg in any future discussion of special subsidies on the export of Community food to the ACP countries (an issue which has come up in the past).
- d. Complaints from other Food Exporters. The USA and Canada are the other major world food exporters. I think that we could hope to persuade them (and others such as Australia) that the political arguments for helping Poland were overriding and that in these exceptional circumstances additional Community export subsidies were justified.

4. The brief which has been prepared for the Prime Minister's use as the European Council is cautious and recommends that the Prime Minister should avoid commitment. But considerable political pressure could build up,

/particularly



particularly if the Commission produce what seem to be sensible and practical proposals. I think therefore that it would be desirable for us to consider whether we could not take a more forthcoming line, which I in any case would favour on political grounds.

5. I am sending copies of this minute to the other members of OD(E) and to Sir Robert Armstrong.

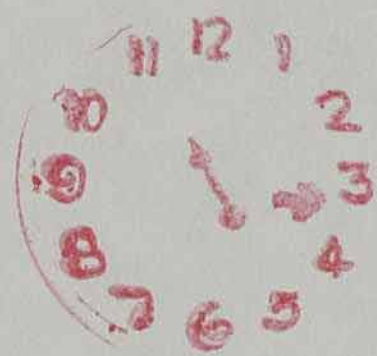
C

(CARRINGTON)

Foreign and Commonwealth Office
28 November 1980

CONFIDENTIAL

28 NOV 1980



HZBL

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11016/28 ~~28~~

OO FC DESKBY 281445Z

PP BONN

RR COPENHAGEN

RR THE HAGUE

RR ROME

RR DUBLIN

RR PARIS

RR LUXEMBOURG

RR WASHINGTON

RR WARSAW

RR MOSCOW

GRS 360

CONFIDENTIAL

DESKBY 281445Z

FM UKREP BRUSSELS 281242Z NOV 80

TO IMMEDIATE F C O

TELEGRAM NUMBER 5277 OF 28 NOVEMBER

INFO PRIORITY BONN, ROUTINE COPENHAGEN, THE HAGUE, ROME, DUBLIN, PARIS, LUXEMBOURG, WASHINGTON, WARSAW, MOSCOW, INFO SAVING BRUSSELS, ATHENS, UKDEL NATO.

FOOD FOR POLAND

1. MIFT (NOT TO ALL) CONTAINS TEXT OF SECRET COMMISSION PAPER (IN FRENCH ONLY AT THIS STAGE - ENGLISH VERSION LATER TODAY) AND COVERING LETTER TO CHAIRMAN OF COREPER.

1300/28

X-19

IMMEDIATE

ADVANCE COPY

PS
PS/UPS
PS/PUS

Lord Bridges
Mr Burnard
Mr Hanway
HD ECD (4)

Cabinet office (3)

Maff (6)

no Downing St.

(Ltd)

2. WILLIAMSON (DGVI) HAS TOLD US THAT THE NOTE WHICH WENT FORWARD FROM HIS OFFICE TO THE PRESIDENT OF THE COMMISSION SUGGESTED THAT THE POLES MIGHT BE OFFERED ABOUT 8,000 TONNES OF BUTTER FROM INTERVENTION AND A QUANTITY (UNSPECIFIED) OF INTERVENTION BEEF. THERE WAS A POSSIBILITY OF SELLING CEREALS AS WELL, BUT IT WAS NOT CLEAR IF THE POLES WANTED THEM. ASSUMING A HELPFUL STEER FROM THE EUROPEAN COUNCIL THESE SALES WOULD PROBABLY BE HANDLED THROUGH EXISTING MANAGEMENT COMMITTEE PROCEDURE IN THE USUAL WAY.

3. WILLIAMSON ALSO SUGGESTED THAT WE GIVE URGENT CONSIDERATION TO SETTING UP A BILATERAL DEAL WITH THE POLES TO PROVIDE THEM WITH AS MUCH SHEEPMET AS WE CAN GET RID OF, ON THE ASSUMPTION THAT THIS COULD BE ATTRACTIVE TO US IF PRESENT EFFORTS TO GET CLAWBACK ABOLISHED ON THIRD COUNTRY TRADE ARE SUCCESSFUL.

4. GRATEFUL IF ECD OR CABINET OFFICE COULD ENSURE SIR M. BUTLER SEES COPIES OF THIS TELEGRAM AND MIFT BEFORE EUROPEAN COUNCIL BRIEFING MEETING AT 1600.

FCO ADVANCE (ALL DESKBY 281445Z) TO:--

FCO - PS, PS/LPS, PS/PUS, BRIDGES, BULLARD, HANWAY, FITZHERBERT,
SPRECKLEY

CAB - FRANKLIN, GOODENOUGH, WENTWORTH

MAFF - PS/PS, DAVIES, ANDREWS, MRS ARCHER, EDWARDS, WATERS.

NO 10 - ALEXANDER

FCO PASS SAVING ATHENS.

BUTLER

NNNN

PRIME MINISTER

These are the draft telegrams I told you about just before you left for Chequers this evening. They are personal for the Ambassadors concerned and they are intended to be entirely exploratory. The FCO would like to send these off tomorrow (Saturday) so that you and Lord Carrington can consider the replies while you are in Luxembourg. Are you content for the telegrams to go?

The alternative - which, given your reservations about the whole idea, you may prefer - is not to send the telegrams over the weekend but to discuss the ideas they contain further with the Foreign Secretary on the way to Luxembourg.

Clive Whitmore

I am very unhappy about this idea and would prefer it to be worked through before telegrams are sent. It could be misinterpreted

28 November 1980

by our own people as the West backing up the Soviets in their backing of the Polish gov't - the advantages of the T.U.'s. Can we discuss further on the plane?

Use to come over for dinner to-day / tomorrow.

Mifaced to Chagnel

10



Foreign and Commonwealth Office

London SW1A 2AH

28 November 1980

Dear Alice,

I gather that the possibility of more active western efforts to prevent Soviet intervention in Poland was discussed at this afternoon's briefing meeting for the European Council. I enclose draft telegrams to Washington, Bonn and Paris, ^{+ Moscow}. These are designed purely to sound out the views of our Ambassadors. Lord Carrington instructed that the telegrams should be made more speculative before despatch, and this has been done.

It would be helpful if the Prime Minister could agree to the despatch of these telegrams tomorrow (29 November). The replies would give Mrs Thatcher and Lord Carrington a better basis on which to discuss between themselves these ideas (or any other ideas suggested by the Ambassadors) at an early stage in Luxembourg on Monday.

You will note that Ambassadors have been specifically instructed not to consult the governments to which they are accredited at this stage.

Prime Minister.

These are the draft telegrams I told you about just before you left for Chequers this evening. They are personal for the Ambassadors concerned and they are intended to be entirely exploratory. The FCO would like to send them off tomorrow (Saturday) so that you and Lord Carrington can consider the replies while you are in Luxembourg. Are you content for the telegrams to go?

The alternative - which, given your reservations about the whole idea, you may prefer - is not to send the telegrams over the week-end but to discuss the ideas they contain further with the Foreign Secretary on the way to Luxembourg.

C A Whitmore Esq
10 Downing Street

[Handwritten signature]

(G G H Walden)
Private Secretary

JWH

28xi

File No.....

OUTWARD

Security Classification
SECRET

Department

TELEGRAM

Precedence
IMMEDIATE

Drafted by
(Block Capitals) J L BULLARD

Tel. Extn.....

DESKBYZ

FOR
COMMS. DEPT.
USE

Despatched (Date)
(Time)Z

POSTBYZ

PREAMBLE

(Time of Origin) Z (G.M.T.)

(Restrictive Prefix)

(Security Class.) SECRET

(Caveat/
Privacy marking) DEIP

(Codeword)

(Deskby)Z

TO IMMEDIATE WASHINGTON Tel. No. of
(precedence) (post)

AND TO (precedence/post) IMMEDIATE: MOSCOW BONN PARIS

AND SAVING TO

REPEATED TO (for info) PRIORITY: LUXEMBOURG

SAVING TO (for info)

Distribution: -

[TEXT]

POLAND

1. I have been considering whether there is anything more that the West might do either to arrest what appears to be a gradual drift towards crisis point inside Poland, or at least to minimise the international consequences if this point should be reached.

2. At the moment western policy on Poland consists of not much more than waiting upon events and hoping for the best. We are looking at the Polish request for economic assistance, but we know that it may be a case of throwing good money after bad and we frankly have little idea what effect even massive

/economic

Copies to: -

SECRET

economic support would have on the political situation. We are conveying both public and private warnings to Moscow against intervention, but these do not become more effective with repetition and probably add little to what the Russians have already worked out for themselves. We have a contingency planning check list, but it does not happily fit the case (which seems to me increasingly likely) of a very limited and restrained Soviet intervention in response to a genuine repeat genuine request by the Polish leadership and in cooperation with at least part of the Polish security forces. In all this we are in the position of reacting to events, not guiding them.

3. I do not know what may have been said recently between the United States and the Soviet Union, whether by the present Administration or privately by Mr Reagan and his team. It seems to me that now could be the time for the kind of private exchanges of an exceptionally intimate and confidential character with which the quote back channel unquote is associated. I am considering asking the Americans whether they do not agree that this would be appropriate, if it is not happening already. MIPT shows the lines on which I have been thinking.

4. The channel of communication would be a matter
/for decision.

NOTHING TO BE WRITTEN IN THIS MARGIN

for decision. If Dobrynin is not considered suitable, there could be advantage in the appointment of a special emissary from the Western side.

5. There will be an opportunity to discuss this privately with the French and Germans in the margin of the European Council meeting in Luxembourg on 1-2 December.

6. Please telegraph your comments, repeating them to Luxembourg to arrive there by 1200Z on 1 December. Telegrams should be marked Dedip and personal for Private Secretary or Bullard.

7. You should not repeat not consult the Government to which you are accredited at this stage.

File No.....

OUTWARD

Security Classification
SECRET

Department.....

TELEGRAM

Precedence

Drafted by
Block Capitals) J L BULLARD

IMMEDIATE

Tel. Extn.....

DESKBY Z

FOR
COMMS. DEPT.
USE

Despatched (Date).....
(Time)..... Z

POSTBY Z

PREAMBLE

(Time of Origin) Z(G.M.T.) (Restrictive Prefix).....
(Security Class.) SECRET (Caveat/ Privacy Marking) DEOIP
(Codeword) (Deskby) Z

TO IMMEDIATE WASHINGTON (precedence) (post) Tel. No. of

AND TO (precedence/post) IMMEDIATE MOSCOW BONN PARIS

AND SAVING TO

REPEATED TO (for info) PRIORITY LUXEMBOURG

SAVING TO (for info)

Distribution :-

[TEXT]

MIPT: POLAND

1. The following are examples of points which could be put to the Soviet Union on the basis that these are the views of the United States Government but expressed after consultation with the Reagan team and with America's principal allies:-

a) Events in Poland are creating a situation of exceptional gravity in which it is essential that there should be no misunderstanding between the United States and the Soviet Union, especially during the transitional period in Washington. Both countries must have an interest in a peaceful outcome. We wish to identify and if possible enlarge the area of common ground. /b)

Copies to :-

SECRET

b) We fully understand the significance of Poland for the security of the Soviet Union and its other neighbours. We have not interfered and will not interfere in the current crisis: in all official statements we have exercised very great restraint. It is not our intention to exploit the situation by seeking to detach Poland from the Warsaw Pact or CMEA or to obtain advantage elsewhere. The Soviet/American Declaration of Principles of 1972 remains fully operative for us.

c) We have noted Soviet statements to the effect that the Polish problem is one for Poland to solve, but we have also noted other statements conveying a different implication. We have observed the consultations being conducted between Poland's neighbours. We wish to make it clear that any foreign intervention in Poland, especially of a military character, whatever the precise circumstances or alleged justification, could not fail to provoke a world crisis of extreme gravity with unforeseeable consequences. At the very least, the prospects for any serious East/West negotiations would be prejudiced and existing agreements would be called into question.

d) We are ready to consider with the Soviet Union the possibility of reciprocal or complementary statements by the two Governments with the purpose of ensuring that their respective attitudes are fully understood both in Poland and elsewhere.

/e)

NOTHING TO BE WRITTEN IN THIS MARGIN

SECRET

e) Such statements could be supported by actions, in particular in the economic field, where it appears to us that the interests of the United States and the Soviet Union do not conflict and that there would be advantage in placing the situation of Poland in an international financial and economic context (sc. IMF)

f) We wish to maintain contact on this subject with the Soviet Union, and our expectation is that the direct confidential channel of communication (the hot line) should immediately be activated if the situation should deteriorate, in order to ensure that each Government is given advance notice of the intentions of the other and that the situation is handled in a manner which takes full account of all its implications, not least the future course of relations between the United States and the Soviet Union.

080 820



28 NOV 1980



GRS 415

CONFIDENTIAL

CONFIDENTIAL

FM PARIS 281532Z NOV 80

TO ROUTINE FCO

TELEGRAM NUMBER 975 OF 28 NOVEMBER 1980

INFO ROUTINE WARSAW, WASHINGTON, BONN, ROME, VIENNA, UKREP BRUSSELS
AND MODUK (DE1)

INFO SAVING TO BERNE, OTTAWA, STOCKHOLM, BRUSSELS, TOKYO, MOSCOW,
UKDEL NATO AND EAST BERLIN.

MY TELNOS 966 AND 967 (NEITHER TO ALL): VISIT TO PARIS BY POLISH
DEPUTY PRIME MINISTER

1. THE DIRECTOR FOR EUROPE AT THE QUAI GAVE A BELATED COMMUNITY BRIEFING TODAY ON MR JAGIELSKI'S VISIT. DUFOURCQ EXPLAINED THAT IT HAD BEEN DELAYED BECAUSE OF UNCERTAINTY ABOUT HOW MUCH M FRANCOIS-PONCET HAD TOLD HIS COMMUNITY COLLEAGUES EARLIER THIS WEEK AT THE FOREIGN AFFAIRS COUNCIL.

2. DUFOURCQ ADDED THE FOLLOWING TO THE INFORMATION GIVEN IN MY TURS.

POLITICAL

MR JAGIELSKI WAS CLEARLY A VERY WORRIED MAN. HE HAD BEEN GUARDED IN HIS DESCRIPTION OF THE POLISH INTERNAL SCENE. HE HAD EXPLAINED AT LENGTH THE RESULTS OF HIS AND KANIA'S CONTACTS WITH MOSCOW, EMPHASISING THAT THE RUSSIANS WERE IN FAVOUR OF AN INTERNAL POLITICAL SOLUTION ON POLAND AND DID NOT WANT TO HAVE TO INTERVENE. (DUFOURCQ COMMENTED THAT A LOT HAD HAPPENED SINCE THE POLISH/SOVIET MEETINGS, AND THAT THE FRENCH WERE NOW INCREASINGLY CONCERNED THAT THE "DISINTEGRATION" OF THE PARTY COULD CREATE GROUNDS FOR INTERVENTION.)

THE MESSAGE DELIVERED BY MR JAGIELSKI FROM MR KANIA TO PRESIDENT GISCARD CONTAINED A RENEWED INVITATION TO THE FRENCH PRESIDENT TO VISIT POLAND. NO NEW DATE HAD BEEN FIXED.

ECONOMIC

MR JAGIELSKI HAD PAINTED A VERY GLOOMY PICTURE OF POLAND'S ECONOMIC PROSPECTS. THE POLES APPEARED TO ATTACH IMPORTANCE TO THE SIGNATURE OF THE FIVE-YEAR AND 10-YEAR AGREEMENTS AS PUBLIC EVIDENCE THAT FRANCE WAS KEEN TO MAINTAIN BILATERAL CO-OPERATION. ON THE REQUEST FOR FINANCIAL CREDITS (PARAGRAPH 5 OF FIRST TUR) DUFOURCQ SAID THAT POLISH DEMANDS WERE EXCESSIVE. FRANCE INTENDED TO MAKE AN EFFORT, BUT IT WOULD FALL FAR SHORT OF POLISH HOPES.

CONFIDENTIAL

/ON

CONFIDENTIAL

ON POLISH DEBT, DUFOURCQ REVEALED TO PARTNERS THAT THE POLES HAD ACCEPTED IN PRINCIPLE THE IDEA OF MULTILATERAL CONSULTATION, PROVIDED IT WAS DISCREET. DUFOURCQ CONFIRMED THAT SUCH CONSULTATION WOULD TAKE PLACE, BUT DESPITE A NUMBER OF QUESTIONS DECLINED TO GO INTO DETAILS AND MADE NO MENTION OF ANY MEETINGS, WHILE NOTING THAT IT WOULD BE NECESSARY TO SEE HOW THE BURDEN COULD BE SHARED AMONG THE VARIOUS CREDITOR COUNTRIES.

3. IN ANSWER TO A QUESTION, DUFOURCQ SAID THAT MR JAGIELSKI HAD EXPRESSED SATISFACTION WITH THE WAY THE FRENCH GOVERNMENT HAD REACTED TO EVENTS IN POLAND. THE LATTER HAD GIVEN NO IMPRESSION THAT POLISH CONTACTS WITH THE WEST WERE CAUSING CONCERN TO THE RUSSIANS.

FCO PLEASE PASS SAVINGS TO ABOVE ADDRESSEES.

HIBBERT.

(REPEATED AS REQUESTED)

[COPIES SENT TO NO 10 DOWNING STREET]

POLAND SPECIAL STANDARD

EESD
CSCE UNIT
CONS D
NAD
SED
WED
ECD (E)
ESID
TRED
ERD
SEC D
OLA
CABINET OFFICE

COPIES TO

PS/S OF S)
MR DICK) DOT
MR POWNALL)

PS/CHANCELLOR)
SIR K COUZENS) TREASURY
MISS BAKER)

MR P J BULL BANK OF ENGLAND

MR COTTERILL ECGD

MR WOOLGAR D/EMPLOYMENT
CAXTON HOUSE TOTHILL STREET

2

CONFIDENTIAL

GRS 500

CONFIDENTIAL

CONFIDENTIAL

FM WARSAW 271530Z NOV

TO IMMEDIATE FCO

TELEGRAM NUMBER 485 OF 27 NOV

INFO ROUTINE MOSCOW PRAGUE SOFIA BUDAPEST BUCHAREST
EAST BERLIN BELGRADE UKDEL NATO WASHINGTON PARIS BONN
HELSINKI MODUK

MY TELNO 482: POLISH SITUATION

1. THE 2 DETAINED MEMBERS OF SOLIDARITY HAVE BEEN RELEASED ON THE PERSONAL SURETY OF BRATKOWSKI, THE NEW PRESIDENT OF THE JOURNALISTS UNION, ALTHOUGH THE CHARGES AGAINST THEM STILEQSTAND- THIS HAS ONCE AGAIN AVERTED THE PROSPECT OF AN EYEBALL TO EYEBALL CONFRONTATION BETWEEN THE AUTHORITIES AND THE NEW TRADES UNIONS. THE GOVERNMENT SEEMS WILLING TO FACE REPEATED HUMILIATION TO AVOID THIS AND THERE IS STILL NO ANSWER TO THE QUESTIONS HOW FAR THEY WILL BE PREPARED TO RETREAT, NOR HOW FAR SOLIDARITY WILL BE PREPARED TO PUSH. LINES WHICH WERE PREVIOUSLY ASSUMED TO BE UNCROSSABLE HAVE BEEN LEFT FAR BEHIND.

2. THE KEY TO THE GOVERNMENT'S DEGREE OF TOLERANCE MUST LIE WITH THE PARTY, WHOSE MUCH-POSTPONED 7TH CENTRAL COMMITTEE PLENUM HAS STILL NOT BEEN CONVENED. THE HEAD OF CHANCERY WAS TOLD YESTERDAY BY A MIDDLE-RANKING PARTY OFFICIAL THAT THE CENTRAL COMMITTEE WOULD NOT MEET UNTIL "THE DOCUMENTATION WAS COMPLETE"; A POSSIBLE REFERENCE TO THE POLITBURO'S REPORTED FAILURE TWICE TO AGREE ON THE TEXT OF KANIA'S KEYNOTE SPEECH. A FASHIONABLE LOCAL THEORY INTERPRETS THE RECENT ARREST OF NAROZNIAK AS A FURTHER DELIBERATE ATTEMPT BY THE "HARD-LINERS" TO OUTFLANK AND DISCREDIT THE "MODERATES". AS WITH THE EVENTS SURROUNDING THE REGISTRATION OF SOLIDARITY LAST MONTH, THIS SCHOOL OF THOUGHT BELIEVES THAT EXTREME ELEMENTS IN THE PARTY TOOK THE STEP OF ARRESTING NAROZNIAK IN ORDER TO PROVOKE KANIA INTO FIGHTING THE UNION. RBE CLIMPADOWN REPRESENTS KANIA'S SUCCESS IN STICKING TO A MODERATE COURSE. THE FAILURE TO CONVENE THE PLENUM HOWEVER MUST INDICATE THAT THE BALANCE WITHIN THE POLITBURO IS STILL VERY EVEN. AND THERE IS STILL NO COHERENCE AT ANY LEVEL IN THE PARTY (AND A LOT OF DISILLUSIONMENT IN THE LOWER RANKS). UNTIL THESE ARE REMEDIED, THE DRIFT REFERRED TO IN MY TELEGRAM 447 WILL CONTINUE.

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/3. MEANWHILE,

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3. MEANWHILE, SOLIDARITY'S CAPACITY TO PUSH IS INCREASING WITH EACH SUCCESSIVE VICTORY. NEITHER WE, THE GOVERNMENT, NOR, I SUSPECT, THE SOLIDARITY LEADERSHIP, CAN ASSESS THEIR CURRENT AIMS OR PREDICT THEIR FUTURE ACTIONS. IF AN EARLIER BBC REPORT THAT ONE OF SOLIDARITY'S DEMANDS WAS FOR A COMMISSION TO INVESTIGATE THE SECURITY SERVICES AND FOR A CUT IN THEIR BUDGET IS TRUE, THEY HAVE UNDOUBTEDLY MOVED FIRMLY INTO THE POLITICAL ARENA. BUT IN A SENSE THEY HAVE ALWAYS BEEN IN THE BUSINESS OF POLITICS SINCE THE SIGNING OF THE GDANSK AGREEMENT.

4. IN THESE MESSY CIRCUMSTANCES, THE FEAR OF SOVIET INTERVENTION OUGHT TO ACT AS A CONSTRAINT ON TRADE UNION IRRESPONSIBILITY AND A POTENTIAL NATIONAL UNIFYING FORCE. NOT ALL POLES HOWEVER ARE CONVINCED BY THE THREAT OF THE SOVIET BOGEY; AND SOME OF THOSE WHO ARE WOULD BE PREPARED TO CONTEMPLATE THE PROSPECT OF RESISTING. I SUSPECT THAT EVERY WEEK THAT PASSES WITHOUT DIRECT SOVIET ACTION CONVINCES MANY PEOPLE HERE THAT IT WILL NOT HAPPEN AT ALL. THIS IS DANGEROUS THINKING.

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Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

Agree, subject to finding
a suitable time on 9 Dec -
which will not be easy?
(Doubtful on 8 Dec)

26 November 1980

12.30 on 9 Dec.

Paul

Paul

David

Dear Michael,

The Polish Ambassador has asked whether it would be possible for Mr Henryk Kisiel, Deputy Prime Minister of Poland and Chairman of the State Planning Commission, to call on the Prime Minister on 8 or 9 December, when he will be in London for medical treatment.

Mr Kisiel, who is also a member of the Polish Central Committee, is the man with chief responsibility, after the Prime Minister, for economic matters. In his former position as Minister of Finance, he called on the Chancellor of the Exchequer in April this year and is also known to the Governor of the Bank of England.

The Foreign and Commonwealth Secretary considers that it would be useful if the Prime Minister could agree to receive Mr Kisiel for a short call. This would provide an opportunity for the Prime Minister to reinforce the line taken by Lord Carrington in Warsaw that we would consider Polish requests for economic assistance sympathetically and also to question Mr Kisiel on the policies which the Poles are now formulating to deal with their economic problems.

I am copying this letter to the Private Secretary to the Chancellor of the Exchequer and to Anthony Loehnis at the Bank of England, in case they should wish to comment.

Yours ever

Paul

(P Lever)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
London SW1

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FM WARSAW 211430Z NOV

TO IMMEDIATE FCO

TELEGRAM NUMBER 474 OF 21 NOV.

INFO ROUTINE MOSCOW PRAGUE SOFIA BUDAPEST BUCHAREST
EAST BERLIN BELGRADE UKDEL NATO WASHINGTON PARIS BONN
HELSINKI MODUK

MY TELNO 471: POLISH SITUATION

1. YESTERDAY'S MOST IMPORTANT EVENTS WERE A RAID ON THE WARSAW OFFICES OF SOLIDARNOSC AND INDUSTRIAL ACTION BY RAILWAY WORKERS.
2. YESTERDAY EVENING THE OFFICE OF THE WARSAW BRANCH OF SOLIDARNOSC WAS RAIDED BY THE MILICJA. THE MILICJA SAID THAT THEY WERE NOT DIRECTING THE RAID AGAINST THE UNIONS BUT WERE LOOKING FOR DISSIDENT MATERIAL. SOME DOCUMENTS WERE REMOVED. SOLIDARNOSC INTENDS TO MAKE A STATEMENT ABOUT THE RAID LATER TODAY. THE SOLIDARNOSC PRESS SPOESMAN IN WARSAW HAS MEANWHILE TOLD US THAT SOLIDARNOSC DO NOT CONSIDER THE RAID PARTICULARLY IMPORTANT AND THAT THEY WISH TO PLAY IT DOWN. FOR THIS REASON, THE STATEMENT WILL NOT BE DELIVERED TO A PRESS CONFERENCE THIS EVENING. THE INCIDENT WAS, HE SAID, NOT SERIOUS ENOUGH TO WARRANT A PRESS CONFERENCE.
3. THE RAILWAY BRANCH OF SOLIDARNOSC HAVE BEGUN WHAT IS DESCRIBED IN THE PARTY PRESS AS A "WARNING STRIKE". THE UNION CLAIMS THAT THE AGREEMENT BETWEEN GOVERNMENT AND RAILWAY WORKERS RECENTLY SIGNED IN WROCLAW IS NOT BEING IMPLEMENTED BY THE GOVERNMENT. SO FAR HOWEVER THE "STRIKE ACTION" HAS CONSISTED OF DECORATING TRAINS WITH FLAGS AND SLOGANS AND THE RAILWAYS HAVE BEEN WORKING NORMALLY. IT IS A BAD SIGN THAT THE GOVERNMENT IS NOT IMPLEMENTING SUCH AGREEMENTS, OR THAT THE UNION SHOULD CLAIM THAT IT IS NOT.
4. TODAY'S PRESS MAKES ONLY ONE FOCTHER BRIEF REFERENCE TO THE EVENTS AT CZESTOCHOWA REFERRED TO IN MY TUR. IT IS REPORTED THAT THE FIRST SECRETARY HAS RESIGNED AS CHAIRMAN OF THE PEOPLE'S COUNCIL: THE OTHER CHANGES HAVE NOT BEEN ANNOUNCED. IT IS NOT NECESSARILY NORMAL PRACTICE TO REPORT A CHANGE OF VOIVOD IN THE NATIONAL PRESS, BUT, WE CONTINUE TO BELIEVE THAT THE LEADERSHIP WILL TRY TO COVER UP THE SCALE OF EVENTS AT CZESTOCHOWA. WHILE THE GOVERNMENT IS EAGER TO MAKE PERSONNEL CHANGES AT LOCAL ADMINISTRATIVE LEVEL, AND HAS ALREADY DONE SO IN ABOUT 16 VOIVODSHIPS, IT WILL CLEARLY NOT WISH TO BE SEEN TO BE ACTING UNDER SUCH DIRECT PRESSURE FROM SOLIDARNOSC.

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5. THE GDYNIA BRANCH OF SOLIDARNOSC HAS ATTACKED THE APPOINTMENT OF STANISLAW KOCIOLEK AS FIRST SECRETARY IN WARSAW, DESCRIBING IT AS AN INSULT TO THOSE WHO DIED IN 1970. THIS IS A DIRECT CONTRADICTION OF KANIA'S DESCRIPTION OF KOCIOLEK, AT THE WARSAW PARTY MEETING ON 19 NOVEMBER, AS A MAN WHO HAD SINCERELY TRIED (BUT FAILED) TO SOLVE THE GDANSK PROBLEM IN 1970 BEFORE ITS ERUPTION.

6. ON THE FIRST DAY OF ITS CURRENT 2-DAY SITTING THE SEJM HEARD STATEMENTS FROM THE MINISTER OF AGRICULTURE AND DEPUTY PREMIER JAGIELSKI. SEVERAL SOURCES HAVE SUBSEQUENTLY TOLD US THAT A NUMBER OF MINISTERIAL CHANGES, INCLUDING THE DISMISSAL OF KLONICA, THE MINISTER OF AGRICULTURE, AND BARSZCZ, THE MINISTER OF HOUSING, AND THE APPOINTMENT OF OZDOWSKI (ZNAK) AS DEPUTY PREMIER, WILL BE MADE.

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TELEGRAM NUMBER 4573 OF 14 NOVEMBER 80.

AND TO PRIORITY WARSAW, MODUK, MOSCOW AND UK DEL NATO.

AND SAVING TO PARIS AND BONN.

POLAND : ECONOMIC ASSISTANCE.

1. YESTERDAYS WASHINGTON STAR AND TODAYS WASHINGTON POST AND NEW YORK TIMES REPORTED THAT POLAND HAS SECRETLY ASKED THE UNITED STATES FOR US DOLLARS 3 BILLION IN EMERGENCY ASSISTANCE. ACCORDING TO THE STAR, THE CARTER ADMINISTRATION, WHILE ANXIOUS TO HELP POLAND OUT OF ITS CURRENT LABOUR AND ECONOMIC PROBLEMS TO MINIMISE THE CHANCES OF SOVIET INVASION, IS UNWILLING TO CONSIDER APPROACHING THE LAME DUCK CONGRESS FOR A BIG AID PROGRAMME. IT IS HOWEVER "QUIETLY ARGUING" THE MERITS OF TWO OTHER OPTIONS, ONE WHICH COULD BE PURSUED BEFORE CARTER LEAVES OFFICE, AND ANOTHER WHICH WOULD HAVE TO AWAIT THE INCOMING ADMINISTRATION. AT THE SAME TIME IT IS URGING ITS EUROPEAN ALLIES TO IMPRESS FORCEFULLY ON MOSCOW THE ADVERSE EFFECT MILITARY INTERVENTION WOULD HAVE ON RELATIONS WITH THE WEST. STILL ACCORDING TO THE STAR, OPINIONS IN THE ADMINISTRATION ARE DIVIDED BETWEEN THOSE LIKE MUSKIE AND BRZEZINSKI WHO FAVOUR A "QUICK FIX APPROACH", INVOLVING A PACKAGE OF SHORT TERM RELIEF MEASURES AMOUNTING TO A FEW HUNDRED MILLION DOLLARS, AND OFFICIALS IN THE TREASURY AND AGRICULTURE DEPARTMENTS WHO WOULD PREFER THAT KANIA FIRST DEMONSTRATE THAT HE CAN CONVINCE THE POLISH WORKERS THAT HARD WORK AND AUSTERITY ARE NECESSARY AS PART OF A FUNDAMENTAL REFORM OF POLANDS ECONOMIC SYSTEM. ONLY THEN SHOULD THE U.S. AND ITS ALLIES WORK OUT SOME MEANS OF SENDING A TEAM OF OUTSIDE EXPERTS TO WARSAW TO RECOMMEND SUFFICIENT CHANGES IN ITS ECONOMIC STRUCTURE SO THAT WESTERN GOVERNMENTS AND BANKS WOULD ACCEPT A FORMAL RESCHEDULING OF POLISH HARD CURRENCY DEBT.

2. ACCORDING TO THE POST, ADMINISTRATION SOURCES THINK IT UNLIKELY THAT THE U.S. WOULD BE ABLE AT THIS STAGE OF TRANSITION TO MAKE A COMMITMENT ANYWHERE CLOSE TO THE SUM REQUESTED BY THE POLISH GOVERNMENT. BUT A HIGH WHITE HOUSE OFFICIAL SAID THAT "INCREMENTAL" U.S. AID WELL SHORT OF THE FIGURE REQUESTED IS UNDER ACTIVE CONSIDERATION AND MIGHT POSSIBLY BE APPROVED.

/ 3. THE NEW YORK

3. THE NEW YORK TIMES ALSO SAYS THAT MUSKIE HAS PROPOSED TO THE PRESIDENT THAT THE U.S. INCREASE TO ABOUT US DOLLARS 900 MILLION THE AMOUNT OF GRAIN THAT COULD BE SENT TO POLAND UNDER GOVERNMENT BACKED CREDITS.

FCO PASS SAVING PARIS AND BONN.

HENDERSON

[REPEATED AS REQUESTED]

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FM WARSAW 121545Z NOV

TO IMMEDIATE FCO

TELEGRAM NUMBER 451 OF 12 NOVEMBER.

INFO ROUTINE MOSCOW PRAGUE SOFIA BUDAPEST BUCHAREST EAST BERLIN
BELGRADE UKDEL NATO WASHINGTON PARIS BONN MODUK

MY TELNO 446 : POLISH SITUATION

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1. ON THE FACE OF IT THE GOVERNMENT HAVE AT THE LAST MINUTE AND AFTER WHAT MUST SEEM EMPTY THREATS, MADE A HUMILIATING RETREAT ON A POINT THEY HAVE BEEN CONTESTING FOR WEEKS. KANIA (LIKE GIEREK) SAID THAT THERE WERE SOME LIMITS WHICH COULD NOT BE CROSSED AND IMMEDIATELY CROSSED THEM. SOME PEOPLE THINK THAT THE GOVERNMENT WERE SIMPLY ACTING ON CHANGING ORDERS FROM MOSCOW: OTHERS THAT CONFLICTS WITHIN THE LEADERSHIP WERE RESPONSIBLE. AT ALL EVENTS WHILE THE IMMEDIATE DANGER IS AVERTED, THE RESULT WILL BE TO ENCOURAGE SOLIDARITY'S BELIEF THAT THEY ARE INVINCIBLE TO REMOVE MOST OF THE REMAINING SHREDS OF THE GOVERNMENTS CREDIBILITY.

2. ON SOLIDARITY THE MINISTER OF FOREIGN TRADE (KARSKI) WAS REVEALING IN A CONVERSATION WITH MR PARKINSON AT DINNER ON NOVEMBER 10TH. KARSKI IS ALSO RESPONSIBLE FOR DOCKS AND HAS BEEN HEAVILY INVOLVED IN TALKS WITH THE PORT WORKERS. HE DESCRIBED MANY OF THE STRIKE LEADERS AS YOUNG, DOCTRINAIRE, PATRIOTIC, AND EITHER OBLIVIOUS OF THE THREAT FROM THE EAST OR RECKLESS OF IT. MANY OF THEM ARE LONGING TO GET ON THE BARRICADES AND DISSAPPOINTED AT EACH SETTLEMENT. HE THOUGHT WALESA MIGHT NOT LAST MORE THAN A FEW MONTH. HE WAS AFRAID THAT WHEN FOOD SHORTAGES BECAME MORE ACUTE IN MID-WINTER THE PEOPLE MIGHT TAKE TO THE STREETS. I THOUGHT HIM DEEPLY PESSIMISTIC.

3. THESE IMPRESSIONS FROM KARSKI ARE CONFIRMED BY H OF C, WHO VISITED GDANSK FROM 9-11 NOVEMBER. HE FOUND THAT SOLIDARNOSC HAS EXTENSIVE SUPPORT THERE AS A WIDESPREAD POPULAR MOVEMENT. ITS MEMBERS ARE DETERMINED AND IN SOME CASES RECKLESS. WE HAVE HEARD RUMOURS THAT THE GDANSK ACTIVISTS WANTED TO STRIKE ANYWAY, DESPITE THE COURT DECISION. OBVIOUSLY, THEY ARE ELATED BY THE EVENTS OF MONDAY AND AT THE WARSAW OPERA HOUSE ON MONDAY EVENING, THE MOOD WAS ONE OF EXHILARATION AT A CABARET/CONCERT ORGANISED BY SOLIDARNOSC.

4. ON 11 NOVEMBER A MASS WAS HELD IN THE CATHEDRAL TO COMMEMORATE THE 62ND ANNIVERSARY OF POLISH INDEPENDENCE.

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THE SERMON, PREACHED TO A PACKED CATHEDRAL, CONFINED ITSELF TO GIVING A BRIEF HISTORY OF POLAND THROUGH THE PARTITION AND THROUGH THE 1ST WORLD WAR. IT STRESSED THAT ALL FUTURE ACTIONS WITHIN POLAND MUST BE FOR THE NATIONAL GOOD, NOT SIMPLY FOR THE GOOD OF PARTICULAR GROUPS. AFTER THE MASS THERE WAS A TORCH-LIGHT MARCH TO VICTORY SQUARE. MANY PEOPLE NOT TAKING PART IN THE MARCH LINED THE STREETS. WE ESTIMATE THAT UPWARDS

OF 5,000 PEOPLE MARCHED AND LINED THE STREETS, ALTHOUGH ONLY 3-4000 REACHED VICTORY SQUARE WHERE A WREATH WAS LAID. DURING THE MARCH HYMNS AND THE POLISH NATIONAL ANTHEM WERE SUNG. THE MARCH WAS NOT ORGANISED BY SOLIDARNOSC - INDEED THERE ARE RUMOURS THAT SOLIDARNOSC HAD PLANNED A COUNTER MARCH BUT THIS DID NOT TAKE PLACE. ZIEMBINSKI (ROPCO KPN) WAS RECOGNISED AS ONE OF THE WREATH BEARERS AND IT SEEMS LIKELY THAT RIGHT-WING DISSIDENTS ORGANISED THE MARCH. THERE WAS NO NOTICEABLE POLICE PRESENCE AT THE MARCH AND NO VIOLENT INCIDENTS.

5. A FURTHER CONFRONTATION IN WEEKS OR MONTHS IS LIKELY, IN THE MEANTIME , THE PARTY MAY UNDERGO FURTHER PERSONNEL CHANGES.

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TELEGRAM NUMBER 436 OF 7 NOV

AND TO IMMEDIATE MOSCOW PRAGUE SOFIA BUDAPEST BUCHAREST
EAST BERLIN BELGRADE UKDEL NATO WASHINGTON PARIS
DANN MODUK

POLISH INTERNAL SITUATION

1. NOW THAT THE CRUNCH APPROACHES, WITH THE SUPREME COURT DECISION DUE ON MONDAY, EVERYBODY IS GETTING GLOOMY AGAIN.

2. SPEECHES BY KANIA AND OLSZOWSKI ON NOVEMBER 5 BOTH TOOK A FIRM LINE. KANIA IN KRAKOW (MY TELNO 435) MADE THE POINT FIRMLY THAT THERE WAS NO REASON FOR SOLIDARNOSC NOT TO RECOGNISE THE LEADING ROLE OF THE PARTY, AND MADE A STRONG ATTACK ON ANTI-SOCIALIST ELEMENTS WHO THREATENED POLAND'S ALLIANCES. KANIA ALSO MET REPRESENTATIVES OF SOLIDARNOSC IN KRAKOW. OLSZOWSKI ALSO ATTACKED ANTI-SOCIALIST ELEMENTS IN SOLIDARNOSC AND LAID PERHAPS UNDUE EMPHASIS ON THE BOUNTY OF THE SOVIET UNION. FURTHERMORE, HE DID NOT MAKE THE GESTURE OF MEETING SOLIDARNOSC REPRESENTATIVES IN GDANSK.

3. NO-ONE CAN BE CERTAIN WHAT THE SUPREME COURT WILL DO, BUT BOTH SIDES APPEAR TO BE PREPARING THEMSELVES FOR A CONFRONTATION. IF THIS HAPPENS

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THEMSELVES FOR A CONFRONTATION. IF THIS HAPPENS,
THE UNIONS ARE READY TO STRIKE FROM 12 NOVEMBER,
EITHER OF A SELECTIVE, ROTATIONAL BASIS BY
ESCALATING GRADUALLY FROM A SELECTIVE TO A GENERAL
STRIKE. ONE STORY IS THAT THE WARSAW STRIKE-PLANS
ENVISAGE A GENERAL STRIKE FROM 12 NOVEMBER OF ALL
BUT ESSENTIAL SERVICES, CONTINUING UNTIL THE GOVERNMENT
CONCEDES THE UNION'S DEMANDS.

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TELEGRAM NUMBER 431 OF 5 NOV

AND TO ROUTINE MOSCOW PRAGUE SOFIA BUDAPEST BUCHAREST
EAST BERLIN BELGRADE UKDEL NATO WASHINGTON BONN PARIS

POLISH SITUATION

1. THE PARTY PRESS HAS ONLY TODAY ANNOUNCED THAT SOLIDARNOSC INTENDS TO APPEAL TO THE SUPREME COURT. THE HEARING WILL BE ON FRIDAY (7NOVEMBER).
2. YESTERDAY'S MEETING OF THE POLITBURO IS SUPPOSED TO HAVE CONCENTRATED ON A REVIEW OF KANIA AND PINKOWSKI'S VISIT TO MOSCOW, ALTHOUGH ONLY AN ANODYNE REPORT HAS APPEARED IN THE PRESS. THE MEETING WAS FOLLOWED BY PRESS CONFERENCES BY BARCIKOWSKI AND BY BARECKI, GOVERNMENT PRESS SPOKESMEN. THE LATTER ANNOUNCED THAT IF SOLIDARNOSC ASKED PERMISSION TO PUBLISH A PERIODICAL, IT WOULD BE GRANTED.
3. THE MEETING BETWEEN PINKOWSKI AND WALESA LAST FRIDAY, HAS CONSIDERABLY REDUCED THE TENSION HERE. IT SEEMS TO US THAT WE ARE IN A LULL WHICH FRIDAY'S DECISION WILL END. WHILST MOST POLES ARE UNDOUBTEDLY HOPING FOR A COMPROMISE, IT IS DISTURBING THAT THE PRESS COVERAGE OF THE WALESA/PINKOWSKI MEETING WAS UNUSUALLY ONE-SIDED. WALESA'S STATEMENT REAFFIRMING THE STRIKE THREAT WAS NOT REPORTED AND THE TENOR OF THE REPORTING SUGGESTED THAT THE ONLY REASON THAT THE MEETING HAD NOT PRODUCED A COMMUNIQUE WAS THAT THE 2 SIDES WERE TOO TIRED. TO SOME EXTENT THIS IS BORNE OUT BY A MEMBER OF THE GOVT TEAM WHO WAS PRESENT. YET ONE WOULD HAVE EXPECTED IN THAT CASE A FURTHER MEETING.
4. WE ARE INCLINED TO THINK THAT THE CONCESSION OF A PERIODICAL FOR SOLIDARNOSC SHOWS THAT THE GOVERNMENT ARE NEVERTHELESS IN A CONCILIATORY MOOD. BUT THIS DOES NOT SIT WELL WITH THE ATTACKS BEING MADE ON WALESA IN PRAGUE AND EAST BERLIN. IT APPEARS THAT THE VISIT TO MOSCOW HAS EARNED THE POLISH LEADERSHIP A GRACE PERIOD IN WHICH TO ACHIEVE A COMPROMISE WITH THE WALESA LED UNION MODERATES. THE ROMANIAN COUNSELLOR TOLD A MEMBER OF CHANCERY

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YESTERDAY THAT HE BELIEVED KANIA AND PINKOWSKI
HAD RETURNED "MORE CONFIDENT" FROM MOSCOW.
AT THE SAME TIME HE DESCRIBED THE EAST GERMAN
AND CZECHOSLOVAK PRESS CAMPAIGNS AS AN EXERCISE
BY MOSCOW IN KEEPING OTHER, HARDER, OPTIONS OPEN.

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INFO IMMEDIATE MOSCOW, ROUTINE E BERLIN, BUDAPEST, BUCHAREST, SOFIA, BELGRADE, PRAGUE, UKDEL NATO

FOLLOWING FOR NEWS DEPARTMENT FROM FENN

FOLLOWING IS EDITED TRANSCRIPT OF SECRETARY OF STATES INTERVIEW IN WARSAW WITH BBC RADIO (TIM SEBASTIAN) :

SITUATION IN POLAND.

Q: LORD CARRINGTON, YOU SAID YOURSELF THAT YOU HAD COME TO POLAND AT A DIFFICULT TIME, HOW MUCH DID THE POLES TELL YOU ABOUT THEIR DIFFICULTIES?

A: THE POLES HAVE NOT IN ANY WAY SOUGHT TO CONCEAL THE DIFFICULTIES OF THE SITUATION AND IN PARTICULAR THE GRAVITY OF THE OF THE ECONOMIC POSITION. THERE HAS BEEN NO ATTEMPT WHATSOEVER TO MINIMISE THOSE DIFFICULTIES.

OF THE ECONOMIC POSITION. THERE HAS BEEN NO ATTEMPT
WHATEVER TO MINIMISE THOSE DIFFICULTIES.

AT THE SAME TIME I THINK ITS FAIRLY CLEAR THAT THE
POLES FEEL ITS THEIR BUSINESS AND NOT ANYBODY ELSE'S,
AND I SHARE THEIR VIEW.

Q: DID THEY DESCRIBE THIS THEN AS AN ECONOMIC RATHER THAN
APOLITICAL OR SOCIAL CRISIS?

A: BOTH ECONOMIC AND POLITICAL, AND I THINK THAT IS
ACKNOWLEDGED VERY WIDELY THROUGHOUT POLAND.

Q: YOU SAID IN YOUR STATEMENT LAST NIGHT THAT YOU DIDNT
WANT TO INTERFERE IN THE INTERNAL AFFAIRS OF POLAND AND YOU
SAW NO REASON WHY ANYBODY ELSE SHOULD INTERFERE. WAS
THAT A RATHER POINTED COMMENT DIRECTED AT ANYONE
IN PARTICULAR.

A: NO, I THOUGHT IT WAS GOOD SENSE. WE CERTAINLY HAVENT
ANY INTENTION OF INTERFERING AND I HOPE NOBODY ELSE HAS.

Q: DO YOU THINK ANYBODY ELSE HAS?

A: I DONT THINK AT THE MOMENT ANYBODY ELSE HAS, NO.

BRITISH ASSISTANCE TO POLAND

Q: CAN YOU TELL ME WHAT THE POLES WERE LOOKING FOR
IN TERMS OF ECONOMIC ASSISTANCE FROM BRITAIN?

-A: I WOULDNT LIKE TO SAY SPECIFICALLY BECAUSE WE ARE
CONSIDERING THEIR REQUEST AT THE MOMENT AND THEY ARE
CONFIDENTIAL, BUT THEY DO HAVE A LONG TERM DEBT PROBLEM,
AND SOME FINANCING DIFFICULTIES OVER THE NEXT YEAR OR SO,
AND THEY WANT TO SEE IF THERE IS ANYTHING WE CAN DO
TO EASE THEIR BURDEN. I THINK ITS VERY MUCH IN THE INTEREST
OF THE WEST GENERALLY IF WE HELP POLAND OVER THIS DIFFICULT
TIME. THE COLLAPSE OF POLAND WOULD BE TO NOBODY'S ADVANTAGE.

Q: WERE THEY LOOKING FOR ANYTHING IN PARTICULAR,
ANY PARTICULAR CREDITS?

A: NO, I WOULDNT LIKE TO GO INTO THAT.

POSSIBLE VISIT BY PRIME MINISTER

Q: DO YOU THINK THERE IS ANY POSSIBILITY THAT YOUR VISIT COULD LEAD TO A VISIT BY MRS THATCHER?

A: I DON'T THINK MRS THATCHER WOULD COME WITHIN THE NEXT FEW MONTHS OR SO BECAUSE I KNOW SHE IS VERY BUSY AND SHE HAS GOT SOME OTHER VISITS PLANNED. BUT I HAVE NO DOUBT THAT MRS THATCHER WOULD LIKE TO COME TO POLAND ONE DAY. IF SHE IS ANYTHING LIKE ME SHE WOULD LIKE TO, BECAUSE I HAVE HAD AN EXTREMELY INTERESTING AND I THINK WORTHWHILE TIME HERE. IT SO HAPPENS THAT THE PRESIDENT WAS MINISTER OF EDUCATION IN POLAND WHEN THE PRIME MINISTER WAS SECRETARY OF STATE FOR EDUCATION, SO THEY KNOW EACH OTHER, SO THERE WILL BE AN ADDED LINK.

Q: IS THE VISIT THEN STILL ON THE CARDS?

A: THERE'S NOTHING ARRANGED.

Q: THE POLES, I UNDERSTAND, HAVE KEPT OPEN THE INVITATION.

A: YES INDEED, THE PRIME MINISTER, MR PINKOWSKI ACTUALLY MENTIONED IT TO ME YESTERDAY AND I SAID I WOULD CONVEY HIS INVITATION TO THE PRIME MINISTER.

BRITISH EAST EUROPEAN POLICY

Q: POLISH OFFICIALS HAVE SAID IN THE PAST THEY DIDN'T THINK BRITAIN HAD AN EAST EUROPEAN POLICY. HAVE YOU BEEN ABLE TO CORRECT THAT VIEW?

A: I SUPPOSE IN A WAY THAT WAS VERY NEARLY TRUE. FOR A LONG TIME I THINK WE WERE CONCENTRATING FOR REASONS WHICH I UNDERSTAND BUT DON'T ALTOGETHER APPLAUD, ALMOST ENTIRELY ON AFRICA, AND I THINK WE PAID FAR TOO LITTLE ATTENTION TO THE POLITICS OF EASTERN EUROPE AND EVEN THE TRADE OPPORTUNITIES THAT ARE HERE IN EASTERN EUROPE. I WAS DETERMINED TO DO SOMETHING ABOUT EASTERN EUROPE, I HAVE ALREADY BEEN TO ROMANIA AND HUNGARY AND OTHER MINISTERS IN THE FOREIGN OFFICE ARE GOING TO GO TO EAST GERMANY AND CZECHOSLOVAKIA. I THINK THIS IS THE BEGINNING OF A PUSH. I THINK IT'S USEFUL BOTH BECAUSE OF THE OPPORTUNITIES FOR TRADE, AND IN THE POLITICAL SENSE.

Q: IS POLAND GOING TO BE A HIGH PRIORITY IN BRITAIN'S EAST EUROPEAN POLICY?

Q: IS POLAND GOING TO BE A HIGH PRIORITY IN BRITAIN'S EAST EUROPEAN POLICY?

A: I SUPPOSE MY UNDERLYING CRITICISM OF BRITISH POLICY IN EASTERN EUROPE DOESN'T APPLY ANYTHING LIKE SO MUCH TO POLAND AS TO THE OTHER COUNTRIES BECAUSE WE ALWAYS DID QUITE A LOT OF TRADE WITH POLAND AND THEREFORE THERE ALWAYS WAS QUITE A FLOW OF VISITS AND MINISTERIAL CONNECTIONS BETWEEN THE TWO COUNTRIES. THERE IS ALWAYS BEEN A CLOSE ASSOCIATION BETWEEN OUR TWO COUNTRIES BECAUSE OF THE WAR AND A VERY LARGE NUMBER OF POLES ARE NOW IN ENGLAND. THERE IS A VERY BIG TRAFFIC OF VISITS AND INTERCHANGE BETWEEN BRITAIN AND POLAND.

Q: THERE IS SOME CONCERN THOUGH THAT BRITAIN'S NAME IS BEING LEFT OFF THE LIST OF COUNTRIES THAT POLAND WANTED BETTER RELATIONS WITH.

A: I WOULDN'T HAVE THOUGHT SO NO. I THINK THAT THEY MAY HAVE FELT THAT WE HAD NOT IN COMMERCIAL TERMS BEEN AS AGGRESSIVE AND PERHAPS AS SUCCESSFUL AS SOME OF OUR COMPETITORS, AND MAY BE THAT'S RIGHT, BUT I HOPE WE ARE NOW GOING TO PUT THAT RIGHT.

INFORMATION TO COLLEAGUES.

Q: WILL YOU NOW BE REPORTING ON THE INTERNAL SITUATION IN POLAND TO THE WESTERN ALLIANCE?

A: YES . IT SO HAPPENS THERE IS A MEETING OF THE POLITICAL COOPERATION OF THE NINE, (PROBABLY TEN BECAUSE I THINK THE GREEK FOREIGN MINISTER WILL BE THERE) ON TUESDAY, SO IT WILL GIVE ME AN OPPORTUNITY TO REPORT ON THIS VISIT TO MY COLLEAGUES IN THE EUROPEAN COMMUNITY.

Q: WILL YOU BE GIVING THEM AN OPTIMISTIC OR A PESSIMISTIC MESSAGE.

A: I THINK A FACTUAL MESSAGE OF WHAT I HAVE SEEN HERE.

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TO IMMEDIATE FCO
TELEGRAM NUMBER 406 OF 30 OCTOBER.

INFO PRIORITY WASHINGTON, PARIS, BONN, MOSCOW, LUXEMBOURG,
UK DEL NATO, BUDAPEST.

SECRETARY OF STATE'S MEETING WITH POLISH PRIME MINISTER

FOLLOWING FROM PRIVATE SECRETARY

1. MR PINKOWSKI WELCOMED LORD CARRINGTON AS THE FIRST WESTERN FOREIGN MINISTER TO VISIT POLAND SINCE HER RECENT TROUBLES. THE POLES WERE CONVINCED THAT THERE WERE SUFFICIENT POSITIVE FORCES IN THE COUNTRY TO HELP OVERCOME THEIR PROBLEMS, AND TO CONTINUE THE DEVELOPMENT OF PEOPLE'S POLAND. THE ACCOMPLISHMENTS OF SOCIALISM SHOULD NOT BE UNDERMINED. RELATIONS BETWEEN POLAND AND BRITAIN HAD BEEN TRADITIONALLY BROAD. HE WOULD LIKE TO MAINTAIN AND DEVELOP THESE. THE GROWTH OF ANGLO/POLISH TRADE WAS LESS DYNAMIC THAN WITH GERMANY AND FRANCE, BUT THERE WERE POSSIBILITIES TO GIVE IT GREATER IMPETUS.

2. RECENT EVENTS IN POLAND HAD LED TO A DECREASE IN EXPORTS AND A CUT IN INVESTMENT. BUT THESE WERE TRANSIENT PHENOMENA. POLAND WAS RICH IN NATURAL RESOURCES (COAL, LIGNITE, COPPER, ZINC, LEAD AND SULPHUR) AND HAD GREAT INDUSTRIAL POTENTIAL, WHICH NEEDED TO BE USED TO BETTER EFFECT. THEY ALSO HAD A HIGHLY EDUCATED WORKFORCE. THERE HAD BEEN MISTAKES IN ECONOMIC POLICY IN RECENT YEARS, WHICH HAD CAUSED DISSENT AMONGST THE PEOPLE. THE BASIC AIM OF CURRENT ECONOMIC REFORMS WAS TO INCREASE SELF-MANAGEMENT, AND TO USE INCENTIVES TO STIMULATE THE ECONOMY. THE GOVERNMENT WISHED TO TRANSFORM THE ECONOMIC STRUCTURE TO ACCELERATE AGRICULTURAL AND FOOD PRODUCTION, USING INDIVIDUAL, COOPERATIVE AND STATE FARMS. THERE WOULD BE A SLOW-DOWN OF CAPITAL INTENSIVE INVESTMENT, AND AN INCREASE IN EXPORT INDUSTRIES.

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3. ALL THIS WAS USEFUL GROUND FOR COOPERATION WITH THE NEW UNIONS, OF WHICH THERE WERE NOW A MULTITUDE WITH DIFFERENT ATTITUDES. AS A WHOLE, HOWEVER, THEY WERE FOR A SOCIALIST POLAND. IN DRAWING UP THEIR STATUTES, HOWEVER, THEY HAD ADDED REMARKS WHICH WERE STILL THE SUBJECT OF NEGOTIATION. THE GOVERNMENT'S AIM WAS TO DEEPEN THE SELF-GOVERNMENT OF TRADE UNIONS AND INCREASE THEIR PARTICIPATION IN THE SOLUTION OF PROBLEMS, AND NOT ONLY IN DISCUSSING SALARIES. THE PRESENT DIFFICULTIES WOULD BE OVERCOME, PROVIDED THAT ALL THE NEW ORGANISATIONS TOOK A STAND ON THE SOCIALIST SYSTEM.

4. BY MAKING BETTER USE OF HER POTENTIAL, POLAND WOULD BE AN ATTRACTIVE COMMERCIAL PARTNER FOR BRITAIN. IT WAS NO SECRET THAT POLAND HAD FINANCIAL TROUBLES. HE WAS THEREFORE GRATEFUL FOR THE FOREIGN RESPONSE TO HER PROBLEMS ON CREDIT. POLAND WOULD LIKE TO MAINTAIN AND INCREASE EXPORTS, NOTABLY CHEMICALS FOOTWEAR AND TEXTILES, AND HOPED THAT BRITAIN COULD ELIMINATE RESTRICTIONS WHICH EXISTED ON 40% OF POLISH PRODUCTS. WITHIN TWO YEARS REPAYMENT OF MUCH OF POLAND'S ACCUMULATED DEBT WOULD FALL DUE. SHE WOULD DO HER UTMOST TO PAY OFF HER CREDITS, AND SHOW HERSELF AS A RELIABLE ECONOMIC PARTNER. PRESENT CIRCUMSTANCES WERE THE RESULT OF STRIKES AND DISTURBANCES. THE TURN OF THE YEAR WOULD BE DIFFICULT FOR POLAND. IF CREDIT REPAYMENTS COULD BE PARTIALLY RESCHEDULED, THIS WOULD GIVE POLAND AN ADVANTAGE BY INCREASING HER EXPORTS TO UK AND OTHER COUNTRIES. POLAND WAS ALSO FACED WITH THE NEED TO IMPORT RAW MATERIALS IN LARGE QUANTITIES. THIS WOULD BE MADE MORE DIFFICULT IF RESOURCES HAD TO BE EARMARKED FOR THE REPAYMENT OF CREDITS. IN THE FUTURE, HE HOPED TO EXTEND CONTACTS WITH THE UK, AND HOPED THAT THE ECONOMIC COOPERATION AGREEMENT WHICH EXPIRE NEXT YEAR COULD BE ANALYSED FROM THE POINT OF VIEW HE HAD DESCRIBED.

5. LORD CARRINGTON SAID THAT THERE WAS UNDERSTANDING AND SYMPATHY IN BRITAIN FOR POLISH DIFFICULTIES. WE WOULD LOOK AT POLISH FINANCIAL REQUESTS SYMPATHETICALLY AND DO OUR BEST TO HELP. IT WAS TO BOTH OUR ADVANTAGE THAT THE POLISH ECONOMY SHOULD BE STRONG AGAIN. WE HAD CLOSER ECONOMIC AND OTHER TIES WITH THE POLES

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THAN WITH OTHER EASTERN EUROPEAN COUNTRIES. THIS WAS A DIFFICULT MOMENT FOR POLAND. HE WOULD NO DOUBT BE ASKED BY HIS COLLEAGUES IN THE NINE AT THEIR MEETING ON 4 NOVEMBER FOR HIS IMPRESSIONS. HOW DID THE POLES PLAN TO FULFIL THE ECONOMIC EXPECTATIONS ARISING FROM THE GGANSK AGREEMENTS AT A TIME OF FOOD SHORTAGES; AND WHAT WAS THE LIKELY TIMESCALE OF ANY AGREEMENTS BETWEEN THE POLISH GOVERNMENT AND TRADE UNIONS? IT WAS THE VIEW OF THE BRITISH AND OF OTHER EUROPEAN COUNTRIES THAT WHAT HAPPENED IN POLAND WAS A MATTER FOR THE POLES AND NOT FOR US. THERE WAS NO SUGGESTION OF OUR TAKING SIDES, OR OF ADOPTING ANY ATTITUDE WHICH MIGHT EMBARRASS POLAND. SOME UK PRESS COMMENTATORS SPECULATED, BUT THIS DID NOT REPRESENT THE POLICY OF THE BRITISH GOVERNMENT, WHICH HAD NO CONTROL OVER THE PRESS.

6. MR PINKOWSKI EXPRESSED APPRECIATION OF BRITISH RESTRAINT. THIS WAS ESPECIALLY WELCOME BECAUSE, GIVEN THE POLISH SPIRIT, IT WAS DIFFICULT TO PREDICT THE COURSE OF EVENTS. FEW NATIONS WERE AS ATTACHED TO THEIR HOMELAND AS THE POLES. THIS HAD BEEN SO THROUGHOUT POLISH HISTORY. AS REGARDS THE EEC, POLAND WAS INTERESTED IN COOPERATION WITH AND ASSISTANCE FROM COMMUNITY MEMBERS, ON A BILATERAL BASIS. HER ECONOMY WAS SLOWLY BUT STEADILY RETURNING TO NORMAL. THERE HAD BEEN NO RECENT STRIKES, AND ECONOMIC OUTPUT, WHICH HAD BEEN 10% DOWN IN AUGUST, AND 7% DOWN IN SEPTEMBER, WAS NOW ONLY 3% BELOW LAST YEAR'S LEVEL. THERE WAS A CLEAR TENDENCY TO IMPROVEMENT. A DRAFT PLAN FOR ECONOMIC DEVELOPMENT HAD ALREADY BEEN PRESENTED TO PARLIAMENT, ALLOWING FOR AN INCREASE IN THE PLANNED INDUSTRIAL PRODUCTION FROM 3.5 TO 4%.

7. INCOMES NEXT YEAR WOULD RISE BY 12%, AND THIS WOULD BE DIFFICULT TO DEAL WITH. ONE OPTION WAS TO LIMIT THE GROWTH OF INVESTMENT BY ONE-FIFTH, SO THAT RESOURCES COULD BE PUT INTO CONSUMER PRODUCTION. SPECIAL PREFERENCES WOULD BE IMPLEMENTED FOR EXPORT PRODUCTION. OF A CURRENT INDUSTRIAL PRODUCTION OF 300 BILLION ZLOTY, IT WAS HOPED TO SHIFT 90 BILLION ZLOTY WITHIN A YEAR TO CONSUMPTION AND EXPORTS. AUSTERITY MEASURES WOULD SAVE 30 BILLION ZLOTY, AND PEOPLE WOULD BE ENCOURAGED TO SAVE BY BETTER INTEREST RATES.

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8. THE POLES HAD HAD A PARTICULARLY DISASTROUS YEAR IN AGRICULTURE. POTATOES, A STAPLE CROP, HAD DONE WORSE THAN AT ANY TIME IN THE LAST TWENTY YEARS. THERE HAD BEEN HIGH IMPORTS OF GRAIN AND FODDER, NOTABLY FROM THE US AND SOVIET UNION AS A RESULT. MEAT AND FATS WOULD BE RATIONED, AND FARMERS GIVEN PRODUCTION INCENTIVES.

9. THE GOVERNMENT WANTED THE FULL IMPLEMENTATION OF THE AGREEMENTS WITH THE TRADE UNIONS. HE BELIEVED THAT THERE WOULD BE NO PROBLEM IF BOTH SIDES SHOWED GOODWILL AND KEPT THEIR PROMISES. THE NEW TRADE UNIONS WERE YOUNG, AND WOULD SHAKE DOWN INTO REGULAR INSTITUTIONS, AND COOPERATE WITH THE GOVERNMENT. THE ONLY PRE-CONDITION WAS THAT THE UNIONS SHOULD SUPPORT A PEOPLE'S POLAND. POLAND WAS A STABLE ELEMENT IN THE EUROPEAN ORDER ESPECIALLY AS A RESULT OF THE SECOND WORLD WAR. NO SERIOUS PERSON COULD THINK OF CHANGES IN THIS AREA. POLAND FAVOURED CONTINUED DIALOGUE AND COOPERATION, AND HOPED THAT THE MADRID MEETING WOULD BE HELD IN A NON-CONFRONTATIONAL ATMOSPHERE, AND BRING GOOD RESULTS.

10. LORD CARRINGTON ASKED WHETHER THE GOVERNMENT'S AUSTERITY PLANS AND THE LACK OF FOOD COULD CAUSE POLITICAL PROBLEMS THIS WINTER. PINKOWSKI SAID THAT THE POLISH PEOPLE WANTED A RATIONING SYSTEM, WHICH WAS INCLUDED IN THE AGREEMENTS.

11. MR PINKOWSKI SAID THAT THE BRITISH PRIME MINISTER OWED THE POLES A RETURN VISIT. LORD CARRINGTON SAID THAT HE WOULD PASS THIS ON TO MRS THATCHER, WHO SENT HER GREETINGS TO MR PINKOWSKI.

12. THE SECRETARY OF STATE WOULD LIKE THE DETAILS OF THIS CONVERSATION KEPT FOR THE BACKGROUND INFORMATION OF ADDRESSEES AT THIS STAGE.

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SECRETARY OF STATE'S TALK WITH KANIA

FOLLOWING FROM PRIVATE SECRETARY

1. IN HIS WELCOMING REMARKS, KANIA EMPHASISED THE NEED FOR A STABLE POLAND. HE ALSO SAID THAT HE WOULD BE GOING TO MOSCOW THE NEXT DAY (THURSDAY 30 OCTOBER) WITH PINKOWSKI. LORD CARRINGTON SAID THAT THE BRITISH GOVERNMENT WERE WELL AWARE OF THE DIFFICULTIES FACED BY THE POLES, AND WERE AS ANXIOUS AS THEY WERE TO SEE IMPROVED RELATIONS AND CLOSER CONTACTS. AS THE FIRST WESTERN FOREIGN MINISTER TO VISIT POLAND SINCE AUGUST, HIS COLLEAGUES IN THE NINE WOULD NO DOUBT ASK HIM FOR HIS IMPRESSIONS WHEN HE MET THEM SHORTLY. AS FOR THE BRITISH GOVERNMENT'S ATTITUDE, HE HIMSELF HAD SAID IN SWEADEN IN AUGUST THAT WHAT HAPPENED IN POLAND WAS THE BUSINESS OF THE POLES, AND NO-ONE ELSE. WE WOULD NOT SEEK TO INTERFERE, OR DO OR SAY ANYTHING WHICH COULD MAKE THE PROBLEM MORE DIFFICULT. IT WAS IN OUR INTERESTS, AS WELL AS THOSE OF THE POLES THEMSELVES, THAT A HAPPY SOLUTION SHOULD BE REACHED, AND THAT POLAND SHOULD GET BACK ON THE PATH OF PROGRESS.

2. KANIA SAID THAT HE WAS NOT SURPRISED AT INTEREST BEING SHOWN IN EVENTS IN POLAND, WHICH HAD ALWAYS BEEN CRUCIAL FOR SECURITY IN EUROPE. HIS FORECAST FOR POLAND WAS OPTIMISTIC. HE HAD GIVEN AN OPEN ASSESSMENT OF POLISH DIFFICULTIES AT THE CENTRAL COMMITTEE MEETING. THE CONFLICT IN AUGUST HAD NOT BEEN AIMED AT THE BASIS OF THE POLISH POLITICAL SYSTEM, BUT AT MISTAKES AND ABUSES IN ECONOMIC POLICIES, AND IN THE ORGANISATION OF SOCIAL LIFE. THESE MISTAKES HAD BEEN NAMED, AS WELL AS THOSE RESPONSIBLE. WAYS OF EMERGING FROM THE DIFFICULTIES HAD ALSO BEEN OUTLINED. IT HAD BEEN RECOGNISED AT AN EARLY STAGE THAT THE CRISIS COULD ONLY BE SOLVED BY POLITICAL MEANS. THERE MUST BE A DEMOCRATISATION OF POLISH LIFE IN A VERY EXTENSIVE WAY. THIS WOULD BE CONDUCTIVE TO MORE INITIATIVE, AND GREATER PUBLIC RESPONSIBILITY. THE DIRECTION THE COUNTRY WOULD TAKE WOULD BE THAT OF THE PERFECTING OF SOCIALISM. THEY HAD THE SUPPORT OF THEIR ALLIES FOR SUCH POLICIES.

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3. THE CONFLICTS IN AUGUST HAD LEFT A RESIDUE: EG A CONVICTION THAT MORE COULD BE SHARED OUT THAN WAS PRODUCED. PATIENCE WOULD BE NEEDED TO CURE THIS, AND THE POLES HAD PATIENCE. BUT THERE WERE ALSO PEOPLE IN POLAND WHO WERE THINKING OF DE-STABILISING AND DISMANTLING THE SOCIALIST SYSTEM. THEIR CONCERN WAS NOT TO SOLVE, BUT TO TAKE ADVANTAGE OF PROBLEMS. THE GOVERNMENT TOOK A CALM ATTITUDE TO THIS PHENOMENON. SOONER OR LATER LIFE WOULD SHOW WHO WAS RIGHT. SUCH PEOPLE HAD NO CHANCE OF PREVAILING. WHEN ONE LOOKED AT THE PAST, HOWEVER, HE COULD SEE THAT SOME PEOPLE MIGHT DRAW DIFFERENT CONCLUSIONS.

4. AS A RESULT OF THE NEW STRUCTURE, THERE WERE NOW TWO (OR WAS IT THREE - HE HAD LOST COUNT) KINDS OF TRADE UNIONS. EMOTIONS WERE AROUSED BECAUSE OF A LACK OF EXPERIENCE. SOCIAL DEMAGOGY WAS ALSO IN FASHION. SOME PEOPLE WANTED TO DIRECT THE ENERGY OF THE UNIONS TO NON-CONSTRUCTIVE, OR EVEN DESTRUCTIVE, AREAS. THE GOVERNMENT WOULD ENSURE THAT THE DEVELOPMENT OF THE UNIONS WAS NOT AGAINST SOCIALISM. THERE WERE SOME HIGH SPIRITS, BUT HIS OWN PERSONAL CONTACTS, WHICH INCLUDED WORKERS AND A GROUP OF TRADE UNION LEADERS IN SZCZECIN WERE ENCOURAGING: THEY HAD CONSTRUCTIVE APPROACH.

5. THE ECONOMIC SITUATION WAS HOWEVER VERY DIFFICULT. THERE WERE SHORTAGES OF CONSUMER GOODS, AND A VERY UNFAVOURABLE SITUATION IN AGRICULTURE, EXPECIALLY POTATOES AND FODDER WHICH WAS TWENTY MILLION TONS LOWER THAN LAST YEAR'S FIFTY MILLION TONS. POLAND'S PRODUCTIVE POTENTIAL WAS NOT PROPERLY UTILISED, AND THERE WERE BALANCE OF PAYMENTS DIFFICULTIES. THE MAIN HOPE WAS TO USE THE COUNTRY'S POTENTIAL FOR MODERNISATION. THEY HAD THE RESOURCES FOR THIS.

6. THE GOVERNMENT WAS CURRENTLY THINKING OVER DIFFERENT PROPOSALS, BUT HAD NO SOLUTIONS YET. THEY HAD TO LOOK FOR WAYS TO PROMOTE DEVELOPMENT AND BREED OPPORTUNITIES TO COPE WITH BALANCE OF PAYMENTS PROBLEMS AND MAINTAIN POLAND AS AN ECONOMIC PARTNER FOR OTHER COUNTRIES, AND THE ABILITY TO PURCHASE TECHNOLOGY. EXPORTS MUST ALSO BE ENCOURAGED, THOUGH ONE POSSIBILITY WHICH WAS BEING CONSIDERED WAS "BIG IMPORTS FOR BIG EXPORTS". POLAND WAS INTERESTED IN CONTACTS WITH BRITAIN, FRANCE, GERMANY AND THE US, WHO ALL HAD AN INTEREST IN A SOLUTION TO POLISH PROBLEMS. THE SOVIET UNION WAS ALSO HELPING POLAND ECONOMICALLY, AND THAT WOULD CONTINUE.

7. THE UK HAD BEEN INVOLVED (THROUGH MASSEY FERGUSON) IN THE RECONSTRUCTION OF THE POLISH TRACTOR FLEET. THIS WAS AS SYMBOLIC AS THE PARTICIPATION OF POLISH PILOTS IN THE BRITISH AIRFORCE. THE POLES HAD A WARM ATTITUDE TO BRITAIN, AND MEMORIES OF THE COMMON STRUGGLE AGAINST THE NAZIS WERE EXTREMELY IMPORTANT AND WIDESPREAD.

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8. POLISH FOREIGN POLICY WAS CLEAR, AND WOULD CONTINUE ON ESTABLISHED LINES. POLAND HAD A GREATER MORAL RIGHT THAN OTHERS TO TALK OF PEACE. THE SECURITY OF POLAND WAS OF IMPORTANCE NOT ONLY TO EUROPE BUT OF THE WORLD. THE WORLD HAD GROWN SMALLER, THE WAR BETWEEN IRAN AND IRAQ AFFECTED EUROPE TOO. SO DID THE ARMS SPIRAL. HENCE POLAND'S GREAT INTEREST IN THE MADRID MEETING, WHICH THE POLES HOPED WOULD BE CONSTRUCTIVE AND A STIMULUS TO DETENTE.

9. LORD CARRINGTON REFLECTED THAT, IN A WAY, BRITAIN HERSELF FACED SIMILAR ECONOMIC PROBLEMS. WE HAD BEEN LIVING BEYOND OUR MEANS, AND IT WAS UNCOMFORTABLE TO COME DOWN TO EARTH. UNEMPLOYMENT WAS A SOCIAL EVIL, BUT TO CURE IT WE NEEDED TO PUT THE ECONOMY RIGHT. YET IN THE LONG TERM HE THOUGHT THERE WAS A GOOD FUTURE FOR BOTH POLAND AND BRITAIN, AND THAT POLAND'S DIFFICULTIES WOULD BE SHORT-TERM.

10. WE HAD NOTED POLISH ECONOMIES AND COMMERCIAL REQUESTS, AND WERE NOW EXAMINING THESE WITH SYMPATHY TO SEE WHAT WE COULD DO TO HELP. IT WAS NOT TO POLISH OR BRITISH ADVANTAGE FOR ECONOMIC PROBLEMS TO DEVELOP AT THIS DIFFICULT MOMENT. WE HOPED THAT WE WOULD BE ABLE TO HELP. KANIA THANKED LORD CARRINGTON FOR THIS STATEMENT AND SAID HE WAS CONFIDENT THAT OUR CONSIDERATION OF POLISH ECONOMIC REQUESTS WOULD BE FRUITFUL.

11. ON INTERNATIONAL QUESTIONS LORD CARRINGTON SAID THAT A FAILURE OF DETENTE WOULD HAVE IMPORTANT CONSEQUENCES. YET IT WAS A FACT THAT DETENTE HAD BEEN HALTED DURING THE LAST 10 MONTHS. THE HUNGARIANS HAD TOLD HIM THAT IT WAS IMPORTANT THAT DETENTE SHOULD CONTINUE IN EUROPE, AND THAT THE IMPETUS OF HELSINKI SHOULD NOT BE SLOWED DOWN. BUT IT WAS IMPOSSIBLE TO DIVIDE WHAT HAPPENED IN THE REST OF THE WORLD FROM EUROPE. INEVITABLY THIS AFFECTED ATTITUDES ESPECIALLY THOSE OF THE SUPER POWERS. THE SOVIET OCCUPATION OF AFGHANISTAN, RIGHTLY OR WRONGLY, HAD TEMPORARILY HALTED DETENTE. HENCE FOR EXAMPLE THE INABILITY OF THE AMERICAN PRESIDENT TO GET SALT 11 RATIFIED. THE RUSSIANS HAD LEGITIMATE CONCERN ABOUT WHAT HAPPENED IN AFGHANISTAN, AND ON THEIR BORDERS. BUT THE WEST HAD EQUALLY LEGITIMATE WORRIES ABOUT THE PRESENCE OF SOVIET TROOPS 400 MILES FROM THE STRAITS OF HORMUZ, THROUGH WHICH ONE-THIRD OF WESTERN OIL SUPPLIES PASSED. MAYBE THE WEST'S FEARS, AND THOSE OF THE SOVIET UNION WERE GROUNDLESS. THE SINGLE AND EASIEST WAY TO REMOVE THE THREAT TO DETENTE WAS A POLITICAL SETTLEMENT IN AFGHANISTAN WHICH WOULD REASSURE THE SOVIET UNION, AS WELL AS IRAN, PAKISTAN, AND THE WEST. HE DID NOT BELIEVE THIS WOULD BE IMPOSSIBLE TO ACHIEVE. WE SHOULD CERTAINLY TRY. UNLESS WE DID, WE WOULD NOT GET ANY BIG OR MEANINGFUL AGREEMENTS AT MADRID, THOUGH THIS WAS NOT TO SAY THAT WE SHOULD NOT TRY THERE TOO. WE SHOULD

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LOOK AT IMPLEMENTATION, BUT ALSO TRY TO ACHIEVE CONSTRUCTIVE AND CONCRETE PROPOSALS TO OUR MUTUAL ADVANTAGE. CBMS WERE AN ESSENTIAL PRELIMINARY TO A DISARMAMENT CONFERENCE. THE PROBLEMS WAS THAT DETENTE REALLY WAS INDIVISIBLE. EUROPE COULD NOT BE ISOLATED FROM THE REST OF THE WOULD.

12. KANIA SAID THAT THE POLES HAD ALSO REFLECTED ON THESE EVENTS . THEIR VIEWS DIFFERED FROM OURS BUT THEY SHARED OUR CONCERN AT SUCH ENTANGLEMENTS, WHICH WERE HARD TO CONTAIN. HENCE THE IMPORTANCE THEY ATTACHED TO MADRID. HE REPEATED THAT THE SECURITY OF POLAND WAS INSEPARABLE FROM THE SECURITY OF EUROPE. THE AFGHAN PROBLEM LOOKED DIFFERENT TO THE POLES. THEY ALSO WANTED TALKS TO ELIMINATE TENSION, BUT THE PAKISTANIS HAD REFUSED THESE. ANOTHER VERY IMPORTANT SOURCE OF TENSION WAS NATO'S DECISIONS ON TNF. A FEW MONTHS AGO THE AMERICAN AMBASSADOR HAD ASKED WHY THE POLISH PRESS DID NOT TALK ABOUT THE SS20S. HIS ANSWER HAD BEEN THAT, IF NEW MISSILES WERE POINTED AT THE POLES, THE POLES WOULD MOVE CLOSER TO THOSE WHO HAD ANTI-MISSILE SYSTEMS. HE WAS VERY GLAD THAT THE TALKS IN GENEVA HAD BEGUN.

13. LORD CARRINGTON SAID THAT, JUST AS KANIA FELT THAT THERE WAS NO DANGER TO THE GULF, SO WE THOUGHT THAT THE SOVIET UNION NEED NOT WORRY TOO MUCH ABOUT THEIR FRONTIER. THERE WAS A NEED TO REMOVE FEARS ON BOTH SIDES. ON ARMS CONTROL , WE SHOULD REMEMBER THAT PEACE HAD BEEN MAINTAINED IN EUROPE FOR 35 YEARS BY A BALANCE OF POWER. THE DANGER OF WAR WOULD BE INCREASED IF ONE SIDE WERE TOO POWERFUL. THE ONLY WAY TO REDUCE THIS RISK WAS THAT BOTH SHOULD LIMIT THEIR WEAPONRY SO THAT NEITHER HAD ANY ADVANTAGE. BEFORE THE DECISION LAST DECEMBER, IT WAS AN INESCAPABLE FACT THAT NATO WAS AT A CONSIDERABLE DISADVANTAGE IN TNF. IF TALKS ON TNF LIMITATION WERE TO TAKE PLACE, THE WEST NEEDED SOMETHING TO LIMIT. NOW THAT NATO HAD TAKEN ITS DECISION, BOTH SIDES WOULD BE IN AN ALMOST SIMILAR POSITION. AS A RESULT, TALKS HAD NOW STARTED. WE ALSO HOPEDFOR THE RATIFICATION OF SALT 11 AFTER THE AMERICAN ELECTIONS.

14. IN A CONFIDENTIAL ASIDE , KANIA SAID THAT MINISTERS OF DEFENCE ALWAYS WANTED TO ROUND THE MILITARY BALANCE UPWARDS. FOREIGNM MINISTERS SHOULD TRY TO ROUND IT DOWN. LORD CARRINGTON SAID THAT HE LIKED TO GO INTO A NEGOTIATION WITH HIS TROUSERS ON.

15. THE SECRETARY OF STATE WOULD LIKE THE DETAILS OF THIS CONVER- SATION KEPT FOR THE BACFSGROUND INFORMATION OF ADDRESSEES AT THIS STAGE (SEE HOWEVER MIPT, NOT TO ALL)

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TEL NO 596 OF 29/10

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MY TELNO 595

SECRETARY OF STATES CALL ON KADAR: POLAND.

1. FOR YOUR OWN INFORMATION AT THIS STAGE, KADAR'S COMMENTS TO LORD CARRINGTON ABOUT THE POLISH SITUATION WERE INTERESTING AND SIGNIFICANT.

2. KADAR TOOK THE INITIATIVE IN RAISING THE SUBJECT, REFERRING TO LORD CARRINGTON'S DEPARTURE FOR WARSAW LATER IN THE DAY. HE SAID THAT ACCORDING TO THE WESTERN PRESS OTHER SOCIALIST COUNTRIES WERE NERVOUS. THE POLISH QUESTION DID WORRY THE HUNGARIANS AND SHOULD WORRY US TOO, INsofar AS IT WAS AN INTERNATIONAL QUESTION. AS A DOMESTIC ISSUE, HOWEVER, IT DID NOT WORRY THE HUNGARIANS, WHO HAD BEEN THROUGH 1956 AND HAD DRAWN ALL THE NECESSARY CONCLUSIONS. NOW THAT HUNGARY HAD CREATED A DIFFERENT SITUATION TO WHAT EXISTED BEFORE 1956 THEY HAD NOTHING TO WORRY ABOUT. SOME PEOPLE WERE SAYING THAT THE HUNGARIANS WERE NOW HOLDING A DIALOGUE WITH THE TRADE UNIONS AS A RESULT OF EVENTS IN POLAND. IN FACT THIS DIALOGUE HAD BEEN GOING ON FOR 20 YEARS. THE POLES SHOULD SOLVE THEIR OWN PROBLEMS, BUT THE BASIC STRUCTURE OF POLAND WAS NOT GOING TO CHANGE, THOUGH THERE COULD AND MUST BE SOME CHANGES. DOMESTIC CHANGES IN POLAND WERE A MATTER FOR THE POLES. IT SHOULD BE A COMMON CONCERN BETWEEN US THAT POLAND SHOULD NOT BECOME AN INTERNATIONAL PROBLEM. IF IT DID, IT WOULD RAPIDLY BECOME A VERY ACUTE WORLD POLITICAL PROBLEM. IN HIS JUDGEMENT NO ONE WANTED TO 'UPSET THE CARRIAGE'.

3. HUNGARY WAS VERY INTERESTED IN INTERNATIONAL COOPERATION, AND HAD THE INTELLECTUAL AND OTHER RESOURCES FOR THIS. SHE NEEDED INTERNATIONAL CONTACTS FOR HER ECONOMIC CONSTRUCTION PLANS. WITHOUT WISHING TO DRIVE WEDGES BETWEEN WESTERN COUNTRIES, HE NOTED THAT THE WEST GERMANS HAD LONG BEEN HUNGARY'S BIGGEST TRADING PARTNER, EVEN IN POLITICALLY DIFFICULT PERIODS WHEN THEY HAD CALLED EACH OTHER EVERYTHING UNDER THE SUN. HE HAD TOLD THE FRENCH THAT THEY SHOULD INCREASE THEIR INTEREST

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3. LORD CARRINGTON SAID THAT IF THINGS WENT WRONG ON POLAND IT COULD BE THE END OF DETENTE BETWEEN EAST AND WEST AND OF EVERYTHING HE HAD DISCUSSED WITH MR KADAR. KADAR ACKNOWLEDGED THAT THIS WAS UNFORTUNATELY TRUE. THERE WAS NO INTENTION ALONG THESE LINES IN THE EAST, AND THE POSITION OF THE SOVIET UNION WAS THAT THE POLES SHOULD SORT THEMSELVES OUT. HIS IMPRESSION WAS THAT ALL THOSE WHO WERE FACTORS IN THE SITUATION TOOK THE SAME VIEW, WHETHER IN THE WEST OR THE ROMAN CATHOLIC CHURCH. THIS SENSE OF RESPONSIBILITY MUST BE RETAINED. LORD CARRINGTON SAID THAT IF IT REALLY WAS EVERYONE'S INTENTION TO LEAVE THE POLES ALONE, IT WOULD NOT BECOME AN INTERNATIONAL PROBLEM. KADAR CONFIRMED THAT THIS WAS THE RESOLUTE POSITION 'ON OUR PART' (THE TRANSLATION DID NOT MAKE IT CLEAR WHETHER HE WAS SPEAKING FOR HUNGARY OR THE WARSAW PACT).

4. LORD CARRINGTON WILL TAKE AN EARLY OPPORTUNITY TO BRIEF HIS COLLEAGUES PERSONALLY ON THESE EXCHANGES. PLEASE TAKE NO ACTION MEANWHILE.

CARTLEDGE

CONFIDENTIAL

FROM BUDAPEST 291815Z

TO IMMEDIATE FCO

TEL NO 595 OF 29/10

PS/LPS
PS/Am Blakes
PS/PUS
Mr Ballard
Mr Fergusson. mb

Ha EESD

Rc

[FCO DIST]

INFO IMMEDIATE WARSAW, WASHINGTON, PARIS, BONN, UKDEL NATO
PRIORITY LUXEMBOURG, EAST BERLIN, MOSCOW, BUCHAREST,
PRAGUE, SOFIA, BELGRADE AND MADRID

SECRETARY OF STATE'S MEETING WITH MR KADAR

1. MR KADAR SAID THAT 1980 HAD BEEN A DIFFICULT YEAR INTERNATIONALLY. HUNGARY HAD USED HER INFLUENCE, SUCH AS IT WAS, TO MAINTAIN THE INTERNATIONAL DIALOGUE, HOWEVER ACUTE THE ISSUES. THERE WERE SOME RECENT SIGNS OF IMPROVEMENT, EG THE MEETINGS BETWEEN BREZHNEV, GISCARD AND SCHMIDT; THE CONTINUATION OF THE MBER TALKS IN VIENNA; AND SOVIET/AMERICAL CONTACTS ON TNE. LORD CARRINGTON'S VISIT ALSO REFLECTED A DESIRE ON BOTH SIDES TO MAINTAIN CONTACTS. HE UNDERSTOOD THAT TALKS WITH MR PUJA HAD BEEN CORDIAL, EVEN THOUGH FULL IDENTITY OF VIEWS WAS NOT TO BE EXPECTED.

2. HE WAS GLAD THAT LORD CARRINGTON HAD SAID THAT RELATIONS BETWEEN BRITAIN AND HUNGARY WERE UNDISTURBED AND HAD AGREED THAT BILATERAL RELATIONS SHOULD BE FURTHER DEVELOPED. THERE HAD ALSO BEEN AGREEMENT THAT POLITICAL SOLUTIONS SHOULD BE SOUGHT IN AREAS OF TENSION. HISTORY SHOWED THAT EVEN COMPLEX PROBLEMS COULD BE SOLVED BY A RESPONSIBLE AND SOBER ATTITUDE. IN ITS ABSENCE, THERE WAS A RISK THAT WE MIGHT ALL GO INTO A LONG DARK TUNNEL WITHOUT KNOWING WHAT WAS AT THE END, WITH EVERY COUNTRY GRASPING FOR NATIONAL ADVANTAGE. THIS RISK HAD ONCE BEEN A FANTASY, BUT WAS NOW A REALITY.

3. HUNGARY WAS VERY INTERESTED IN INTERNATIONAL COOPERATION, AND HAD THE INTELLECTUAL AND OTHER RESOURCES FOR THIS. SHE NEEDED INTERNATIONAL CONTACTS FOR HER ECONOMIC CONSTRUCTION PLANS. WITHOUT WISHING TO DRIVE WEDGES BETWEEN WESTERN COUNTRIES, HE NOTED THAT THE WEST GERMANS HAD LONG BEEN HUNGARY'S BIGGEST TRADING PARTNER, EVEN IN POLITICALLY DIFFICULT PERIODS WHEN THEY HAD CALLED EACH OTHER EVERYTHING UNDER THE SUN. HE HAD TOLD THE FRENCH THAT THEY SHOULD INCREASE THEIR INTEREST

IN EASTERN EUROPE, AS WELL AS THEIR TRADITIONAL TIES IN EG AFRICA. THIS WENT FOR BRITAIN TOO. THERE WAS A KIND OF INERTIAL IN THIS FIELD. IT WAS UNTHINKABLE THAT EAST AND WEST EUROPE SHOULD NOT DEVELOP CLOSER LINKS. HUNGARY'S POSSIBILITIES WERE NOT UNLIMITED, BUT 'A SMALL FISH WAS A GOOD FISH' AS THE GERMAN PROVERB HAD IT. HE SAW NO IDEOLOGICAL OBSTACLES TO CLOSER ECONOMIC CONTACTS.

4. LORD CARRINGTON SAID HE WOULD NOT DISSENT FROM ANYTHING MR KADAR HAD SAID. THERE WAS TOO LITTLE REAL CONTENT IN OUR RELATIONS: WE NEEDED TO PUT FLESH ON THE BONES. (KADAR AGREED, AND SAID THAT THIS INCLUDED CULTURE. HUNGARY PARTICULARLY WELCOMED TOURISTS). EVEN WHEN HE AND MR PUJA HAD DISAGREED, THEY WANTED THE SAME RESULTS, EG ON DETENTE AND ARMS LIMITATION. BRITAIN TOO WAS A EUROPEAN COUNTRY. AND AGREED WHOLEHEARTEDLY ON THE IMPORTANCE OF DETENTE. HOWEVER, DETENTE NEEDED TO BE SEEN IN THE ROUND. THE SEARCH FOR DETENTE IN EUROPE SHOULD NOT BE ABANDONED, BUT THE LACK OF TRUST WHICH EVENTS OUTSIDE EUROPE HAD CAUSED INEVITABLY AFFECTED THE ATMOSPHERE IN EUROPE ITSELF. AFGHANISTAN WORRIED THE WEST DEEPLY. MAYBE OUR FEARS WERE GROUNDLESS, AND WE HAD MISINTERPRETED SOVIET MOTIVES. BUT IF AFGHANISTAN COULD BE SETTLED IN A WAY WHICH SATISFIED THE FEARS AND DOUBTS OF THE SOVIET UNION, WHICH WAS ACCEPTABLE TO PAKISTAN AND IRAQ, AND WHICH REASSURED THE WEST, THE GREATEST SINGLE FACTOR OF TENSION WOULD BE REMOVED. HE DID NOT KNOW WHAT WOULD HAPPEN TO THE SOVIET OR AMERICAN LEADERSHIP IN THE NEXT YEAR. SMALLER COUNTRIES HAD A ROLE IN KEEPING THE SUPER POWERS ON THE RIGHT COURSE.

5. KADAR SAID THAT THERE WAS AN INTER-REACTION BETWEEN EVENTS INSIDE AND OUTSIDE EUROPE. THE HELSINKI AGREEMENTS HAD BEEN A POSITIVE BEGINNING, AND HAD EXERCISED A POSITIVE EFFECT OUTSIDE EUROPE AT THE TIME OF THEIR CONCLUSION. WE SHOULD TRY TO ENSURE THAT MADRID CONTINUED WHAT HAD BEEN BEGUN IN HELSINKI. WE COULD ARGUE THERE, BUT SOMETHING, HOWEVER SMALL, SHOULD COME OUT OF IT. THERE HAD ALSO BEEN SOME SMALL RESULTS ON MBFRS BUT WE WERE BOGGED DOWN ON DATA QUESTIONS. EUROPE WAS WVEN NOW ONE OF THE MORE PEACEFUL REGIONS, BUT THE MAIN FRONT LINE WAS STILL HERE AND THE SITUATION IN EUROPE AFFECTED EVERYTHING ELSE. HE ACCEPTED LORD CARRINGTON'S EXPRESSION OF CONCERN OVER AFGHANISTAN: THIS WAS THEREFORE A SUBJECT OF CONCERN TO THE HUNGARIANS TOO. A POLITICAL SOLUTION MUST BE FOUND, ESPECIALLY AT A TIME WHEN THE MIDDLE EAST DISPUTE HAD NOT BEEN RESOLVED, AND WHEN THE IFFANIAN REVOLUTION (WHICH WAS NOT THE EAST'S CREATION) WAS CONTINUING. THE REVOLUTION HAD HOWEVER CREATED A FUNDAMENTALLY DIF-

FERENT SITUATION IN THE REGION, WHICH HAD BEEN FURTHER COMPLICATED BY THE IRAN/IRAQ WAR. HE DID NOT KNOW WHETHER THE WEST HAD HAD A HAND IN THIS WAR, THOUGH HE HAD SEEN NO SIGN OF IT SO FAR. THE WAR WAS A COMMON HEADACHE TO EAST AND WEST.

Y. HUNGARY ACCEPTED THE SOVIET VIEW THAT AFGHANISTAN AFFECTED HER SECURITY. IF WE WERE NERVOUS ABOUT THE NEW SOVIET LEADERSHIP, WE SHOULD CROSS OUR FINGERS FOR THE HEALTH OF BREZHNEV WHO WAS A MAN OF PEACE. SPEAKING RESPONSIBLY AND WITH AGREEMENT OF THE SOVIET LEADERSHIP, BREZHNEV HAD RECOGNISED IN AN INTERVIEW IN PRAVDA IN JANUARY THIS YEAR THAT THE WEST'S NERVOUSNESS OVER GULF OIL WAS UNDERSTANDABLE. HE HAD, HOWEVER, GONE ON TO ASK WHY IN THAT CASE THE WEST ITSELF WAS UNDERMINING THE SECURITY OF THE OIL ROUTES. THE IMPLICATION WAS THAT THE SOVIET UNION UNDERSTOOD THE WEST'S VITAL INTERESTS, BUT DID NOT WANT THE WEST TO COMPLICATE THE SITUATION IN THE REGION. THERE WERE NOW UNCOMFORTABLY LARGE FORCES THERE, WITH AMERICAN BASES IN EGYPT AND SAUDI ARABIA AND SOVIET TROOPS IN AFGHANISTAN. WE SHOULD REMEMBER THAT THE RUSSIANS REFLECTED AND CALCULATED LIKE OTHER PEOPLE, AND DID NOT SIMPLY LOOK FOR TARGETS TO ATTACK.

7. LORD CARRINGTON REVERTED TO THE NEED FOR TRUST. BREZHNEV RECOGNISED WESTERN CONCERNS, BUT DID NOTHING TO REMOVE THEM.

8. IN A BRIEF DISCUSSION OF THE SITUATION IN POLAND KADAR STRESSED AND LORD CARRINGTON STRONGLY AGREED, THAT THE POLES SHOULD BE LEFT TO RESOLVE THEIR OWN PROBLEMS. DOMESTIC CHANGES OTHER THAN TO THE BASIC STRUCTURE, WERE NECESSARY AND INEVITABLE BUT THIS WAS A MATTER FOR THEM. (AT HIS SUBSEQUENT PRESS CONFERENCE LORD CARRINGTON SAID THAT THE POLES SHOULD BE ALLOWED TO SETTLE THEIR INTERNAL PROBLEMS WITHOUT INTERFERENCE AND EXPRESSED THE HOPE THAT ALL OTHER COUNTRIES TOOK THE SAME VIEW).

Prime Minister -

(2)

A copy personal to
Mr Alexander

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Mr Fall, EESD

You will wish to be aware that these
efforts to co-ordinate our policies onPoland are in train. Next meeting in 2 weeks.

QUADRIPARTITE MEETING OF POLITICAL DIRECTORS, PARIS, 27 OCTOBER

Poland

1. The discussion of prospects in Poland revealed various shades of opinion. The Germans, like ourselves, are pessimistic and believe that a Soviet invasion may take place in due course. The Americans think the chances are about even. M. Robin is considerably more optimistic but does not rule out an invasion; and he admits that the French government view is probably more pessimistic than his own.
2. Herr Blech described how the Polish regime and the workers are still trying to muddle through and maintain the principle that whatever is happening is within the system. Everyone agreed that the Russians wanted to avoid intervention. Herr Blech thought it might come at anytime once the Russians had concluded that muddling through would not get rid of the unacceptable phenomenon of independent trades unions. Mr Bullard argued that the Soviet Union would not decide so easily on intervention. It seemed to be generally agreed that the Russians would try political threats and other visible pressure before resorting to the ultimate weapon. Thus, the majority view was that, although there might be very little intelligence warning of a first wave of invasion, the political signs that it was under consideration ought to be clear.
3. The Americans circulated the attached list of events that might trigger the use of force in Poland.
4. The Americans and Germans had had the same Polish representations as ourselves about the coverage of recent events in our media and had passed the messages on to the media.
5. There was no detailed discussion of the question of Western economic help for Poland. It was agreed that this and the questions of the IMF and of debt re-scheduling should be discussed at the next meeting on 13 November. The effects of economic help on our own interests in Poland will also be covered.
6. There was a discussion about the American checklists of actions which the West might take if the Polish situation deteriorates in various ways. I gave Mr Blackwill EESD's note of specific comments on the lists. The Americans explained that the Western powers had done no contingency thinking of this type before the Soviet invasion of Afghanistan. It was surely better to do some preliminary thinking before any invasion of Poland. By consulting its closest allies the United States hoped to avoid major differences if and when a crisis came.
7. It was suggested that the checklists, as now structured, are too unwieldy. Mr Vest welcomed a French suggestion that a revised list should begin with our possible reactions to the extreme contingency

/of

of a Soviet invasion and should proceed down the scale to contingencies short of the use of force by the Soviet Union or the Polish regime.

8. M. Robin said that the present changes in Poland represented one of the types of results the West had sought in détente. Thus, if Poland was invaded, détente would presumably end. Herr Blech was not so sure. The Soviet Union would try, while invading Poland, to influence Western reactions by threats or blandishments. Western policy in détente was aimed at the reduction and control of tension. That would still be our interest after a Soviet invasion of Poland. Could we abrogate our exchange agreements in specific fields with the Soviet Union if the Russians had not violated such agreements? Could the Russians retaliate over Berlin? Would we want the Quadripartite Agreement to suffer? If the Russians went on offering the Federal Republic the prospect that 10,000 ethnic Germans could emigrate from Warsaw Pact countries every year on the understanding that trade continued, the Federal Government could hardly pass this up. Later in the discussion Herr Blech seemed to think that the collapse of détente would be all right provided that everyone could see that it was the Russians who had caused it, rather than the West by retaliating against an invasion of Poland.

9. Mr Vest said that the United States would probably abrogate or not renew the grain agreement with the Soviet Union if the latter invaded Poland. He reeled off a list of measures which the US theoretically could take against the Soviet Union, such as closing the Consulates General in Leningrad and San Francisco, prohibiting calls by Soviet ships or freezing Soviet assets. M. Robin thought that, while governments might not intervene in East/West trade, major new contracts with the Soviet Union might be shunned by industry.

10. There was an interesting discussion about our purposes in reacting to a Soviet invasion of Poland. Mr Bullard pointed out that public opinion would demand that Western governments react fittingly. But our actions could not save Poland. We would still want however to encourage diversity in Eastern Europe. Other possible purposes in reacting to an invasion of Poland, which were suggested in discussion, were to avoid making it easier for the Russians to invade East European countries subsequently and to demonstrate to the coming successors in the Soviet Union, who might be more nationalistic and decisive than Brezhnev, that aggression brings difficulties. It was also suggested that an invasion of Poland might be made a little harder for the Russians if the rumour could be disseminated in the near future that the East/West consequences of an invasion would be far greater than has been the case in the past. M. Robin was frightened of giving the impression that we might react even more strongly than we intended. I pointed out that it might be possible to avoid the implication that we would react militarily; and also that specific statements of what we would do would tell the Russians what we would not do and thus enable them to calculate more exactly the cost of invasion. This discussion generated a good deal of interest and will be resumed at the next meeting.

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SECRET - BURNING BUSH

11. There was some discussion of how the Madrid review meeting should be suspended if the Russians invaded Poland. The French favoured a Western act to suspend the meeting. But others saw possible attractions in ourselves protesting at the meeting, allowing the Polish delegate the opportunity to denounce the invasion and seeing whether the Russians themselves would walk out; and only suspending the meeting ourselves once this tactic had been tried.

12. During the discussion it was mentioned that Sweden was making comprehensive contingency plans for accepting refugees from Poland's Baltic ports. Mr Blackwill pointed out that the West would face various problems while the Russians were subduing Poland after an invasion; such as violent attacks on Polish official premises in the West and the departure of significant numbers of Western volunteers to fight in Poland.

of Soviet.

C L G Mallaby

C L G Mallaby
Planning Staff
W11 233 4333

28 October 1980

cc Mr Bullard
Mr Fergusson
Lord Bridges
Sir A Acland
Mr Evans/ERD

PS

PS/LPS

PS/PUS

Sir E Youde

HM Ambassadors Paris

Bonn

Washington

UKDel NATO

Mr Wade-Gery, Cabinet Office

Mr Wilberforce

SECRET

given to me by Mr Vest (State Dept.) today by an internal U.S. paper

EVENTS THAT MIGHT TRIGGER THE USE OF FORCE IN POLAND

JM 21/10

Polish

- New strikes involving demonstrations on the street.
- New strikes involving sit-ins at factories combined with escalated political demands.
- Student demonstrations on campus or on the streets.
- Altercations at food stores, if food shortages worsen.
- Emergence of a new, more radical leadership of the "Solidarity" union.

Soviet

- Unwillingness or inability of Polish forces to quell disturbances above.
- Indications of paralyzing divisions within the Party.
- Indications of a coalescing of forces among the workers, church, students and/or dissidents challenging the Party's leading role.
- Efforts to establish independent political parties.
- Attacks on the leading role of the Party by non-Party elements, especially if such attacks appear to be tolerated by the Party.
- Efforts to "democratize" the Party, purging it of conservative and pro-Soviet elements in the context of an extraordinary Party Congress.
- A weakening of the internal security apparatus.
- Any appearance of anti-Sovietism in the new Party leadership.
- Indications that events in Poland are causing other Parties in Eastern Europe to begin to lose control of events.
- Sabotage or other endangering of the Soviet lines of communication to its forces in Germany.

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INDICATORS THAT THE USE OF FORCE BY THE POLISH GOVERNMENT
IS IMMINENT

- Additional and intensified Soviet official warnings that "anti-socialist", "anti-Soviet" forces are taking advantage of a situation of unrest.
- Ultimata to workers and/or students to give up strikes or vacate factory grounds and/or campuses.
- Mobilization and deployment of elements of the Ministries of Interior's/Defense Forces.
- Special sessions of the Politburo or Central Committee.
- Imposition of curfews and banning of sales of liquor and/or gasoline.
- Attempts to cut off communications to/from trouble spots.
- Restrictions on journalists.
- Restrictions on travel to trouble spots by foreigners and dissidents.
- Movement of Ministry of Interior/Defense forces to within site of striking factory grounds or campuses.
- Publicly announced meetings between Soviet and Polish leaders.
- Statement by Cardinal Wyszynski calling for calm for "reasons of state".
- A developing confrontation between the trade unions and the Government.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 791 OF 28 OCTOBER

AND TO IMMEDIATE BUDAPEST (FOR PRIVATE SECRETARY)

INFO ROUTINE WARSAW MOSCOW WASHINGTON PARIS UKDEL NATO

INFO SAVING BMG BERLIN EAST BERLIN

Read [initials]

MS

POLAND: FRG VIEW

1. FROM THE FEDERAL GOVERNMENT DOWNWARDS, THE GERMANS REMAIN DEEPLY PREOCCUPIED AND APPREHENSIVE ABOUT THE LIKELY COURSE OF EVENTS IN POLAND, BOTH FOR ITSELF AND FOR ITS POSSIBLE CONSEQUENCES FOR OST-POLITIK. STATE SECRETARY VAN WELL TOLD ME AT THE END OF LAST WEEK THAT THE FEDERAL GOVERNMENT SAW GROUNDS FOR CAUTIOUS OPTIMISM. THERE WERE A NUMBER OF BUILT-IN CHECKS AND BALANCES WHICH MIGHT PREVENT THINGS FROM GETTING OUT OF HAND. THE POLISH AUTHORITIES HAD TO WALK A TIGHTROPE BETWEEN SATISFYING THE RUSSIANS THAT THEY WERE STILL IN CONTROL AND YET GIVE ENOUGH CONCESSIONS TO THE TRADE UNIONS TO BRING ABOUT PEACE IN THAT AREA. THE TRADE UNIONS THEMSELVES WANTED AS MUCH FREEDOM FOR THEMSELVES AS POSSIBLE, BUT WERE WELL AWARE OF THE DANGERS OF PRECIPITATING A SOVIET INTERVENTION; HENCE WALESZA'S READINESS TO RECOGNISE THE PRIMACY OF THE POLISH CONSTITUTION (WHICH RECOGNISES THE PRIMACY OF THE COMMUNIST PARTY) WITHOUT RECOGNISING THE PRIMACY OF THE COMMUNIST PARTY IN THE TRADE UNION STATUTES DIRECTLY. MOREOVER THERE WAS THE POWERFUL INFLUENCE OF THE CHURCH WHICH AGAIN WAS DOING A BALANCING ACT SUPPORTING THE TRADE UNIONS WITHOUT WANTING TO PRECIPITATE TROUBLE WITH THE GOVERNMENT OR DO ANYTHING TO ENCOURAGE A SOVIET INTERVENTION.

2. ALL THESE CHECKS AND BALANCES LED THE FEDERAL GOVERNMENT TO BE HOPEFUL. OF COURSE THEY WERE NOT UNREALISTIC. VAN WELL BELIEVED THAT THE KEY ISSUE FOR THE RUSSIANS WAS WHETHER THEY THOUGHT THAT THE POLISH GOVERNMENT AND PARTY WERE STILL BASICALLY IN CHARGE OF EVENTS. IT WAS DUBCEK'S LOSS OF CONTROL WHICH HAD BASICALLY CAUSED THE SOVIET INTERVENTION IN CZECHSLOVAKIA.

3. VAN WELL'S RELATIVE OPTIMISM IS NOT SHARED BY ALL HIS COLLEAGUES IN THE AUSWAERTIGES AMT. BUT WHATEVER THEIR ASSESSMENT OF THE POLES' CHANCES OF WALKING THE TIGHT ROPE SUCCESSFULLY, THE GERMANS ARE

CONFIDENTIAL

/ WELL AWARE

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WELL AWARE THAT THE FUTURE OF THEIR VITAL RELATIONS WITH THEIR EASTERN NEIGHBOURS HINGES ON THE OUTCOME, AND BELIEVE THAT ALTHOUGH THE RUSSIANS MAY VIEW DIRECT MILITARY INTERVENTION AS A LAST RESORT, THEY WILL NOT HESITATE TO INTERVENE IF THEY JUDGE THAT THE SYSTEM ITSELF IS IN DANGER OF DISINTERGRATING. IT WOULD I AM SURE BE MUCH APPRECIATED IF, ON YOUR RETURN FROM POLAND, YOU WERE TO SEND HERR GENSCHER A PERSONAL MESSAGE SUMMARISING YOUR IMPRESSIONS.

WRIGHT

POLAND SPECIAL

STANDARD

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COPIES TO:

PS/S OF S

MR DICK

DOT

MR POWNALL

PS/CHANCELLOR

SIR K COUZENS

TREASURY

MISS BAKER

MR P.J BULL

B/ENGLAND

MR COTTERILL

ECGD

MR WOOLGAR

OAS D/EMPLOYMENT

CAXTON HOUSE

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FM WARSAW 270800Z OCT

*Read in full -
ms.*

TO IMMEDIATE FCO
TELEGRAM NUMBER 390 OF 27 OCTOBER.
AND TO IMMEDIATE MOSCOW

INFO ROUTINE PRAGUE SOFIA BUDAPEST BUCHAREST EAST BERLIN BELGRADE
UKDEL NATO WASHINGTON PARIS BONN HELSINKI MODUK.

POLAND: INTERNAL SITUATION

UNIONS

1. SOLIDARITY WAS REGISTERED BY THE WARSAW COURT ON 24 OCT. THE COURT, HOWEVER, MADE, WITHOUT CONSULTATION WITH SOLIDARITY, MODIFICATIONS TO THE STATUTES CONCERNING THE LEADING ROLE OF THE PARTY AND THE PROVISIONS ON THE RIGHT TO STRIKE.
2. WALESA HELD A PRESS CONFERENCE LATER ON 24 OCT AT WHICH HE READ OUT A STATEMENT THAT THE COURT HAD ALTERED THE STATUTES UNILATERALLY, WITHOUT PRECEDENT AND WITHOUT LEGALITY. HE REJECTED THE ALTERATIONS AND SAID THERE WOULD BE AN APPEAL TO THE SUPREME COURT.
3. ASKED WHETHER THERE WOULD BE ANY OTHER PROTEST, WALESA SAID THIS WOULD BE CONSIDERED AT A MEETING OF THE SOLIDARITY COMMITTEE IN GDANSK ON OCT 27. HE ALSO SAID IN REPLY TO A QUESTION THAT THE COURT HAD ITS STATUTE, BUT THAT SOLIDARITY HAD THEIRS.
4. THE COURTS ACTION IS ARGUABLY ULTRA VIRES IN THAT IT WAS SET UP TO CHECK STATUTES OF NEW UNIONS PRESENTED TO IT, NOT TO ALTER THEM. THE INSTRUCTION TO CHANGE THEM NO DOUBT CAME FROM THE GOVERNMENT, AND GIVES A CLEARER DEFINITION OF WHERE THE LINE LIES WHICH THE GOVERNMENT FEELS, OR HAS BEEN TOLD, IT MUST NOT CROSS. (THIS CONFIRMS THE VIEW EXPRESSED TO US BY A RUMANIAN COLLEAGUE THAT THE LEADING ROLE OF THE PARTY IS CRUCIAL). IT MAY HAVE MARKED THE BREAKDOWN IN THE SYSTEM OF NEGOTIATION IN GOOD FAITH BETWEEN SOLIDARITY AND THE GOVERNMENT AND THE COURT, AS ONLY THE DAY BEFORE, AGREEMENT WAS REPORTED TO HAVE BEEN REACHED BETWEEN THE SIDES TO ATTACH A PREAMBLE TO THE STATUTES AFFIRMING THE LEADING ROLE OF THE PARTY.

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/ 5. SOLIDARITY

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5. SOLIDARITY HAVE 7 DAYS IN WHICH TO LODGE THEIR APPEAL. BEYOND THIS THEY MIGHT:-

- (I) WAIT A COUPLE OF WEEKS OR SO FOR THE APPEAL TO BE HEARD WITHOUT DOING MORE THAN PROTESTING AND ANNOUNCING THAT THEY ARE PROCEEDING AS IF THE STATUTE WENT IN ACCORDANCE WITH THEIR WISHES.
 - (II) CALL BRIEF SELECTIVE STRIKES AS A WARNING TO THE GOVT.
 - (III) ANNOUNCE WIDE STRIKE ACTION IF THE COURT DOES NOT GIVE A JUDGEMENT WITHIN A FIXED PERIOD.
 - (IV) CALL A GENERAL OR NEAR GENERAL STRIKE AT ONCE.
- FOR ITS PART THE SUPREME COURT CAN REFER THE CASE BACK TO THE LOWER COURT OR REGISTER THE UNION ON WALESAS'S OR THE GOVT TERMS.

6. THE MOST LIKELY ACTION IS PERHAPS A COMBINATION OF (II) AND (III) ABOVE. WITH THE SUPREME COURT SENDING THE CASE BACK TO THE LOWER COURT. BUT SPECULATION AFTER THE MEETING ON 27 OCT WILL BE MORE PROFITABLE. IT IS BECOMING INCREASINGLY CLEAR THAT WALESAS IS A MODERATE AND UNDER PRESSURE FROM WILD MEN IN THE BACKGROUND. FAILING REGISTRATION ON SOLIDARITY TERMS OR A COMPROMISE WIDE STRIKE ACTION AND A CONFRONTATION ARE LIKELY. IN THAT EVENT SOVIET INTERVENTION WILL BE PROBABLE. ANY OTHER SOLUTION IS LIKELY TO RESULT IN A FURTHER PUBLIC DEMONSTRATION OF THE REGIME'S IMPOTENCE. AN UNHAPPY CHOICE FOR THEM.

7. I HAVE CONSIDERED WHETHER THESE DEVELOPMENTS MAY MAKE CANCELLATION OF YOUR VISIT NECESSARY THIS IS UNLIKELY BECAUSE, EVEN IF LARGE SCALE STRIKE ACTION WERE DECIDED ON AT THE MEETING ON OCT 27, IT IS IMPROBABLE THAT IT WOULD TAKE PLACE AT ONCE.

OTHER MATTERS

8. IN WROCLAW, RAILWAY WORKERS HAVE BEEN HOLDING HUNGER STRIKES FOR SOME DAYS IN SUPPORT OF 45 DEMANDS CONCERNING PAY AND WORKING CONDITIONS. ON OCT 24, THE MINISTER OF TRANSPORT, APPEARED ON TELEVISION AFTER THE MAIN NEWS (WHICH, OF COURSE, LARGELY QUOTED THE REGISTRATION OF SOLIDARNOSC) AND APPEALED FOR THE RAILWAYMEN TO END THEIR PROTEST. A MIXED COMMISSION IS NOW TO BE SET UP

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9. THIS WAS A HIGHLY UNUSUAL STEP FOR A MINISTER TO TAKE OVER A PURELY LOCAL PROTEST. IT PROBABLY REFLECTS THE VITAL IMPORTANCE OF TRANSPORT IN INDUSTRIAL SILESIA. THERE HAVE ALSO BEEN REPORTS OF LABOUR DISPUTES ELSEWHERE IN POLAND. ALTHOUGH THE PARTY PRESS REPORTS THESE ONLY AFTER THEY HAVE BEEN SETTLED, IT IS CLEAR THAT THE GOVERNMENT HAS TO FACE A CONTINUOUS TRICKLE OF LABOUR PROBLEMS AND THAT POLAND IS NO NEARER TO SETTLING DOWN.

10. THERE HAVE BEEN NO FURTHER PUBLIC DEVELOPMENTS ON THE PARTY FRONT AND IT MUST BE ASSUMED THAT WORK IS CONTINUING BEHIND THE SCENES TO TRY TO REBUILD THE CONFIDENCE OF PARTY WORKERS AND GET THEM INTO ACTION TO REESTABLISH THE PARTY AS A LEADING FORCE.

PRIDHAM

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- 3 -

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Ref. A03317

PRIME MINISTER

Possible Economic Assistance for Poland

(OD(80) 60)

BACKGROUND

As the Lord Privy Seal reported to Cabinet last week (CC(80) 35th Conclusions, Minute 2), the Poles have put forward a number of specific requests for economic assistance from the United Kingdom. These are summarised at Annex A of the Lord Privy Seal's minute to you of 20th October; Annex B to the same minute contains his proposals for our initial response to these requests. We need to decide on our line quickly, since the Foreign and Commonwealth Secretary is due to visit Poland on 29th October (and leaves London on 27th October) and the Minister of State for Trade will be in Warsaw shortly afterwards (10th-14th November) for the annual Anglo-Polish Joint Commission.

2. The Polish economy is in a parlous state. The economic arguments for providing further credit are not overwhelming, though clearly we want to avoid precipitating an economic collapse which might destroy any likelihood of our recovering what the Poles already owe us. Moreover, some of the products for which the Poles are seeking credit are those which would help our own industries to sell, e.g. the commodities listed at b. in Annex A. Politically there is also a difficult balance to be struck between providing assistance to help maintain a largely unreformed regime and missing an opportunity to help loosen the Soviet grip on that country. It could be argued that Western aid to Poland helps the Russians to clear up an economic mess of their own making; but equally that Western interests would suffer if in the absence of Western aid political strains within an economically desperate Poland were to pave the way for Russian intervention.

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3. The Lord Privy Seal's minute points out that the Americans, French and Germans have recently provided some extra finance for Poland and recommends that we should help too. His proposals are likely to provoke comments from a number of colleagues. Hence the decision to take the matter at OD on 23rd October.

4. The Chancellor of the Exchequer is expected to say that we should be extremely cautious about assisting Poland other than on a multilateral basis, given ECGD's very large existing exposure and the increase in public expenditure which would occur if we provided additional credit and Poland were later to default.

5. The Secretaries of State for Trade and Industry (the latter has been invited to attend) are broadly content with the proposals at Annex B. Mr. Nott will, however, draw attention to the dangers of increasing ECGD's exposure. He will also suggest that we could afford to be a bit more forthcoming about the import of small television sets (item e. in Sir Ian Gilmour's Annex A); this will be resisted by the Secretary of State for Industry. The Minister of Agriculture (who has also been invited to attend) sees considerable advantage in extending credit to Poland to enable her to purchase increased quantities of our bumper crop of barley, for much of which intervention (at a net cost of £4 per tonne to the Exchequer) is the most likely alternative outlet.

HANDLING

6. You will wish the Lord Privy Seal to speak to his minute and then, before going into the detailed departmental preoccupations of Ministers, to establish whether a refusal to offer any practical assistance would be politically defensible either in the United Kingdom or to our principal Western partners. Assuming that there is general agreement that the United Kingdom should be as forthcoming as our position allows us, you will wish to invite comments on the specific suggestions in Sir Ian Gilmour's Annex B. You might wish to begin by seeking the Secretary of State for Trade's views; then those of the Secretary of State for Industry and the Minister of Agriculture; and finally, in the light of their comments, the views of the Chancellor of the Exchequer.

*Reference
£250 m
in minutes
at meeting
in note*

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CONCLUSIONS

7. You might guide the Committee to conclude that the package in Annex B to the Lord Privy Seal's minute is, subject to any minor adaptations agreed in discussion, on the right lines; that the Foreign and Commonwealth Secretary should be authorised to speak accordingly to the Poles during his forthcoming visit but without allowing himself to be drawn into detail; and that officials should seek the fullest details of what our partners are doing before the meeting of the Anglo-Polish Joint Commission in order to make certain that, in making concessions as outlined in Annex B, we should not be getting ahead of other countries.



(Robert Armstrong)

22nd October, 1980

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

POSSIBLE ECONOMIC ASSISTANCE FOR POLAND

Ian Gilmour minuted you on 20 October about the response which Peter Carrington should give when he visits Poland at the end of this month to the proposals for economic assistance which the Poles have put forward.

2. I agree with him that the questions raised are difficult. The political situation in Poland is unstable, and the concessions made to the strikers have made the country's foreign currency situation worse. There is no certainty at all that Poland will have the ability to meet its foreign currency indebtedness in the foreseeable future.

3. Our present level of exposure is very high - over £1 billion, and exceeded only by the French. The Polish proposal could increase our exposure to the extent that we agree to further credits for commodities. (Also, public expenditure would be increased, if these credits attracted interest rate support). Given the prospects for the Polish economy, I think we should be very cautious about doing this, in a situation where prudently we should be looking for a reduction. We must also bear in mind that Poland might set a precedent for our treatment of other countries.

/4. Politically the



4. Politically the United States and West Germany are more immediately concerned in the Polish situation. Neither, we understand, has yet had a formal request from the Poles. The Americans have been told informally what the Poles have in mind, and a telegram from our Embassy in Washington *attached* (No 4312 of 17 October) set out some of the US preliminary thinking. Apparently, in the State Department's view any restructuring must be multi-lateral (the normal procedure in these circumstances). It is not at all clear that the Americans are in a position to take very quick decisions.

5. I agree, of course, that we should do nothing to precipitate a further crisis in Poland, which might lead to Russian intervention. I accept that we may well have to give help to the Poles. But I do not think that we should get ahead of the other major countries involved. As Ian says, we should co-ordinate closely with the others, and this apparently is what the Americans want. Therefore I hope that while Peter Carrington can express sympathy and understanding with the Poles during his visit, he should not commit us in principle to any particular form of assistance. It seems entirely defensible that we are still considering their proposals. Meanwhile we should co-ordinate, in the most appropriate way, our thinking with that of the other major creditor countries.

I am copying this minute to Ian Gilmour, Keith Joseph, John Nott, Peter Walker and Sir Robert Armstrong.

G.H.

PS. cc also to other
members of OD

(G.H.)

22 October 1980

22 OCT 1980



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[Faint, mostly illegible text covering the majority of the page, appearing to be a typed document.]

10 October 1980

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for OS, folder.

Prime Minister

POSSIBLE ECONOMIC ASSISTANCE FOR POLAND

You will recall that in his message to you of 27 August President Carter referred to Poland's likely need for further economic and financial assistance from the West and suggested that our aid should be designed to encourage the Poles to undertake a more fundamental and systematic reform of their economic system. In reply, you said that you looked forward to hearing what the President had in mind (we have had no response), that you would welcome any proposal for ensuring that our help went to benefit the Polish people rather than to the shoring up of an unreformed system, but that we would have to take care to avoid accusations of interference.

2. The Polish Ambassador called on me last week to put forward, on the instructions of his Prime Minister, a number of specific requests for economic assistance from the UK. The details are attached at Annex A. The Ambassador made it clear that, while the subject would not be formally on the Agenda, the Poles would want to pursue it during the Foreign Secretary's visit from 29-31 October. We shall therefore need a line before then. Officials from a number of Departments have now looked at this.

3. The Poles have told us that they are making similar approaches to the US, France, FRG and Italy, and they seem to have been in touch also with Austria, Belgium, Norway and Sweden. The Americans have already given us details of the informal requests they have received (which include one for \$3 billion in further

/credits

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credits on favourable terms), but they have not indicated how they intend to respond. We shall be following this up with them and comparing notes also with other countries involved. We should coordinate our response closely. It may suit the Poles to try to handle the matter by separate bilateral contacts, but there is no reason for us to go along with this provided we are discreet.

4. None of us will find the question easy. The Polish economy is in serious difficulty and the authorities have had to make concessions to consumers and wage earners which will make things worse at least in the short term. Poland needs external credits to stay afloat until the economy can be restored to health. That will take several years at best, and Poland will have difficulties in servicing her debts. It seems quite possible, as indicated in the press, that Poland's hard currency debt may rise from \$22 billion at present to \$30 billion or even more in the next 3-5 years - assuming lenders are found. We do not have the same means of ensuring that Poland will adopt sensible, and, if needed, painful policies of adjustment as we do when the IMF is involved, and it is generally accepted that the Russians would not tolerate a Polish move to join the IMF in the present circumstances. Furthermore the political situation in Poland remains precarious, and it is impossible to say at this stage whether the significant move towards democracy represented by the events of the last few weeks can or will be maintained.

5. Yet what is happening in Poland is of major political importance not only for that country but for Europe. The West has a substantial interest in any loosening of the Soviet system. To achieve this the reforms already agreed will have to be consolidated. The Poles cannot do this without financial assistance. We can safely assume that the Russians will not provide the requisite

/economic

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economic aid without setting very harsh conditions. If we refuse to help therefore the implication will be that we are indifferent to events there, which is not the case. Without outside assistance the Poles will be forced to crack down economically. This would provoke more strikes and probably Russian intervention, with all the dangers that that would entail. The end result would be the opposite of what we and other Western countries have been trying to encourage in our policy towards Eastern Europe.

6. There are other considerations to bear in mind. There will be financial limits to what individual countries can do. And there are a number of dangers which each will wish to avoid: in particular, that of committing money over a long period without the possibility of withdrawing if economic or political conditions should change for the worse; and of making concessions to the Poles which have been refused, or could not be offered, to countries who might consider they had a better claim and whose cases could not plausibly be distinguished. We should watch carefully the use to be made of any British money provided, given the glaring facts about the nature of the Polish economy and our wish to avoid shoring up an unreformed system. We could also look for ways of helping Poland in ways which do not involve government guarantees or spending public money for example by helping them with their marketing in hard currency areas. Any assistance we do make would have to be in instalments, so that it can be withdrawn if the Poles or the Russians crack down. And of course even with Western financial aid there can be no guarantee that the Russians will not intervene.

7. The balance is not easy to strike. But, at the end of the day, I believe that at least the Americans, the French and the Germans will conclude (as President Carter and Herr Schmidt have already indicated) that something should be done to help the Poles and to
/provide

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provide concrete evidence of Western interest in their future. All three have recently provided some extra finance for Poland, either new money, guarantees or refinancing. We shall be expected to play our part, and I think on balance that we should.

8. If you and other colleagues agree this general conclusion, neither the Foreign Secretary during his visit to Warsaw nor the Minister of State for Trade (who will be leading our team at the Annual Anglo-Polish Joint Commission in Warsaw on 10-14 November) need be drawn into too much detail on what we may be able to do. But they will need to have guidance on the points on which they could indicate our willingness to enter into more detailed discussion with the Poles. I would suggest the line at Annex B. I am sorry that the Polish approach has not given us much time before the Foreign Secretary sets off on 27 October.

9. I am sending copies of this minute to Geoffrey Howe, Keith Joseph, John Nott, Peter Walker and Sir Robert Armstrong.

J.H.S.

20 October 1980

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ANNEX A

The following are the requests put by the Polish Ambassador on 13 October:-

- (a) some postponement of the repayment of ECGD guaranteed debt in 1981 and 1982 (the Poles say they are not proposing an actual moratorium);
- (b) an agreement on the availability of further credit from ECGD which would assure the Poles of credits for certain commodities, particularly chemicals, fibres, steel and grain, over the next three years;
- (c) 5 year repayment periods for these new ECGD credits from 1981 (including two year grace periods);
- (d) the lowering of the permitted minimum size of contract which can be covered by ECGD guarantees;
- (e) liberalisation of British quotas for imports of Polish leather goods and small television sets;
- (f) British support in GATT for the suspension until the end of 1982 of the Poles' minimum import growth quotas.

ANNEX B

The following is the line suggested as guidance for the visits to Warsaw of Lord Carrington and Mr Parkinson (references are to the Polish shopping list at Annex A):-

- (a) Any suggestion of a moratorium or postponement of the repayment of ECGD guaranteed debt would cause us considerable difficulty. Such a proposal would almost certainly have to be negotiated multilaterally with other creditors; it would limit our ability to provide further export credit; and there would be an immediate effect on public expenditure. Agreement to some amount of refinancing would avoid these difficulties. We could consider offering an ECGD guarantee of new bank loans of a certain amount, and the financial liability would thus be a contingent one. Such financing should in the first instance be offered only for 1981. This would exert a degree of leverage on the Poles, and give us the flexibility to withdraw later if economic or political conditions required it. But I think we should recognise that even on optimum performance by the Poles, refinancing will be needed in 1982 as well, and probably beyond. If we agreed to proceed on this basis, we could tell the Poles this this was a subject which we would be prepared to explore further at official level after the Joint Commission. There would thus be plenty of time for the departments involved to agree a detailed brief, and we should of course wish to make sure that the Poles gave us as clear as possible an indication of their economic plans.
- (b) We could agree in principle to further credits for the commodities in question, but would once again prefer to avoid committing ourselves for more than one year at a time.

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20 OCT 1980

ANNEX B (contd)

We could, however, say that we would expect the arrangements to roll over, other things being equal. We could offer to explore further with the Poles, as for (a) above. When we came to work out the detailed brief for these discussions, we should consider how far we could place the emphasis on items such as grain and agricultural machinery, which both make economic sense and are of direct benefit to the Polish people.

- (c) Grace periods cause serious difficulty. But we may be able to move towards 5 year repayment periods, more especially if other Western countries are prepared to do so too.
- (d) I understand that there need be no objection to this if it is a point to which the Poles attach importance.
- (e) Keith Joseph will wish to comment, but I understand that these are particular sensitive areas. If this is so, and we can agree to the reasonably forthcoming line suggested above on the other points, I would suggest that we tell the Poles quite clearly that this is not an area which we can usefully pursue.
- (f) This is a point for the European Community, but we should be able to tell the Poles that we understand their difficulties and will work with our partners for a mutually acceptable solution. We presumably accept that the Poles are not going to be able to meet their GATT import growth commitment while they restore their balance of payments to equilibrium, and the latter is clearly the more important.

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TO PRIORITY FCO

TEL NO 235 OF 20 OCT

INFO PRIORITY MOSCOW WARSAW

SAVING TO SOFIA BUDAPEST EAST BERLIN PRAGUE BELGRADE UKDEL NATO.

MY TELNO 234: ROMANIAN REACTION TO EVENTS IN POLAND.

1.. AFTER A PROLONGED PERIOD IN WHICH THE ROMANIAN LEADERSHIP HAS WITHHELD PUBLIC COMMENT ON EVENTS IN POLAND (APART FROM INSISTING THAT THIS WAS EXCLUSIVELY AN INTERNAL MATTER FOR THE POLES), CEAUSESCU HAS EVIDENTLY FELT THAT THE TIME HAS COME TO MAKE HIS POSITION CLEAR. PREDICTABLY HE HAS COME DOWN STRONGLY AGAINST "ANTI-SOCIALIST ELEMENTS" IN GENERAL AND "FREE TRADE UNIONS" IN PARTICULAR.

2.. IN PRIVATE, HIS CONDEMNATION HAS BEEN EVEN MORE STRONGLY WORDED. JULIAN AMERY TOLD ME ON FRIDAY NIGHT (17 OCTOBER), AFTER HIS RETURN FROM BRASOV, THAT WHEN HE SAW CEAUSESCU THE PREVIOUS DAY THE LATTER HAD BEEN HIGHLY CRITICAL OF THE FAILURE OF THE POLISH AUTHORITIES TO TAKE STRONG MEASURES TO BREAK THE STRIKES AND TO PREVENT THE FORMATION OF TRADE UNIONS (WHICH, FAR FROM BEING "FREE" WOULD, HE SAID, BE SUBSERVIENT TO THE CATHOLIC CHURCH). THE FRENCH HAD USED THEIR ARMED FORCES TO BREAK THE FISHERMEN'S STIKE AND THE POLES OUGHT TO HAVE DONE THE SAME. IF THEY WERE INCAPABLE OF PUTTING THEIR HOUSE IN ORDER THEY COULD HARDLY COMPLAIN IF OTHERS HAD TO DO IT FOR THEM.

3.. AMERY TOLD ME THAT CEAUSESCU SPOKE ON THESE LINES AT LENGTH AND WITH CONSIDERABLE HEAT. WHEN AMERY POINTED TO THE CONTRAST WITH THE ATTITUDE HE TOOK IN 1968, CEAUSESCU REFUSED TO CONCEDE THAT THE CASES WERE PARALLEL, INSISTING THAT DUBCEK DID NOT AT THAT TIME PRESENT A THREAT TO THE SOCIALIST SYSTEM COMPARABLE WITH THAT NOW POSED BY DEVELOPMENTS IN POLAND.

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4.. COMMENT. CEAUSESCU'S ATTITUDE SEEMS TO INDICATE THAT HE NOW REGARDS A POSSIBLE SOVIET INTERVENTION AS THE LESSER EVIL. THE LINE HE HAS TAKEN WILL NO DOUBT GIVE CONSIDERABLE SATISFACTION IN MOSCOW.

5.. ANDREI IS NOW IN WARSAW FOR THE MEETING OF PACT FOREIGN MINISTERS. WHEN I SAW HIM ON 15 OCTOBER HE INSISTED THAT THIS WAS A ROUTINE MEETING FIXED A LONG TIME AGO.

6.. FCO PASS SAVING TO SOFIA BUDAPEST EAST BERLIN PRAGUE BELGRADE UKDEL NATO.

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MR POWNALL

PS/CHANCELLOR
SIR K COUZENS
MISS BAKER

MR P J BULL

MR COTTERILL

MR WOOLGAR

THIS TELEGRAM
WAS NOT
ADVANCED

DOT

TREASURY

B/ENGLAND

ECGD

OAS D/EMPLOYMENT
CAXTON HOUSE

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[PASSED AS REQUESTED]

SECRET

SUBJECT

Dear Mr President,

-0- 201315Z

cc: Haslat set
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PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 205/80

Thank you for your further message of 7 October about Poland. I agree that it is essential for us to remain in close touch over this.

The situation in Poland is obviously still precarious and the Party leadership in disarray. The Russians seem prepared for the moment to leave it to the Polish authorities to try to reassert control. But they are clearly not confident that the Government will be able to implement the agreements reached last month in a way that both avoids further trouble with the workers and safeguards the supremacy of the Party. I share your view that the Russians would intervene if they believed that communist control was in jeopardy.

Like you, we have been watching closely the military activity in the Western military districts of the Soviet Union together with certain evidence from the communications field. Our assessment at the moment is that these are contingency moves and do not in themselves presage an early invasion. But they have the character of precautionary steps in case an armed intervention should appear necessary.

While we should have some warning of an impending invasion, this might not amount to more than a few days. It is therefore important that we should be ready to react quickly if an intervention seemed imminent. I know that our officials, together with those from France and Germany, have been discussing the steps we might take in such a situation.

I have no doubt that the Russians know very well that an invasion would have very serious consequences for East/West relations, but I agree that the point is one which can usefully be underlined. I have made it clear publicly, most recently during the Conservative Party Conference, that Polish affairs are for the Poles alone to resolve; and we shall be putting that message across also in private.

Yours Sincerely
Margaret Thatcher

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20 October 1980

POLAND

The Prime Minister has seen your letter to me of 17 October and the enclosed draft message to go from her to President Carter. I enclose the text of the message in the form in which it has been despatched on the direct line this afternoon.

I am sending a copy of this letter and enclosure to David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

Roderic Lyne, Esq.,
Foreign and Commonwealth Office.

SECRET

NRGM

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Thank you for your further message of 7 October about Poland. I agree that it is essential for us to remain in close touch over this.

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TO PRIORITY FCO

TELEGRAM NO 4312 OF 17 OCTOBER

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YOUR TELNO 451 TO WARSAW: POLISH ECONOMY

1. ACTION TAKEN WITH STATE DEPARTMENT (OFFICE OF EASTERN EUROPEAN AFFAIRS) AND THE TREASURY (BERGSTEN ASSISTANT SECRETARY INTERNATIONAL AFFAIRS).

2. THE STATE DEPARTMENT SAY THAT THEY HAVE NOT AS YET RECEIVED ANY FORMAL REQUEST FROM THE POLES. HOWEVER, WHEN BARRY (DEPUTY ASSISTANT SECRETARY, EUROPEAN BUREAU, STATE) VISITED WARSAW TWO WEEKS AGO, HE WAS TOLD INFORMALLY THAT THE POLES WOULD BE INTERESTED IN OBTAINING DOLLARS 3 BILLION CREDIT FROM THE US, AS WELL AS SUBSTANTIAL AID FROM OTHER WESTERN EUROPEAN COUNTRIES. IN ADDITION THE POLES HAD RAISED THE POSSIBILITY OF:

(A) DEFERRING CCC CREDIT REPAYMENTS UNTIL THE THIRD YEAR (APPARENTLY NEXT YEAR DOLLARS 570 MILLION ARE DUE FOR REPAYMENT, OF WHICH DOLLARS 470 MILLION COULD BE DEFERRED FOR ONE YEAR WITHOUT GOING OUTSIDE THE NORMAL THREE YEAR REPAYMENT CYCLE).

(B) OBTAINING CCC CREDIT ON 8 TO 10 YEAR TERMS (THE STATE DEPARTMENT SAY THAT THERE IS AN INTERMEDIATE CCC CREDIT PROGRAMME, WHICH HOWEVER HAS NO FUNDS FOR THE FISCAL YEAR 80/81).

(C) DEFERRING PL480 RE-PAYMENTS (SOME DOLLARS 24 MILLION ARE DUE OVER EACH OF THE NEXT TWO YEARS).

(D) OBTAINING EXIM CREDITS FOR THE PURCHASE OF RAW MATERIALS (EXIM MEDIUM TERM CREDITS ARE COVERED BY THE BERNE UNION UNDERSTANDINGS WHICH NORMALLY LIMIT THEIR USE TO THE PURCHASE OF CAPITAL EQUIPMENT).

(E) INCREASING THEIR FISHERY QUOTAS IN US WATERS (THE STATE DEPARTMENT SAY THAT THE POLES QUOTA IS CURRENTLY ABOUT 220,000 TONNES AND THAT IT WOULD BE DIFFICULT TO ALLOCATE THEM ANY MORE).

SINCE BARRY'S RETURN, THE POLISH AMBASSADOR HERE HAD CALLED ON HIM AND MAKING IT CLEAR THAT HE WAS DOING SO WITHOUT INSTRUCTIONS, HAD REVIEWED ITEMS (A) TO (E) ABOVE AS BEING THE SORT OF THING IN WHICH HIS GOVERNMENT MIGHT BE INTERESTED. STATE DEPARTMENT SPECULATED TO US THAT THE POLISH EMBASSY IN WASHINGTON, WHO HAVE NO DOUBT A MORE REALISTIC ASSESSMENT OF WHAT IS FEASIBLE HERE, MAY HAVE URGED WARSAW NOT TO PROCEED WITH THE REQUEST FOR DOLLARS 3 BILLION CREDIT, WHICH MIGHT EXPLAIN THE DELAY IN A FORMAL APPROACH TO THE US GOVERNMENT.

3. ALTHOUGH A FORMAL APPROACH FROM THE POLES IS STILL AWAITED, THE STATE DEPARTMENT HAVE TOLD US THAT THE ADMINISTRATION HAVE BEEN CONDUCTING AN INTERNAL REVIEW OF THE ATTITUDE TO BE ADOPTED

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/ IN RESPONSE

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IN RESPONSE TO THE POLISH ECONOMIC SITUATION, AND THEY HOPE THAT THIS WILL SOON BE COMPLETED. THE OPTIONS SEEM TO BE MOVING IN THE DIRECTION OF A RESTRUCTURING OF POLISH EXTERNAL DEBT. STATE DEPARTMENT CONTACTS BELIEVE THAT WHILE THIS WILL REQUIRE LEGISLATION, IT IS LIKELY TO RECEIVE MORE CONGRESSIONAL SUPPORT THAN A REQUEST FOR SUBSTANTIAL ADDITIONAL CREDITS. IN THE STATE DEPARTMENT'S VIEW ANY RESTRUCTURING AGREEMENT MUST BE MULTILATERAL ALTHOUGH THEY HAVE AN OPEN MIND ABOUT THE PRECISE FORUM: THEY WOULD NOT INSIST THAT THE RESTRUCTURING SHOULD BE ON PARIS CLUB LINES NOR THAT POLAND SHOULD JOIN THE IMF. THE STATE DEPARTMENT INDICATED THAT AS SOON AS THEIR OWN POLICY REVIEW IS COMPLETE THEY WOULD WANT TO SHARE ITS RESULTS WITH US: THEY TOOK NOTE OF OUR POSSIBLE INTEREST IN AN INFORMAL MEETING.

4. AT THE TREASURY, BERGSTEN CONFIRMED THAT THE POLES WERE SEEKING ASSISTANCE ON THE ABOVE LINES AS PART OF AN ATTEMPT TO SECURE A TOTAL OF AROUND DOLLARS 5-6 BILLION FROM THE WEST. WHATEVER THE STATUS OF THE VARIOUS POLISH APPROACHES (HE THOUGHT THE POLES MIGHT BE CONTEMPLATING A FORMAL DEMARCHE HERE NEXT WEEK), THE SCALE OF ASSISTANCE BEING SOUGHT WAS FAIRLY CLEAR AND WAS PERHAPS NOT ALTOGETHER SURPRISING IN VIEW OF THE LONG TERM STRUCTURAL PROBLEMS OF THE POLISH ECONOMY WHICH HE DISTINGUISHED FROM THE QUOTE BULGE UNQUOTE FINANCING PROBLEM FACING YUGOSLAVIA.

5. BERGSTEN ALSO CONFIRMED THAT THE US WERE URGENTLY CONSIDERING THE REQUEST BUT HAD AS YET NO FIRM VIEWS ON EITHER THE SUBSTANCE OR PROCEDURE. ON THE FORMER IT WAS CLEAR THAT LEGISLATION WOULD BE REQUIRED TO AUTHORISE ANY OFFICIAL ASSISTANCE ON A LARGE SCALE. HE THOUGHT THAT IT WOULD BE HARD TO CONVINCING CONGRESS TO AGREE TO THIS BOTH ON AID GROUNDS (WHEN THE POLISH INCOME PER CAPITA WAS AROUND DOLLARS 3600 P.A.) AND BECAUSE OF THE PRECEDENT IT WOULD CREATE. HE POINTED TO THE FACT THAT POLAND ALREADY ACCOUNTED FOR A DISPROPORTIONATE AMOUNT OF OUTSTANDING CCC CREDITS. BUT HE THOUGHT THAT UK COMMERCIAL BANKS HAD MORE AT STAKE THAN US ONES.

6. ON PROCEDURE, HE THOUGHT, SPEAKING PERSONALLY, THAT AN INFORMAL MEETING WOULD BE USEFUL. A MORE CONSIDERED US VIEW MIGHT EMERGE AFTER A HIGH LEVEL MEETING ON THE QUESTION PLANNED FOR EARLY NEXT WEEK. HE WOULD IN ANY CASE WELCOME OUR VIEWS ON THE FOLLOWING

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- (A) HOW SHOULD A MEETING BE ORGANISED, ESPECIALLY TO CONSIDER BOTH NEW AND EXISTING OFFICIAL CREDITS
- (B) WHO COULD PERFORM THE ROLE WHICH THE IMF CARRIED OUT FOR OTHER COUNTRIES I.E. TO INVIGILATE THE PERFORMANCE OF ECONOMIC MANAGEMENT SUBSEQUENT TO ANY ASSISTANCE BEING GRANTED. HE SAW POLITICAL DISADVANTAGES IN THE US TAKING THE LEADING ROLE.

FCO PLEASE ADVANCE PS/SIR KENNETH COUZENS, TREASURY, AND TO BANK OF ENGLAND.

FCO PASS SAVING: BRUSSELS THE HAGUE COPENHAGEN DUBLIN LUXEMBOURG UKREP BRUSSELS OTTAWA MOSCOW UKDEL NATO

HENDERSON

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MR FERGUSSON
MR EVANS

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MR DICK CRE DOT
MR COWAN MAFF
MR L F T SMITH BANK OF ENGLAND

(Mr. M...)
Mr

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CEAUSESCU'S COMMENTS ON POLAND

- 1.. PRESIDENT CEAUSESCU COMMENTED IN CRITICAL TERMS ON EVENTS IN POLAND DURING A SPEECH TO A PLENARY MEETING OF THE ROP CENTRAL COMMITTEE, HELD ON 14-15 OCTOBER (TEXT PUBLISHED TODAY, 17 OCTOBER). CEAUSESCU STATED THAT HE HAD RECEIVED MANY QUESTIONS ABOUT POLAND AND THAT HE WISHED "WITHOUT IN ANY WAY INTERFERING IN POLAND'S INTERNAL AFFAIRS" TO "SHOW PARTY AND PEOPLE HOW WE VIEW THESE MATTERS". HIS MAIN POINTS WERE AS FOLLOWS:-
- (A) IF POLAND'S PROBLEMS HAD BEEN SOLVED TOGETHER WITH THE WORKING CLASS, IF A TIMELY AND APPROPRIATE INTERVENTION HAD BEEN MADE VIS A VIS THE DEVELOPING STATE OF AFFAIRS, AND IF A FIRM ATTITUDE HAD BEEN TAKEN WITH ANTI-SOCIALIST ELEMENTS, THE EVENTS WOULD NOT HAVE TAKEN PLACE.
 - (B) THE POLISH PARTY ITSELF HAD RECOGNISED THAT IT WAS ISOLATED FROM THE MASSES AND HAD NOT PROPERLY EXERCISED ITS LEADING ROLE, AND THAT THERE HAD BEEN BREACHES OF SOCIALIST ETHICS AND MANIFESTATIONS OF CORRUPTION.
 - (C) THERE WERE CLEARLY TWO SECTORS IN THE POLISH ECONOMY, ONE SOCIALIST, THE OTHER PRIVATE; THE DANGER OF CLASS STRUGGLE WOULD ALWAYS EXIST WHILE THERE WERE CLASSES AND ECONOMIC SECTORS BASED ON SEPARATE FOUNDATIONS.
 - (D) FREE TRADE UNIONS WAS A MEANINGLESS SLOGAN WHICH DAMAGED THE UNITY OF THE WORKING CLASS AND SERVED BOURGEOIS AND IMPERIALIST INTERESTS. WORKING CLASS AND SYNDICALIST UNITY WAS ESSENTIAL FOR REVOLUTIONARY SOCIALIST CONSTRUCTION AND FOR THE SOVEREIGNTY OF ANY SOCIALIST COUNTRY.
 - (E) A DECISIVE RIPOSTE HAD TO BE GIVEN TO ANY KIND OF ANTI-SOCIALIST ACTIVITY; THE ROMANIANS WERE CONVINCED THAT THE POLES WOULD "TAKE FIRM ACTION AGAINST VARIOUS ANTI-SOCIALIST

/MANIFESTATIONS

MANIFESTATIONS AND TENDENCIES'', FIND SOLUTIONS, ASSURE THE
SOCIALIST DEVELOPMENT OF THE COUNTRY AND STRENGTHEN ITS
INDEPENDENCE.

2.. COMMENT FOLLOWS.

3.. FCO PASS SAVING SOFIA BUDAPEST EAST BERLIN PRAGUE
BELGRADE UKDEL NATO.

HOLMER

(REPEATED AS REQUESTED)

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MR P J BULL	B/ENGLAND
MR COTTERILL	ECGD
MR WOOLGAR	OAS D/EMPLOYMENT CAXTON HOUSE



Foreign and Commonwealth Office

London SW1A 2AH

17 October 1980

For Paul

~~Prime Minister.~~
me
17x.

Dear Mike,

/ I enclose a note, delivered to us by the Polish Ambassador, conveying the thanks of the Polish Prime Minister, Mr Jozef Pinkowski, for the Prime Minister's message of congratulations on his appointment which was sent to Warsaw on 22 September.

yours ever
Roderic Lyne
me

(R M J Lyne)
Private Secretary

M Pattison Esq
10 Downing Street

SUBJECT.

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T201/80.

No. 11-12-80

cc Thatcher set
des

The Embassy of the Polish People's Republic presents its compliments to the Protocol and Conference Department of the Foreign and Commonwealth Office and has the honour to request them to convey the following message to the Prime Minister, The Rt. Hon. Margaret Thatcher, MP:

"I would like to thank you, Madam, very much for the congratulations and good wishes kindly forwarded to me on the occasion of my appointment as Chairman of the Council of Ministers of the Polish People's Republic.

May I take this opportunity to assure you of my sincere desire to further develop the good relations between our two countries.

Please accept, Madam, the assurance of my highest consideration.

Jozef Pinkowski
Prime Minister of the
Polish People's Republic."

The Embassy of the Polish People's Republic avails itself of this opportunity to renew to the Protocol and Conference Department of the Foreign and Commonwealth Office the assurance of its highest consideration.

London, 10th October, 1980.



MINNESOTA POLICE DEPARTMENT

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17 OCT 1980

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Foreign and Commonwealth Office

London SW1A 2AH

Type for Dispatch on the direct line

17 October 1980

Prime Minister.

Consult with his staff

Dear Michael, *Yes reply?*
Yes not Agree to X/?
Poland *17x.*

You sent with your letter of 8 October the text of a message dated 7 October from President Carter to the Prime Minister. I enclose a draft reply which has been approved by the Lord Privy Seal.

X/ With your agreement, we should like to telegraph the text of the Prime Minister's reply to HM Ambassadors at Washington, Paris and Bonn, for their personal background information.

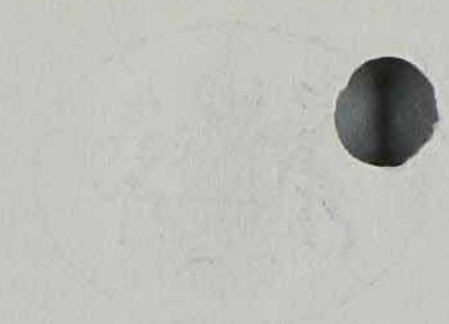
I am copying this letter to David Wright in the Cabinet Office.

yours ever
Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
London

Faint, illegible text at the top of the page, possibly a header or title.



17/OCT/1980

DRAFT: minute/letter/teleletter/despach/note

TYPE: Draft/Final 1+

FROM:

Reference

The Prime Minister

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

President Carter

Top Secret

Secret

Confidential

Restricted

Unclassified

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

Thank you for your further message of 7 October about Poland. I agree that it is essential for us to remain in close touch over this.

The situation in Poland is obviously still precarious and the Party leadership in disarray. The Russians seem prepared for the moment to leave it to the Polish authorities to try to reassert control. But they are clearly not confident that the Government will be able to implement the agreements reached last month in a way that both avoids further trouble with the workers and safeguards the supremacy of the Party. I share your view that the Russians would intervene if they believed that communist control was in jeopardy.

Like you, we have been watching closely the military activity in the Western military districts of the Soviet Union together with certain evidence from the communications field. Our assessment at the moment is that these are contingency moves and do not in themselves presage an early invasion. But they have the character of precautionary steps in case an armed intervention should appear necessary.

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While we should have some warning of an impending invasion, this might not amount to more than a few days. ~~It is therefore important that we should be ready to react quickly if an intervention seemed imminent.~~ I know that our officials, together with those from France and Germany, have been discussing the steps we might take in such a situation.

I have no doubt that the Russians know very well that an invasion would have very serious consequences for East-West relations, but I agree that the point is one which can usefully be underlined. I have made it clear publicly, most recently during the Conservative Party Conference, that Polish affairs are for the Poles alone to resolve; and we shall be putting ^{that} ~~the~~ message across also in private.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 353 OF 10 OCT.

INFO ROUTINE MOSCOW PRAGUE SOFIA BUDAPEST BUCHAREST

EAST BERLIN BELGRADE UKDEL NATO WASHINGTON PARIS

BONN HELSINKI MODUK

Read in full

M

MY TELNO 351: POLISH SITUATION

1. THE PARTY PLENUM AND THE SEJM SESSION HAVE TO SOME EXTENT CLEARED THE AIR BUT HAVE NOT OFFERED MUCH PRESCRIPTION FOR THE FUTURE. WHAT THEY HAVE DONE IS MORE TO UNDERLINE DECISIONS ALREADY TAKEN.
2. THUS KANIA'S TWO SPEECHES AT THE PLENUM STRESSED ABOVE ALL THE NEED FOR INTERNAL PARTY REFORM AND THE BRINGING TO ACCOUNT OF THOSE PARTY MEMBERS RESPONSIBLE FOR THE CRISIS. BUT HE REITERATED THAT THE AGREEMENTS WITH THE STRIKERS WOULD BE RESPECTED. MAJIA DEVELOPED FURTHER THE THEME THAT THE STRIKES OF THE SUMMER HAD BEEN JUSTIFIED WHILE THOSE SUCH AS THAT OF 3 OCTOBER WERE NOT. MOCZAR'S SUBSEQUENT RECONFIRMATION BY THE SEJM AS CHAIRMAN OF A BROADER-BASED SUPREME CHAMBER OF CONTROL SIGNALS THE START OF THE ACCOUNTING PROCESS IN THE ADMINISTRATION, AS DOES THE MEETING OF THE PARTY'S CENTRAL CONTROL COMMISSION (CKKP). THE PARTY SEEMS TO HAVE EMERGED INITIALLY WEAKER FROM ITS RECENT CONVULSIONS AND NEEDS TIME TO RECUPERATE. BUT AT LEAST THE INFLUENCE OF THE MAJOR OLD GUARD FIGURES IS REMOVED FROM THE CENTRAL COMMITTEE.
3. THE SEJM SESSION ON THE OTHER HAND PROCEEDED IN AN ORDERLY AND BUSINESSLIKE MANNER, WITH GOVERNMENT SPEAKERS FAR FRANKER AND DEPUTIES FROM ALL PARTIES FAR MORE OUTSPOKEN THAN BEFORE. THE MINISTER OF JUSTICE WAS REQUIRED TO ANSWER DEPUTIES' QUESTIONS (SUBSEQUENTLY BROADCAST IN A RADIO PROGRAMME ENTITLED "HOUR OF TRUTH") ON THE REASONS FOR THE DELAY IN THE REGISTRATION OF WALESA'S SOLIDARNOSC UNION AND ON THE STATE OF PROGRESS TOWARDS A DRAFT LAW ON CENSORSHIP. KISIEL, VICE PREMIER, PLANNING, AND KRZAK, MINISTER OF FINANCE, PRESENTED RESPECTIVELY AN OUTLINE PLAN AND BUDGET FOR 1981 EXPLAINING THAT THESE EARLY DRAFTS HAD BEEN BROUGHT FORWARD TO GIVE DEPUTIES A CHANCE TO CONSIDER THEM BEFORE FINALISATION. THE DRAFTS THEMSELVES CONTAIN LITTLE TO RELIEVE CURRENT ECONOMIC GLOOM.

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4. THE CHANGES IN THE COUNCIL OF MINISTERS DO NOT APPEAR TO DO MUCH MORE THAN THROW OUT SOME REMAINING FRIENDS OF GIEREK SUCH AS THE MINISTER FOR MINING, AND BRING IN SOME OF HIS OPPONENTS SUCH AS THE LIBERAL TEJCHMA AS MINISTER OF CULTURE. THE PROMOTION OF THE INTERIOR MINISTER KOWALCZYK TO A RATHER THIN PORTFOLIO AS DEPUTY PRIME MINISTER MAY BE A SOP TO THE RUSSIANS. THE ALLOCATION OF RESPONSIBILITIES TO AN INNER CABINET OF DEPUTY PRIME MINISTERS IS APPARENTLY NORMAL. WHAT IS UNUSUAL IS THE AMOUNT OF DETAIL MADE PUBLIC.
5. THE INITIATIVE MEANWHILE REMAINS FIRMLY WITH THE FREE TRADE UNIONS. THE GOVERNMENT IS ON THE DEFENSIVE OVER THE REGISTRATION OF SOLIDARNOSC AND WILL INEVITABLY HAVE TO YIELD MORE GROUND ON THE CURRENTLY DIFFICULT QUESTIONS OF SOLIDARNOSC'S FAILURE TO RECOGNISE EXPLICITLY THE LEADING ROLE OF THE PARTY IN ITS STATUTES (SOLIDARNOSC CLAIMS THAT THE PARTY HAS A LEADING ROLE IN THE COUNTRY BUT NOT IN TRADE UNIONS) AND THE TERRITORIAL-WIDE (AS OPPOSED TO REGIONAL) APPLICATION OF SOLIDARNOSC'S STATUTES. MOREOVER THE ISSUE OF CENSORSHIP IS NOW BEGINNING TO ACQUIRE GREATER PROMINENCE EVEN IN ADVANCE OF THE PUBLICATION OF THE NEW DRAFT LAW AS EDITORS AND JOURNALISTS START TO FEEL FREER IN WHAT THEY CAN PRINT. ALL THIS IS FURTHER EVIDENCE OF THE INFINITE SCOPE FOR DIFFERENT INTERPRETATIONS OF THE GDANSK AGREEMENTS. THE MARKET SUPPLY SITUATION REMAINS AS PRECARIOUS AS EVER AND CAN ONLY DETERIORATE.
6. SO FAR AS I CAN AT PRESENT JUDGE, A RESOLUTION OF THE CRISIS IS NO NEARER. KANIA'S CONCERNATION ON THE PARTY IS UNDERSTANDABLE IN THE LIGHT OF THE FACTS THAT PARTY MEMBERS CONSTITUTE 20 PERCENT OF THE WORK-FORCE AND (IT IS SAID) 30 PERCENT OF THE STRIKE COMMITTEES. IF HE COULD WIN BACK THESE PERCENTAGES HE WOULD BE WELL ON THE WAY TO SUCCESZDC MEANWHILE HE HAS TO STEER A COURSE BETWEEN YIELDING TO EXCESSIVE DEMANDS (IN THE SZCZECIN AREA OVER 7000 HAVE BEEN PUT FORWARD) AND CONFRONTATION. IT APPEARS THAT IN THE

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PORT AREAS AT LEAST THE WORK-FORCE IS STILL TOTALLY DISCIPLINED UNDER THE FREE UNION LEADERSHIP. IT IS PROBABLY ONLY A MATTER OF TIME BEFORE THE NEXT DISPUTE OVER IMPLEMENTATION OF THE AGREEMENTS ARISES. IF THIS AND OTHERS ARE SURMOUNTED THERE REMAINS THE LOOMING PROBLEM OF INEVITABLE FOOD AND OTHER SHORTAGES DURING THE WINTER. IT MAY BE OBJECTIVELY REASONABLE FOR THE GOVERNMENT TO TAKE 2 OR 3 MONTHS TO WORK OUT THEIR PLANS FOR ACTION AND REFORM BUT POLITICALLY THEY NEED TO PUT THEM FORWARD MUCH SOONER.

7. MEANWHILE THE REGIME AND THE GOVERNMENT ARE STILL RUNNING THE COUNTRY BUT THEIR AUTHORITY IS TO SOME EXTENT A FACADE IN THAT IF SOLIDARNOSC CALLS A MAJOR STRIKE THERE IS NOTHING THE GOVERNMENT CAN DO ABOUT IT. THERE ARE AT THE MOMENT TWO BODIES MORE POWERFUL THAN THE STATE: THE CHURCH AND THE FREE TRADE UNIONS.

8. THE ONLY COURSE FOR THE GOVERNMENT IS TO PUT INTO EFFECT THE AUGUST AGREEMENTS WITH THE BEST GRACE THEY CAN AND HOPE THAT IN THE LONGER RUN DISAGREEMENTS AMONG THE NEW UNIONS AND REVIVAL OF MORALE IN THE PARTY MAY ALLOW THEM TO RECOVER THEIR BALANCE AND PRESENT A SLIDE TO ANARCHY. IN THE SHORTER RUN THE GOVERNMENT HAVE TO GET THE ECONOMY WORKING TO LIMITS POSSIBLE UNDER THE INFLATIONARY AND OTHER DISRUPTIVE EFFECTS OF THE AUGUST AGREEMENTS: AND TO IMPORT ENOUGH FOOD AND OTHER SUPPLIES TO AVOID DISASTER IN THE WINTER. THEN THEY MUST PROPOUND AND PUT INTO EFFECT LONG-TERM ECONOMIC REFORM WHICH CAPITALISES ON THE FAVOURABLE POINTS OF THE AUGUST AGREEMENTS AND THE NEW CLIMATE OF FREER DISCUSSION AND PARTNERSHIP.

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From the Private Secretary

8 October, 1980.

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Dear George,

Message from President Carter

I enclose the text of a message which the Prime Minister received from President Carter this morning about the situation in Poland. The Prime Minister, who will of course be referring to Poland in her speech in Brighton on Friday, has agreed that there is no need to send an immediate reply. We should perhaps think in terms of sending a message some time in the course of next week.

I am sending a copy of this letter and its enclosure to David Wright (Cabinet Office).

Yours truly

Michael Alexander

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.

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PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. 1198/80

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OO WTE24
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FM PRESIDENT CARTER
TO PRIME MINISTER THATCHER
ZEM

SECRET VIA CABINET OFFICE CHANNELS DELIVER AT OPENING OF BUSINESS
WH07412

OCTOBER 7, 1980

DEAR MARGARET:

THANK YOU FOR YOUR LETTER OF SEPTEMBER 3 REGARDING DEVELOPMENTS IN POLAND. WARREN CHRISTOPHER'S TALKS WITH YOU AND ED MUSKIE'S DISCUSSIONS WITH HIS COUNTERPARTS IN THE QUAD IN NEW YORK PROVIDED A USEFUL OPPORTUNITY FOR AN EXCHANGE OF VIEWS. IT IS VITAL THAT WE MAINTAIN CLOSE AND FRANK COLLABORATION WITH REGARD BOTH TO OUR ASSESSMENT OF WHAT IS TAKING PLACE, AND TO THE MEASURES WE MIGHT UNDERTAKE TO ACHIEVE OUR COMMON AIM OF DETERRING SOVIET INTERVENTION AND SUPPORTING TRENDS TOWARD INTERNAL LIBERALIZATION IN POLAND.

WHILE THE INITIAL PHASE OF THE CRISIS IN POLAND HAS BEEN SUCCESSFULLY WEATHERED, THE CRISIS ITSELF IS OF COURSE BY NO MEANS OVER. AS FOREIGN MINISTER GENSCHER NOTED TO WARREN CHRISTOPHER WHEN HE WAS IN BONN, THE COMING MONTHS WILL BE MARKED BY UNCERTAINTY AND INSTABILITY. THE SOVIETS UNDOUBTEDLY SEE THE TREND OF EVENTS AS A THREAT TO THE STRATEGIC POSITION WHICH THEY HAVE HELD IN EUROPE SINCE WORLD WAR II, AND THE SHARPER TONE OF THEIR RECENT COMMENTARY ON POLAND SUGGESTS THAT THEY ARE BECOMING INCREASINGLY CONCERNED.

WE EACH KNOW THAT THE SOVIETS WOULD BE RELUCTANT TO INTERVENE MILITARILY. HOWEVER, WE ALSO KNOW THAT THEY WOULD NOT HESITATE TO USE ANY MEASURES, INCLUDING ARMED FORCE, TO ENSURE THAT POLAND REMAINS WITHIN THEIR ORBIT. IN THIS REGARD, RECENT SOVIET MILITARY ACTIVITY IN THE THREE WESTERNMOST MILITARY DISTRICTS OF THE USSR, AS WELL AS THE ESTABLISHMENT OF HIGH-LEVEL COMMUNICATIONS ARE A MATTER OF CONCERN.

SOVIET MILITARY INTERVENTION WOULD UNQUESTIONABLY HAVE DEEPER AND MORE LONG-LASTING EFFECTS ON EAST-WEST RELATIONS, THAN DID THEIR INVASION OF CZECHOSLOVAKIA. THEREFORE, IN ORDER TO INCREASE DETERRENCE, IT IS IMPORTANT FOR US TO BE SURE THAT MOSCOW FULLY UNDERSTANDS THAT SOVIET MILITARY INTERVENTION WOULD HAVE A PROFOUNDLY NEGATIVE EFFECT ON OUR COUNTRIES, AND WOULD BEGIN A NEW AND EVEN MORE DIFFICULT CHAPTER IN SOVIET RELATIONS WITH THE WEST.

SECRET

I THEREFORE HOPE THAT YOU -- IN WHATEVER WAY AND WHENEVER YOU DEEM IT MOST APPROPRIATE AND EFFECTIVE -- CAN CONVEY TO THE SOVIET UNION YOUR FEELINGS ABOUT THIS MATTER. IT IS IMPORTANT THAT THE SOVIETS BE UNDER NO ILLUSION ABOUT WESTERN VIEWS AND THAT THEY UNDERSTAND CLEARLY FROM US THE CONSEQUENCES OF THEIR ACTIONS. WE HAVE MADE OUR OWN U.S. VIEWPOINT PLAIN TO THE SOVIETS ON SEVERAL OCCASIONS, MOST RECENTLY DURING SECRETARY MUSKIE'S CONVERSATION WITH AMBASSADOR DOBRYNIN ON OCTOBER 4.

I AM MAKING A SIMILAR SUGGESTION TO VALERY AND TO HELMUT, AND I WILL APPRECIATE ANY FURTHER THOUGHTS YOU HAVE.

SINCERELY,
JIMMY CARTER

THE RIGHT HONORABLE
MARGARET THATCHER, P.M.
PRIME MINISTER
LONDON
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DE CAB QSL AT Ø72118Z PCM

Poland
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1 October 1980

Security breach

As you will be aware, the Lord Privy Seal called on the Prime Minister a few days ago to discuss a security breach involving a copy of the Prime Minister's message to President Carter about the situation in Poland. After the Lord Privy Seal had described the circumstances surrounding the breach, the Prime Minister agreed that the matter need not be taken any further.

MICHAEL ALEXANDER

George Walden, Esq.,
Foreign and Commonwealth Office.

[Handwritten mark]

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Prime Minister

MA

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FM WARSAW 250700Z SEP

TO PRIORITY FCO

TELEGRAM NUMBER 324 OF 24 SEP.

INFO WASHINGTON PARIS BONN MOSCOW UKDEL NATO MODUK

SAVING TO BELGRADE BUDAPEST BUCHAREST EAST BERLIN PRAGUE
SOFIA HELSINKI.

POLAND'S ECONOMIC AND FINANCIAL POSITION

MIPT (*Below*)

1. THE STATEMENTS FROM OLSZOWSKI AND THE COUNCIL OF MINISTERS CONFIRM THE LEADERSHIP'S CURRENT PRE-OCCUPATIONS IN THE ECONOMIC AND SOCIAL SECTORS.

THESE ARE:

I. TO EXECUTE THE TERMS OF THE AGREEMENTS MADE WITH THE STRIKERS; AND

II. TO BRING ABOUT A RETURN TO FULL PRODUCTION AS A PRE-REQUISITE FOR DOING SO.

ALTHOUGH THERE ARE SOME SIGNS THAT UNREST MAYBE MODERATING IT WILL CLEARLY BE SOME TIME BEFORE THE ECONOMY GETS BACK TO NORMAL. MEANWHILE THE MAINTENANCE OF MARKET SUPPLIES AT EVEN THEIR PREVIOUS LESS-THAN - SATISFACTORY LEVELS WILL BE A STRUGGLE.

2. THERE IS NO CLEAR PLAN YET FOR SOLVING THE DEEP-SEATED, AS AGAINST THE IMMEDIATE AND SUPERFICIAL, PROBLEMS CONFRONTING THE POLISH ECONOMY. OF THESE, THE MAIN ONES ARE:

I. THE ABILITY TO MAINTAIN OR IMPROVE SUPPLIES TO THE DOMESTIC AND EXPORT MARKETS;

II. HOW TO COPE WITH THE MASSIVE EXPANSION OF PURCHASING POWER WHICH RECENT CONCESSIONS WILL CREATE (PERHAPS BY AS MUCH AS 20-25 PER CENT) WITHOUT RESORT TO POLITICALLY UNACCEPTABLE PRICE INCREASES;

CONFIDENTIAL

/iii.

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III. HOW TO MANAGE POLAND'S MASSIVE OVERSEAS DEBTS AND THEIR SERVICING WHILST THESE CONTINUE TO GROW AND WITHOUT ANY FIRM PROMISES OF EXTERNAL ASSISTANCE ON THE REQUIRED SCALE: AND

IV. HOW TO UNDERTAKE THE PROMISED (AND NECESSARY) REFORMS OF ECONOMIC MANAGEMENT AGAINST THE BACKGROUND OF THE PROBLEMS ABOVE.

3. THE POLISH LEADERSHIP APPEAR TO BE RELYING IN THE FIRST INSTANCE ON A FAMILIAR MIXTURE OF EXHORTATION TO WORK (AND WORK HARDER AND MORE HONESTLY), AND SHORT-TERM FOREIGN ASSISTANCE, IN ORDER TO RESTORE PRODUCTION AND MAINTAIN MARKET SUPPLIES. IN THE LONGER TERM THEY NO DOUBT HOPE THAT THE POLITICAL AND ECONOMIC REFORMS THEY HAVE PROMISED WILL PROVIDE THE ANSWERS.

FCO PLEASE PASS SAVING ADDRESSEES.

(REPEATED AS REQUESTED)

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TO PRIORITY FCO

TELEGRAM NUMBER 323 OF 24 SEP

INFO ROUTINE WASHINGTON, PARIS, BONN, MOSCOW, UKDEL NATO,
MODUK

SAVING TO BELGRADE BUCHAREST BUDAPEST EAST BERLIN PRAGUE
SOFIA HELSINKI

POLAND'S ECONOMIC AND FINANCIAL SITUATION

1. SEVERAL FURTHER SIGNIFICANT STATEMENTS ON POLAND'S ECONOMIC SITUATION HAVE APPEARED IN THE LAST DAY OR TWO.
2. SPEAKING AT A PARTY MEETING IN BYDGOSZCZ ON 19 SEPT OLSZOWSKI BLAMED THE RECENT CRISIS ON THE BEHAVIOUR OF THE PREVIOUS GOVERNMENT, WHICH HE DESCRIBED AS ARROGANT AND STUBBORN. THIS LED TO A WIDE GULF BETWEEN SPEECH AND PRACTICE. THERE WERE, HE SAID, SERIOUS MISTAKES IN PLANNING AND MANAGEMENT CAUSING A HIGHER THAN PLANNED COST OF LIVING AND A DROP IN REAL PAY FOR SOME WORKERS.
3. A QUOTE POLITICAL UNQUOTE SOLUTION WAS ADOPTED BY THE PARTY TO RESOLVE THE FIRST STAGE IN THE CRISIS. THE AGREEMENTS NEGOTIATED HAD TO BE OBSERVED CONSISTENTLY. BUT THEY RAISED BILATERAL OBLIGATIONS. WORKING PEOPLE HAD TO FACE THE TRUTH THAT NO ECONOMIC AID FROM OUTSIDE WOULD HELP THEM IN THE LONG RUN -- ALL HAD TO WORK HONESTLY AND EFFICIENTLY, PARTICULARLY ENTERPRISES SUPPLYING FOREIGN AND DOMESTIC MARKETS AND SERVICES TO THE POPULATION, EG THE FOOD INDUSTRY, COMMERCIAL AND URBAN TRANSPORT. THE ORDER OF THE DAY WAS TO PRODUCE THE MAXIMUM POSSIBLE AMOUNTS OF FOOD AND INDUSTRIAL GOODS WHICH WERE IN GREAT DEMAND. OTHERWISE QUOTE THE MONEYS WHICH KEEP COMING TO OUR POCKETS WILL BE NOTHING BUT PRINTED SLIPS OF PAPER, WE MIGHT ALSO RUN SHORT OF BASIC FOOD PRODUCTS UNQUOTE.
4. THIS THEME OF THE NEED FOR MORE AND HONEST WORK RAN THROUGH THE REST OF OLSZOWSKI'S SPEECH. HE DREW ATTENTION TO THE FACTS THAT BY MID-SEPTEMBER INDUSTRIAL PRODUCTIVITY HAD ONLY REACHED 80-85 PER CENT OF CAPACITY : THAT TO DATE OUTPUT FELL SHORT OF THE PLAN BY 20 BILLION ZLOTYS: DELIVERIES OF INDUSTRIAL GOODS THE THE MARKET HAD DETERIORATED: HOUSING CONSTRUCTION WAS ONLY 36.1 PER CENT OF ITS TARGET: AND THE QUANTITY OF EXPORT PRODUCTS HAD DIMINISHED. IN CONNECTION WITH THE LATTER HE MENTIONED SHORTFALLS OF 2.8 MILLION TONS OF COAL, 110 THOUSAND TONS OF PIG-IRON, 135 THOUSAND TONS OF STEEL AND A NUMBER OF OTHER ITEMS INCLUDING FERTILISERS AND TRACTORS.
5. TURNING NEXT TO ECONOMIC REFORMS, HE FORESHADOWED /MOVES

MOVES TOWARDS GREATER INDEPENDENCE FOR ENTERPRISES,
AND AN ENHANCED ROLE FOR WORKER PARTICIPATION.
BUT THIS MUST TAKE PLACE WITHIN A FRAMEWORK OF A
STRONGER ROLE FOR CENTRAL PLANNING REGARDING
SUPPLIES, CO-PRODUCTION AND COOPERATION BETWEEN INDIVIDUAL
INDUSTRIES, AND MORE DISCIPLINE IN THE PLAN'S
IMPLEMENTATION. THE FINANCIAL PERFORMANCE OF ENTERPRISES
MUST BE TAKEN INTO ACCOUNT.

6. A REPORT WAS ALSO ISSUED ON A MEETING OF THE
COUNCIL OF MINISTERS ON 22 SEPTEMBER. THIS IDENTIFIED
THE MAIN SOCIO-ECONOMIC GOALS FOR 1981 AS BEING:
I. IMPLEMENTATION OF PROGRAMME OF INCREASES IN WAGES
AND BENEFITS, AND TO INCREASE MARKET PRODUCTION;
II. TO KEEP THE COST OF LIVING AT THE PRESENT LEVELS;
III. TO IMPLEMENT THE HOUSING PROGRAMME.
IT WAS ALSO DECIDED TO INTRODUCE A PROGRAMME TO IMPROVE
HEALTH SERVICES.

7. THE MINISTERS STRESSED THE IMPORTANCE OF MAKING
FULL USE OF PRODUCTION POTENTIAL TO ACHIEVE THESE AIMS.
ADDITIONAL FOREIGN MEANS WOULD BE SECURED TO BOOST PRODUCTION FOR
THE HOME AND EXPORT MARKETS. BUT THEY OBSERVED THAT THERE
WERE QUOTE LIMITED POSSIBILITIES UNQUOTE TO MAINTAIN
A HIGH RATE OF INVESTMENT. IT WOULD BE NECESSARY
TO GIVE UP CERTAIN LARGESCALE INVESTMENTS WHICH WOULD
INVOLVE MANY RESOURCES. THE EMPHASIS WOULD BE PLACED
INSTEAD ON PROJECTS WHICH COULD YIELD RAPID RETURNS.
HIGH PRIORITY WOULD BE GIVEN TO HOME MARKET SUPPLIES
AND DEVELOPMENT OF FOODSTUFF ECONOMY.

8. AT A MEETING OF THE SEJM FOREIGN TRADE COMMISSION
ON 22 SEPTEMBER A DEFICIT OF US DOLLARS 240 MILLION
ON TRADE WITH HARD CURRENCY COUNTRIES WAS REVEALED
FOR THE FIRST EIGHT MONTHS OF 1980.

9. FOR COMMENT ON THESE STATEMENTS SEE MY SUBSEQUENT
TELEGRAM. FULL TEXTS WILL FOLLOW BY BAG.

FCO PLEASE PASS SAVING ADDRESSEES.
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MR P J BULL BANK OF ENGLAND

MR COTTERILL ECGD
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EAST BERLIN, BELGRADE, UKDEL NATO, WASHINGTON,
PARIS, BONN, HELSINKI, MODUK.

MY TELNO 318: POLISH SITUATION

1. THERE IS NOT A GREAT DEAL TO ADD TO MY TELNO 308
OF 15 SEPTEMBER.

2. POLAND REMAINS UNCERTAIN AND CONFUSED. SPORADIC
STRIKES CONTINUE WITH SOME FACTORIES MAKING IMPOSSIBLE
DEMANDS. THE TRADE UNION SITUATION IS CHAOTIC WITH
SOME NEW UNIONS REGISTERING AT THE WARSAW COURT, SOME
OLD UNIONS DISAFFILIATING FROM THE OLD CENTRAL TRADE
UNION BODY AND OTHERS STAYING WITH IT BUT PURGING
THEIR GOVERNING BODIES. ACCOMPANYING THE FEELING
OF DRIFT THERE IS HOWEVER ALSO ONE OF GREATER
FREEDOM TO SAY AND WRITE THINGS WHICH BEFORE WERE
UNMENTIONABLE, AND OUTSIDE PARTY CIRCLES A SATISFACTION
AT THE WAY THINGS HAVE GONE SO FAR.

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cc Mr Ferguson
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3. THE REGIME HAVE STATED MANY TIMES THAT THEY INTEND TO CARRY OUT THE GDANSK AGREEMENTS TO THE LETTER AND I DO NOT DOUBT THIS. IF THEY TRY TO "CLAW BACK" IT WILL BE A LONG-TERM OBJECTIVE. BUT IT MEANS THAT THEY CAN INVOKE THE SAVING CLAUSES (EG THAT WHAT IS DONE SHOULD BE CONSONANT WITH LEADING ROLE OF PARTY ETC) AND THAT THEY HAVE NO OBLIGATION TO GO BEYOND THE AGREEMENTS. THERE IS PLENTY OF SCOPE FOR FURTHER DISAGREEMENT ON THE TRADE UNION ISSUE LET ALONE THOSE OF CENSORSHIP, ARBITRARY DETENTION, RELIGIOUS BROADCASTING (THE FIRST MASS HAS BEEN BROADCAST), PENSIONS AND ECONOMIC REFORM, ON ALL OF WHICH THE GOVERNMENT HAVE PROMISED PROPOSALS.

4. THE GOVERNMENT'S FIRST PRIORITY HAS BEEN TO RALLY THE PARTY WHOSE LEADING ROLE IS THEIR ONLY JUSTIFICATION FOR BEING IN OFFICE. THE RANK AND FILE, ABUSED FOR DISMAL FAILURE, INSTRUCTED TO RE-THINK THEIR ENTIRE WORK-STYLE AND THREATENED WITH THE LOSS OF PRIVILEGES, MUST WONDER IF IT IS WORTH WHILE BELONGING. IN A SERIES OF MEETINGS CULMINATING IN A PARTY CONGRESS THE LEADERS WILL TRY TO REVIVE THEIR SPIRITS AND ESTABLISH A NEW PROGRAMME OF ACTION. BUT WITH THE HAMMERING THE PARTY HAS TAKEN, FIRST FROM THE POPE'S VISIT AND NOW FROM ITS HUMILIATING DEFEAT BY THE STRIKERS, THE TASK OF REVIVAL WILL BE VERY DIFFICULT. MOR CHANGES AT ALL LEVELS, INCLUDING THE TOP, CAN BE EXPECTED.

5. TO ESTABLISH A COHERENT PLAN FOR POLITICAL AND ECONOMIC ACTION WILL TAKE TIME AND WITH SO MANY PROBLEMS PRESSING THE REGIME MAY NOT BE ALLOWED IT. THEY HAVE TO RE-ESTABLISH A REASONABLE DISCIPLINE IN THE WORK-FORCE WHILE PUTTING INTO EFFECT POLITICAL CONCESSIONS WHICH MAY UNDERMINE THEIR AUTHORITY, AND ECONOMIC CONCESSIONS WHICH ARE THE REVERSE OF WHAT THE COUNTRY NEEDS TO PUT IT ON ITS FEET. ALL THIS AGAINST A BACKGROUND OF A SOVIET UNION SUSPICIOUS THAT THEY ARE GOING TOO FAR, AN EBULLIENT WORK-FORCE SUSPICIOUS THAT THEY WILL NOT GO FAR ENOUGH, AND A CRUSHING DEBT PROBLEM WHICH PREVENTS THEM IMPORTING THE CONSUMER GOODS WHICH MIGHT KEEP THE POPULATION CONTENTED. FURTHERMORE, NONE OF THE NEW LAADDRV ARE WELL KVOAN IN THE COUNTRY OR PARTICULARLY TRUCTEUPC NOR ARE THEY SHARPNARFOTHED BOLSHEVIKS BUT MORE APPARATCHIKS.

6. THE ELEMENTS OF THE REGIME'S PLANS MAY BECOME CLEARER AFTER THIS WEEK'S EXPECTED PARTY PLENUM. AMONG THEM I WOULD EXPECT TO FIND ECONOMIC AND POLITICAL DE-CENTRALISATION, A CONCENTRATION ON CONSUMPTION RATHER THAN INVRM MENT, ATTEMPTS TO SEPARATE THE MORE RADICAL INTELLECTUAL DISSIDENTS FROM THE WORKERS AND, IN DUE COURSE, APPROACHES FOR WESTERN AID.

7. THE MAJOR QUESTION IS WHETHER THE GOVERNMENT WILL BE ALLOWED TO PUT THROUGH ITS PROGRAMME OVER THE NEXT FEW MONTHS WITHOUT FURTHER LARGE-SCALE ORGANISED STRIKES OR OTHER DISTURBANCES. THE WORKERS HAVE DISCOVERED AN UNDREAMED-OF POWER AND THE YOUNGER ONES, WHO PREDOMINATED AMONG THE GDANSK ACTIVISTS, ARE NOT AFRAID IN THE WAY THAT THEIR FATHERS WERE AND ARE. * THE STUDENTS CAN HARDLY BE UNAFFECTED BY THE NEW FERMENT. ON THE OTHER HAND, THE CHURCH WILL PROBABLY STILL THROW ITS WEIGHT ON THE SIDE OF MODERATION, AND THE GENERAL OR SEMI-GENERAL STRIKE-WEAPON, BECAUSE OF ITS CATASTROPHIC CONSEQUENCES, MIGHT REMAIN UNUSED LIKE A SORT OF NUCLEAR DETERRENT. A GREAT DEAL OF TOLERANCE AND FLEXIZILITY WILAUL BE NEEDED ON BOTH SIDES IF THE POT IS NOT TO BOIL OVER.

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* I believe the start of the academic year has just been postponed for a week & may be postponed further.

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TO PRIORITY WARSAW
TELEGRAM NUMBER 419 OF 22 SEPTEMBER

**PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T183^A/80**

PRIME MINISTER'S MESSAGE

1. PLEASE ARRANGE TO PASS THE FOLLOWING MESSAGE FROM THE
PRIME MINISTER TO MR PINKOWSKI:

QUOTE PLEASE ACCEPT MY WARM CONGRATULATIONS AND BEST WISHES ON
YOUR APPOINTMENT AS CHAIRMAN OF THE COUNCIL OF MINISTERS.

I LOOK FORWARD TO COOPERATING WITH YOU IN DEVELOPING FURTHER
THE GOOD RELATIONS BETWEEN OUR TWO COUNTRIES. UNQUOTE

CARRINGTON

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PS/PUS

MR FERGUSSON

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NO 10 DOWNING STREET

20 September, 1980.

cc for Tel

The Prime Minister has seen your letter to me of 19 September and has approved the enclosed message from her to the new Prime Minister of Poland.

M. O'D. B. ALEXANDER

Paul Lever, Esq.,
Foreign and Commonwealth Office.

cc



Prime Minister ①

Approve draft message?

S. J. Pike Deputy Clerk
Foreign and Commonwealth Office 19.9.

London SW1A 2AH

19 September 1980

Approved
ms.

Dear Michael,

New Polish Prime Minister

We delayed recommending a message of congratulation from the Prime Minister to the new Polish Prime Minister last month because he was appointed only in an acting capacity subject to the confirmation of the Polish Parliament. Mr Pinkowski's appointment has now been confirmed and a number of our allies have sent messages. Lord Carrington therefore suggests that it would be right for the Prime Minister to send a message in the normal way, on the lines of the enclosed draft.

The case of the new Party leader, Mr Kania, is different, since he holds no government office. We have not in the past sent messages to Party First Secretaries on their appointment and Lord Carrington does not recommend one on this occasion.

Yours etc

Paul

(P Lever)
Private Secretary

M O'D B Alexander Esq
No 10 Downing Street

DRAFT MESSAGE FROM THE PRIME MINISTER TO THE
POLISH PRIME MINISTER

Please accept my warm congratulations and best wishes on your appointment as Chairman of the Council of Ministers. I look forward to cooperating with you in developing further the good relations between our two countries.

GRS 525

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FM PRAGUE 190700Z

TO ROUTINE FCO LONDON TEL NO 180 OF 19 SEPT 80.

RPTD FOR INFO WARSAW, UKDEL NATO.

SAVING TO MODUK, WASHINGTON, SOFIA, BUDAPEST, BUCHAREST,

EAST BERLIN, BELGRADE, PARIS AND BONN.

POLAND.

1. VASIL BIL'AK MEMBER OF THE PRAESIDIUM RESPONSIBLE FOR FOREIGN RELATIONS, ADDRESSED A LARGE MEETING ON 15 SEPTEMBER ON THE OCCASION OF RUDE PRAVO'S 60TH ANNIVERSARY. AS REPORTED IN THAT NEWSPAPER, HE ASSERTED THAT "AT PRESENT IMPERIALIST POLITICIANS ARE PLACING GREAT HOPES ON THE EVENTS WHICH HAVE TAKEN PLACE IN THE POLISH PEOPLE'S REPUBLIC."

"THUNDEROUS APPLAUSE ACCOMPANIED HIS STATEMENT THAT THE FATE OF OUR POLISH NEIGHBOUR, A FRATERNAL SOCIALIST COUNTRY, CANNOT BE A MATTER OF INDIFFERENCE TO US. THE SYMPATHIES OF THE CZECHOSLOVAK COMMUNIST PARTY, AND OF OUR PEOPLE, ARE ON THE SIDE OF POLISH COMMUNISTS AND ALL WHO STRIVE FOR POLAND TO DEVELOP AS A SOVEREIGN SOCIALIST STATE AND FIRM COMPONENT OF THE SOCIALIST COMMUNITY.

2. THIS IS THE FIRST REPORTED STATEMENT BY A SENIOR PARTY OFFICIAL ON THE POLISH SITUATION. IT IS CLOSELY RELATED TO THE LINE TAKEN BY THE RUDE PRAVO EDITORIAL OF 4 SEPTEMBER (THOMAS'S TELELETTER TO BATTISCOMBE OF 5 SEPTEMBER), WITH THE SAME BREZHNEV DOCTRINE OVERTONES. BIL'AK MADE HIS STATEMENT ON THE SAME DAY THAT HE AND HUSAK RECEIVED OLSZOWSKI, WHO WAS REPORTED TO HAVE VISITED PRAGUE AT THE INVITATION OF THE CENTRAL COMMITTEE OF THE CZECHOSLOVAK COMMUNIST PARTY. THE STANDARD FORMULAIC REPORT IN RUDE PRAVO OF WHAT TRANSPIRED AT THIS MEETING ("DEEPENING OF COOPERATION" ETC) GAVE NOTHING AWAY.

3. THE CZECHOSLOVAK AUTHORITIES SEEM TO BE ENGAGED ON AN EXERCISE DESIGNED TO DENIGRATE THE POLISH STRIKERS, AND PARTICULARLY WALESA. IN AN ARTICLE IN RUDE PRAVO ON 9 SEPTEMBER IT WAS POINTED OUT THAT WALESA HAD WORKED ILLEGALLY FOR TWO YEARS ON THE CREATION OF AN ORGANISATION OF "FREE TRADE UNIONS OF THE BALTIC COAST". THE IMPLICATION OF THE REST OF THE ARTICLE WAS THAT ADVANCE PREPARATION IS PROOF OF FOREIGN INTERFERENCE. THIS TIES IN WITH THE ALLEGED CONTENT OF A CENTRAL COMMITTEE DOCUMENT, OF WHICH WE HAVE LEARNT THROUGH DISSIDENT SOURCES,

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WHICH HAS APPARENTLY CIRCULATED RECENTLY. IT MENTIONS GIEREK'S INABILITY TO CONTROL THE SITUATION IN POLAND, AND DESCRIBES THE EVENTS IN GDANSK AND ELSEWHERE AS HAVING BEEN WELL PLANNED AND PREPARED IN ADVANCE. IT CHARACTERISES THE CRISIS AS THE MOST SERIOUS ATTEMPT BY THE WEST SO FAR TO UNDERMINE SOCIALISM, MORE SO THAN IN BERLIN IN 1953, BUDAPEST IN 1956, PRAGUE IN 1968 AND WARSAW IN 1970. THE DOCUMENT IS ALSO SAID TO EXPLAIN THAT THE RUSSIANS HAD NOT PROVIDED FRATERNAL ASSISTANCE BECAUSE OF THEIR FAITH IN POLAND'S ABILITY TO SOLVE HER OWN PROBLEMS AND, MORE IMPORTANT, BECAUSE OF CONTINUED SOVIET INVOLVEMENT IN AFGHANISTAN AND THE USSR'S DESIRES TO SEE SALT II RATIFIED AND MADRID TO SUCCEED.

4. I CANNOT VOUCH FOR THE EXISTENCE OF THIS DOCUMENT, THE ACCURACY OF THE ACCOUNT OF ITS CONTENTS NOR ITS PRECISE STATUS. THE SOURCE HAS HOWEVER PROVED RELIABLE IN THE PAST, AND A DECISION, WHETHER OR NOT PROMPTED BY MOSCOW, TO DISCREDIT THE STRIKERS AND THEIR LEADERS, AND KEEP OPEN OPTIONS FOR INTERVENTION. ALTERNATIVELY (OR ADDITIONALLY) IT COULD REPRESENT THE FUNDAMENTALISTS LINE BIDDING TO STRENGTHEN THEIR POSITION.

F C O PLEASE PASS SAVING ADDRESSEES.

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Prime Minister

GRS 260

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FM WARSAW 190700Z SEP
TO PRIORITY FCO

TELEGRAM NUMBER 313 OF 18 SEP

INFO ROUTINE MOSCOW WASHINGTON BONN PARIS UKDEL NATO
MODUK

SAVING TO HELSINKI EAST BERLIN BUCHAREST BUDAPEST SOFIA
PRAGUE

POLANDS ECONOMIC POSITION

MY TELNOS 294 AND 310

FURTHER INFORMATION ABOUT SOVIET ECONOMIC HELP TO POLAND
HAS BEEN PROVIDED BY DIRECTOR WILSKI OF THE BANK HANDLOWY
PLANNING DEPARTMENT.

2. ACCORDING TO WILSKI, THE SOVIET HARD CURRENCY
LOANS TO POLAND BETWEEN MAY AND AUGUST AMOUNTING TO
DOLLARS 550 MILLION WERE IN REALITY A MIXTURE OF SEVERAL
KINDS OF SHORT AND MEDIUM TERM CREDIT, INCLUDING
VERY SHORT TERM COMMERCIAL CREDIT. HE SAID THAT IT
WAS A MISTAKE TO REGARD IT AS A SINGLE AID PACKAGE.
SOME OF THE CREDITS WERE ALREADY DUE FOR REPAYMENT.

3. AS REGARDS THE PACKAGE NEGOTIATED BY JAGIELSKI
IN MOSCOW, THIS PROVIDED FOR DEFERMENT OF PAYMENTS UNDER
THE EARLIER CREDITS WORTH DOLLARS 280 MILLION TO POLAND
AND DELIVERIES OF ADDITIONAL AMOUNTS OF FOOD AND OTHER ITEMS.
WILSKI SAID THAT THE BANK KNEW NOTHING OF THE REPORTED 10
YEAR LOW INTEREST LOAN WORTH DOLLARS 260 MILLION MENTIONED
EARLIER THIS WEEK. HE WENT ON TO WONDER WHETHER THIS
MIGHT NOT BE THE NOTIONAL DOLLAR EQUIVALENT OF WHAT
WAS IN FACT A LOAN DENOMINATED IN TRANSFERABLE ROUBLES.

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4. THE IMPRESSION GAINED FROM WILSKI'S REMARKS - AND WHICH HE NO DOUBT INTENDED SHOULD BE SO DERIVED - WAS THAT POLISH POLITICAL LEADERS HAD GONE TO GREAT LENGTHS TO INFLATE WHAT WAS IN REALITY SO FAR ONLY MODEST ECONOMIC AND FINANCIAL AID FROM THE USSR. DURING THE SAME CONVERSATION (WHICH WILL BE REPORTED MORE FULLY BY BAG) WILSKI SAID THAT THERE WAS NO EXPECTATION ON THE BANK'S PART THAT THE SOVIET UNION WOULD COVER MORE THAN A PART OF POLAND'S FINANCIAL NEEDS.

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FM WARSAW 180700Z

TO PRIORITY FCO

TELEGRAM NUMBER 311 OF 18 SEP

Prime Minister

MP 19/IX

INFO ROUTINE MOSCOW BONN PARIS WASHINGTON UKDEL NATO
EAST BERLIN PRAGUE BUDAPEST BUCHAREST BELGRADE SOFIA
HELSINKI

POLISH TRADE UNION DEVELOPMENTS

1. THE POLISH PRESS ANNOUNCED TODAY THAT THE SEAMEN AND
PORT WORKERS UNION HAD DISAFFILIATED ITSELF FROM THE
OFFICIAL TRADE UNION ASSOCIATION (CRZZ). THE PRESS
ALSO CARRIED NEWS OF THE FIRST SUCCESSFUL
REGISTRATION OF AN INDEPENDENT TRADE UNION, FROM THE
KATOWICE STEELWORKS.

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2. THERE ARE NOW THUS THREE DIFFERENT CATEGORIES OF
TRADE UNION IN POLAND: THE GENUINELY INDEPENDENT;
OFFICIAL UNIONS DISAFFILIATED FROM THE CRZZ;
AND THOSE THAT REMAIN INSIDE THE CRZZ.

3. THE SEAMENS UNIONS DISAFFILIATION MAY PRESAGE,
AS SOME SOURCES HAVE PREDICTED, THE IMPENDING END
OF THE HEAVILY DISCREDITED CRZZ. OR IT COULD REPRESENT AN
EFFORT BY THE UNIONS LEADERSHIP AT SAVING THEIR UNION
FROM TOTAL ABANDONMENT BY ITS ERSTWHILE MEMBERS.
CONFUSION REIGNS IN THE TRADE UNION MOVEMENT.

4. A RATHER OMINOUS DEVELOPMENT IS THE SMASHING
OF PLANT WORTH 50 MILLION DOLLARS BY STRIKING WORKERS,
WHOSE DEMANDS WERE NOT TOTALLY SATISFIED, AT A FOOD FACTORY.
THIS INCIDENT, NOT REPORTED IN THE PRESS, WAS TOLD
US BY A MEMBER OF THE PLANNING COMMISSION AS AN
EXAMPLE OF THE "ANARCHY" STILL PREVAILING IN THE
INDUSTRIAL SECTOR.

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TO IMMEDIATE FCO
TELEGRAM NUMBER 308 OF 16 SEPTEMBER 1980

INFO ROUTINE MOSCOW PRAGUE SOFIA BUDAPEST BUCHAREST
EAST BERLIN BELGRADE UKDEL NATO WASHINGTON PARIS
BONN MODUK HELSINKI.

MY TELNO 299 POLISH CRISIS.

1. THE INSISTENCE BY THE POLISH GOVERNMENT THAT THERE WAS NEVER ANY QUESTION OF SOVIET INTERVENTION IS RATHER CURIOUS. IT REPRESENTS A COMPLETE TURNABOUT FROM THE LINE TAKEN DURING THE WEEK BEFORE THE GDANSK SETTLEMENT WHEN, FOR INSTANCE, CENTRAL COMMITTEE MEMBER WOJNA BROADCAST AN IMPASSIONED REFERENCE TO THE PARTITIONS OF THE 18TH CENTURY.

2. EITHER THE CURRENT LINE IS TRUE, WHICH I AM INCLINED TO DOUBT, OR IT IS SOMETHING DECIDED ON AFTER DISCUSSION WITH THE RUSSIANS, POSSIBLY IMPOSED BY THEM FOR THEIR OWN REASONS. FROM THE POINT OF VIEW OF THE POLISH REGIME THE DENIAL OF ANY SOVIET THREAT MIGHT PERHAPS HAVE A CALMING EFFECT ON THE PEOPLE AND FITS WITH THEIR INSISTENCE THAT THEIR METHODS OF NEGOTIATION AND NON VIOLENCE WERE THE ONLY CORRECT ONES. ON THE OTHER HAND IT TENDS TO REMOVE, OR AT ANY RATE GREATLY WEAKEN, THE ONE MAJOR DETERRENT AGAINST FURTHER STRIKES OR OTHER RASH ACTION.

3. THE CONTINUATION OF STRIKES ALL OVER THE COUNTRY, IN SPITE OF THE GOVERNMENTS ASSURANCE THAT THE GDANSK CONCESSIONS APPLY EVERYWHERE, APPEARS TO ARISE FROM A NUMBER OF REASONS. THE WORKERS ARE SUSPICIOUS OF THE GOVERNMENT'S PROMISES AND WANT THEIR OWN PIECE OF PAPER. THE LARGER GROUPS LIKE MINERS AND STEEL-WORKERS RATHER RESENT THE PORT-WORKERS BECOMING THE HEROES OF THE HOUR, AND WANT TO GET INTO THE ACT TOO. MOREOVER THERE ARE PRACTICAL REASONS. SOME OF THE GDANSK CONCESSIONS ARE APPLICABLE ONLY TO PORT-WORKERS AND CANNOT SIMPLY BE TRANSFERRED TO OTHER BRANCHES OF INDUSTRY WITHOUT FURTHER ADO: CONCESSIONS ABOUT HOURS OF WORK, SHIFTS ETC HAVE TO BE NEGOTIATED AND THE BEST IF NOT THE ONLY WAY TO NEGOTIATE THEM IS TO SET UP A STRIKE COMMITTEE. WE KNOW THIS IS WHAT HAPPENED AT A BRITISH-RUN CONSTRUCTION SITE IN WARSAW WHERE A SEMI-STRIKE WAS SETTLED AFTER A VISIT BY THE MINISTER CONCERNED WHEN CONCESSIONS SUCH AS FREE SATURDAYS AND EXTRA "FAMILY DAYS" WERE GRANTED.

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THIS SORT OF THING IS PROBABLY GOING ON ALL OVER THE COUNTRY. IT OCCUPIES MUCH TIME AND ENERGY OF MINISTERS AND OTHERS AND FOR THE MOMENT NO END TO THE PROCESS SEEMS IN SIGHT. TO SHOW THEIR GOODWILL THE GOVERNMENT HAVE ALREADY ISSUED AN INTERIM DECREE AUTHORISING THE REGISTRATION OF TRADE UNIONS AND THEY ARE TRYING TO GET BROADCASTING OF THE MASS GOING. BUT THE NEW LEADERS STILL GIVE AN IMPRESSION OF FLOUNDERING AND INDECISION AND INDEED OF INVISIBILITY TO THE NATION AT LARGE. THE PARTY IS THEIR FIRST PRIORITY.

4. THERE ARE TWO MAIN POSSIBLE LINES OF FUTURE DEVELOPMENT. THE NEW FREEDOMS GRANTED OR TO BE GRANTED BY THE END OF THE YEAR MAY SATISFY THE PEOPLE FOR SOME TIME, REDUCE INEFFICIENCY AND SOULLESS BUREAUCRACY, PRODUCE SOME ECONOMIC AND EVEN POLITICAL REFORM AND LEAD TO A LESS DISCONTENTED IF STILL AUSTERITY-BOUND SOCIETY UNDER A REGIME CHALLENGED BUT STILL IN CONTROL. OR THE WORKERS (OR THE PEASANTS) FLUSHED WITH SUCCESS AND DISAPPOINTED AT THE EROSION BY INFLATION OF THEIR PAPER GAINS MAY TRY THEIR HANDS AT FURTHER ORGANISED AND PROLONGED STRIKES FOR A COMBINATION OF ECONOMIC AND POLITICAL DEMANDS.

5. THE MOST THINKING MEMBERS OF THE OPPOSITION PROBABLY HOPE FOR A GRADUAL STAGE-BY-STAGE MOVEMENT TOWARDS A MUCH FREER, MORE OPEN AND PLURALISTIC SOCIETY ALLIED WITH THE SOVIET UNION BUT NOT SLAVISHLY SO. I DOUBT IF SUCH ORDERLY PROCESS WILL BE POSSIBLE. DE TOCQUEVILLE'S OPINION THAT AN OPPRESSIVE REGIME IS NEVER IN SO MUCH DANGER AS WHEN IT STARTS ON REFORM AND THAT THE SITUATION PRODUCING REVOLUTION IS USUALLY BETTER THAN THAT IMMEDIATELY PRECEDING IT IS VERY RELEVANT TO POLAND. IN THIS COUNTRY PEOPLE HAVE ACCEPTED THINGS BECAUSE THERE SEEMED NO ALTERNATIVE. NOW THEY SUDDENLY SEE THAT THINGS CAN BE CHANGED. THE EFFECT IS LIKELY TO BE PROFOUND AND DESTABILISING.

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FM WASHINGTON 122128Z SEP 80

TO ROUTINE FCO

TELEGRAM NO 3987 OF 12 SEPTEMBER

INFO WARSAW MOSCOW MODUK UKDEL NATO

mf

POLAND

1. THERE HAVE BEEN REPORTS IN THE PRESS THAT THE US GOVERNMENT HAD WARNED THE SOVIET UNION AGAINST INTERFERENCE IN POLAND. THE STATE DEPARTMENT SPOKESMAN CONFIRMED THAT THE US HAD BEEN IN TOUCH WITH THE SOVIET GOVERNMENT IN BOTH WASHINGTON AND MOSCOW, BUT PLAYED DOWN THE SIGNIFICANCE OF THESE EXCHANGES.

2. VEST GAVE A SHORT ACCOUNT TO FRETWELL TODAY. HE SAID THAT IN CONVERSATIONS IN MOSCOW, NOT AT THE HIGHEST LEVEL, THE US EMBASSY HAD CONVEYED TO THE MINISTRY OF FOREIGN AFFAIRS IN FAIRLY CLEAR TERMS THAT THE US THOUGHT IT WOULD BE SENSIBLE FOR BOTH THE US AND THE SOVIET UNION TO LET THE POLES SORT OUT THEIR OWN PROBLEMS. MUSKIE HAD MADE THE SAME POINT TO THE SOVIET CHARGE D'AFFAIRES IN WASHINGTON IN THE COURSE OF A CONVERSATION DURING WHICH HE REFERRED TO AFL/CIO SUPPORT FOR POLISH UNIONS AND EXPLAINED THAT THE DECISION TO SEND FINANCIAL ASSISTANCE HAD NOT BEEN OFFICIALLY INSPIRED. THE US HAD NOT ISSUED ANYTHING WHICH COULD BE CALLED A WARNING TO THE SOVIET UNION.

**THIS TELEGRAM
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FROM WARSAW 101450Z SEP 80

TO PRIORITY FCO

TELEGRAM NUMBER 300 OF 10 SEPTEMBER 1980

TINFO ROUTINE MOSCOW SOFIA EAST BERLIN BUCHAREST BUDAPEST

PRAGUE BELGRADE WASHINGTON BONN PARIS UKDEL NATO MODUK

SAVING HELSINKI

MT

KANIA:

1. ON MONDAY 8 SEPTEMBER KANIA ADDRESSED A MEETING OF PARTY ACTIVISTS IN THE VOIVODSHIP OF GDANSK, ACCOMPANIED BY JAGIELSKI. HE VISITED THE LENIN SHIPYARD BUT DID NOT MEET ANY STRIKE LEADERS. YESTERDAY HE ATTENDED A SIMILAR MEETING IN KATOWICE, ACCOMPANIED BY ZABINSKI AND GRUDZIEN. ACCORDING TO THE PRESS, IN BOTH PLACES HIS SPEECHES TOOK A FIRM BUT NOT PARTICULARLY HARD LINE, STRESSING THE ROLE OF THE PARTY IN SOLVING THE PROBLEMS RAISED BY THE RECENT STRIKES. HE ALSO SAID THAT 2 OR 3 WEEKS AGO THE FUNDAMENTAL INTERESTS OF THE STATE HAD BEEN THREATENED. BUT A MEMBER OF OUR COMMERCIAL DEPT WHO WAS IN KATOWICE UNTIL TODAY REPORTS THAT KANIA STAYED OVERNIGHT AND SPENT SOME TIME DEALING WITH A STRIKE AT HUTA KATOWICE, AND THAT OTHER STEELWORKS IN THE AREA ARE IDLE.
2. OTHER MEMBERS OF THE POLITBURO AND SENIOR PARTY ADMINISTRATORS SPENT YESTERDAY VISITING MEETINGS OF PARTY ACTIVISTS IN OTHER REGIONS. OLSZOWSKI VISITED LODZ, WERBLAN TORUN, AND WASZCZUK KIELCE. THERE WERE ALSO MEETINGS IN OLSZTYN, ZIELONA GORA AND LOMZA. OUR IMPRESSION IS THAT THIS CONCENTRATED EFFORT TO MOBILISE THE PARTY WILL CONTINUE FOR THE NEXT FEW DAYS AND THAT KANIA WILL CONTINUE HIS TOUR OF THE MOST IMPORTANT REGIONS.
3. MOSCOW WILL PERHAPS COMMENT BUT MY READING OF THE EXCEPTIONALLY WARM MESSAGE FROM BREZHNEV TO KANIA IS THAT THE SOVIETS HAVE DECIDED THAT IN HIM THEY HAVE A MAN THEY CAN TRUST AND THEY ARE GOING TO BACK HIM TO THE HILT.
4. THE NEW LEADERSHIP HAVE PERHAPS SO FAR WORKED OUT NO MORE THAN GUIDELINES FOR THEIR POLICIES AND IT IS TOO EARLY FOR MUCH SPECULATION. MY DEDUCTION ON THE EVIDENCE SO FAR IS THAT THEY INTEND TO CARRY OUT THE STRIKE AGREEMENTS TO THE LETTER (IE INCLUDING THE SAVING CLAUSES IN THE SMALL PRINT), BUT THAT THEY ARE NOT IN A MOOD TO YIELD MUCH MORE. WHAT LOOKS LIKE A CAMPAIGN TO SEPARATE THE DISSIDENTS FROM THE WORKERS AND STRIKERS HAS BEEN LAUNCHED WITH A STRONG DENUNCIATION OF THE FORMER IN A YOUGH NEWSPAPER.

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KOR IS SINGLED OUT FOR PARTICULAR ATTENTION, PERHAPS IN CONNECTION
WITH KURON'S RUMOURED ASSUMPTION OF THE JOB OF ADVISER TO THE
GDANSK STRIKE COMMITTEE.
FCO PASS SAVING HELSINKI

PRIDHAM

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FM WARSAW 101345Z SEP 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 299 OF 10 SEPTEMBER 1980

INFO ROUTINE MOSCOW PRAGUE SOFIA BUDAPEST BUCHAREST EAST BERLIN

BELGRADE UKDEL NATO WASHINGTON PARIS BONN MODUK

SAVING HELSINKI

1. I CALLED TODAY ON VICE-MINISTER DOBROSIELSKI AT THE MFA FOR AN OFFICIAL EXPOSE OF POLAND'S SITUATION.

2. DOBROSIELSKI SAID THAT THE STRIKES HAD BEEN AN AUTHENTIC GRASS-ROOTS MOVEMENT OF WORKERS AND OTHERS AGAINST SUCH MATTERS AS PRICES, WAGES AND SHORTCOMINGS IN THE PARTY'S ATTITUDES TOWARDS THE PEOPLE. IT WAS NOT A PROTEST AGAINST SOCIALISM BUT AGAINST DISTORTIONS OF THE SYSTEM, ALTHOUGH ADMITTEDLY SOME RATHER UNIMPORTANT ANTI-SOCIALIST ELEMENTS HAD TRIED TO CASH IN ON THE UNREST. STILL LESS WAS IT DIRECTED AGAINST POLAND'S INTERNATIONAL POSITION OR THE SOVIET UNION. HE ADDED, WITH A STRAIGHT FACE, THAT HE WAS GRATIFIED TO LEARN THAT THIS ASSESSMENT COINCIDED WITH THAT OF THE NEW LEADERSHIP. HE AGREED THAT INDEPENDENT TRADE UNIONS WERE A TOTALLY NEW DEPARTURE FOR A SOCIALIST STATE BUT HOPED THAT, WHILE FULFILLING THEIR ROLE, THEY WOULD COOPERATE WITH THE EXISTING UNIONS. POLISH SOCIETY SHOULD BE MATURE ENOUGH TO MAKE THIS NOVELTY WORK.

3. THE POLISH GOVERNMENT WERE GRATEFUL FOR THE RESTRAINT SHOWN BY HMG AND OTHER WESTERN GOVERNMENTS (HE WOULD NOT SPEAK ABOUT OTHER ELEMENTS) AND FOR THEIR ATTITUDE THAT THIS WAS A POLISH AFFAIR. THE SOVIET UNION HAD INDEED SHOWN CONCERN BUT THERE HAD NOT BEEN AN ACTUAL OR A POTENTIAL THREAT OF INTERVENTION BY THEM, NOR HAD THERE BEEN AN INTENTION TO USE POLISH FORCE. THE POLISH GOVERNMENT HAD IN FACT EMPLOYED INTERNALLY THE PRINCIPLES THEY APPLIED TO INTERNATIONAL AFFAIRS - NEGOTIATION AND NON-USE OF VIOLENCE. HE HOPED THIS WOULD RAISE THEIR PRESTIGE ABROAD. IF FORCE HAD BEEN USED THERE WOULD HAVE BEEN CATASTROPHE AND MUCH BLOODSHED. HE AGREED WITH MY SUGGESTION THAT 29 AUGUST HAD BEEN A PARTICULARLY TENSE DAY BUT DECLINED TO SPECULATE WHAT MIGHT HAVE HAPPENED HAD AGREEMENT NOT BEEN REACHED WITH THE STRIKERS.

4. THE POLISH GOVERNMENT'S FOREIGN POLICY WOULD CONTINUE AS BEFORE. THEY HOPED FOR A LESS CONFRONTATIONAL ATTITUDE AT MADRID AND WOULD PURSUE THEIR PLANS FOR A DISARMAMENT CONFERENCE IN WARSAW. IN THAT FOREIGN RELATIONS WERE AFFECTED TO SOME EXTENT BY PERSONALITIES, THE DEPARTURE OF GIERSK AND THE LOSS OF HIS CLOSE RELATIONS WITH GISCARD AND SCHMIDT WOULD NOT DOUBT HAVE SOME EFFECT, BUT POLAND'S RELATIONS WITH FRANCE AND GERMANY WERE BASED ON PRINCIPLE. THERE WAS NO CRITICISM IN THE CENTRAL COMMITTEE OF GIERSK'S CONDUCT OF FOREIGN AFFAIRS.

5. KANIA WAS NOT EXPERIENCED IN FOREIGN AFFAIRS AND DID NOT KNOW THE PERSONALITIES INVOLVED. BUT HE WAS NO STRANGER TO NEGOTIATION HAVING DEALT WITH CHURCH AFFAIRS AND RELATIONS WITH THE VATICAN. AS REGARDS THE UK, THE POLISH GOVERNMENT GREATLY LOOKED FORWARD TO YOUR VISIT ON THE DATES ARRANGED AND THE MINISTER FOR FOREIGN

AFFAIRS

Read in full.
CONFIDENTIAL (I know Dobrosielski & would regard anything he says with a good deal of skepticism.)

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AFFAIRS WAS HOPING FOR A MEETING WITH YOU IN NEW YORK. HE REGRETTED THAT IT WAS NECESSARY TO PUT OFF THE LORD MAYOR'S VISIT.

6. POLAND WAS NOT PROPOSING TO ASK FOR WESTERN AID IN ITS GREAT ECONOMIC DIFFICULTIES. BUT WESTERN STATEMENTS ABOUT POSSIBLE HELP HAD BEEN NOTED AND IF IT WAS OFFERED IT WOULD BE GRATEFULLY RECEIVED.

7. DOBROSIELSKI WAS CLEARLY SPEAKING TO A BRIEF MOST OF THE TIME. FROM WHAT VARIOUS OTHER WESTERN AMBASSADORS HAVE SAID, I JUDGE THAT HE HAS INSTRUCTIONS TO GET THESE VIEWS ACROSS TO WESTERN COUNTRIES.
FCO PASS SAVING HELSINKI

PRIDHAM

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Prime Minister.

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FROM WARSAW 060900Z SEP 80
TO IMMEDIATE FCO

TELEGRAM NUMBER 286 OF 6 SEPTEMBER 1980

INFO IMMEDIATE MOSCOW, PRAGUE, BUDAPEST, BUCHAREST, EAST BERLIN, BELGRADE, SOFIA, BONN, PARIS, WASHINGTON, UKDEL NATO, MOD UK.
GIEREK: GIEREKS' LONG-RUMOURED DEPARTURE TOOK PLACE LAST NIGHT.

2. HIS SUCCESSOR KANIA, WHO HAS ALWAYS BEEN IN THE SHADOWS, HAS THE REPUTATION OF BEING A HARD MAN ALTHOUGH THIS MAY PARTLY HAVE ARISEN BECAUSE OF HIS RESPONSIBILITY FOR INTERNAL AND SECURITY AFFAIRS. POSSIBLY HE WAS CHOSEN RATHER THAN OLSZOWSKI BECAUSE HE WAS MORE ACCEPTABLE TO MOSCOW AND THEREFORE THE BEST MAN TO CARRY OUT THE STRIKE AGREEMENTS WITHOUT PRECIPITATING RUSSIAN INTERVENTION. RECENT EVIDENCE SUGGESTS THAT THE POLICY OF PUTTING INTO EFFECT THE AGREEMENTS WILL BE ACCOMPANIED BY PUBLIC GESTURES OF RESPECT ADMIRATION AND AFFECTION FOR THE USSR AND A CERTAIN DISTANCING FROM THE WEST IN MATTERS OF LITTLE SUBSTANCE. THE RECENT SPEECHES OF VICE PRIME MINISTER JAGIELSKI AND KISIEL ABOUT THE IMPORTANCE OF SOVIET AND EAST GERMAN ASSISTANCE TO POLAND AND THE REPORTED CANCELLATION OF THE LORD MAYORS' VISIT ARE POINTERS IN THIS DIRECTION. THE BALANCING ACT OF LIBERALISATION AT HOME, REASSURING THE USSR AND GETTING WESTERN ASSISTANCE WILL BE VERY DIFFICULT.
3. THE FOREIGN MINISTER ASSURED ME ON 4 SEPT THAT POLAND'S FOREIGN POLICY WOULD REMAIN UNCHANGED. I PROPOSE TO SEEK ELUCIDATION NEXT WEEK OF WHAT POLAND WANTS FROM THE WEST.
4. FUTHER COMMENT WILL FOLLOW WHEN THE DUST HAS SETTLED.

PRIDHAM

BT



File

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Paul.

10 DOWNING STREET

From the Private Secretary

4 September 1980

Michael Arthur enclosed with his letter to me of 1 September a draft message for the Prime Minister to send to President Carter in reply to the President's message of 27 August. I enclose the text of the Prime Minister's reply in the form in which it has been sent to the White House over the direct line this morning. As you will see, your draft has been considerably amended.

I agree that the two texts may be forwarded to our Embassies in Washington, Paris and Bonn. But I hope that the texts will be handled with suitable discretion, and that they will not be given any further distribution.

M. O'D. B. ALEXANDER

Stephen Gomersall, Esq.,
Lord Privy Seal's Office,
Foreign and Commonwealth Office.

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FOR DESPATCH ON THE DIRECT LINE
TO THE WHITE HOUSE.

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MESSAGE TO THE PRESIDENT OF THE UNITED STATES OF AMERICA

DEAR MR PRESIDENT,

3 SEPTEMBER, 1980.

Thank you for your message of 27 August about the situation in Poland. I have read it with very great interest.

In the few days since you wrote, events have continued to move rapidly and agreement has now, of course, been reached between the strikers in the north and south of the country and the Polish Government. The concessions which have been won by the shipyard workers and the coal-miners, and the way in which they have been won, are of enormous potential consequence, not only for Poland itself but for Eastern Europe as a whole. They also have far reaching implications for Western interests and policies in the area.

Further time will be needed to assess the significance of what has happened. Much is yet to play for. I myself doubt whether the situation has yet reached the point of stability. I suspect that the process now launched will either be carried further or go into reverse. The attitude of the Soviet Government will, inevitably, be crucial. The immediate indications are not encouraging. The Russians clearly do not like the extent of the concessions made. They will be watching carefully how the agreement is implemented and will, no doubt, be urging the Polish leaders to try to recover some of the lost ground.

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I share your view about the importance of the economic aspect. We here have been concerned for some time about the deteriorating situation in Poland and about Poland's growing indebtedness to the West. The overall effect of the recent stoppages can only have been to exacerbate Poland's difficulties. Like you, I am sure the Poles will soon be asking the West for further assistance. I note what you say about the objectives of the West's aid, and look forward to hearing what you have in mind. I would welcome any proposal for ensuring that our help goes to benefit the Polish people rather than to the shoring up of an unreformed system. But we must take care to avoid accusations of interference.

These are all matters on which it will be vital for our two Governments to remain in the closest touch. We shall want to consider together, and with those of our allies most directly involved, how we react to the developing situation. I hope that we can also continue to exchange information about our contacts with the Poles. Apart from the usual exchanges of the diplomatic net, Peter Carrington hopes to see the new Polish Foreign Minister, Mr. Czyrek, during the U.N. General Assembly in New York later this month, and will be visiting Warsaw on 30 and 31 October. I will ensure that you are kept fully in the picture about what transpires.

/Meanwhile

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Meanwhile, we here intend to continue to take a careful and restrained attitude in public to events in Poland. We have stressed our view that this is a strictly internal matter to be settled by the Polish people themselves, peacefully and without interference. The Polish Government have told us, as they have told you, that they appreciate this attitude.

Yours sincerely

MARGARET THATCHER

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PRIME MINISTER'S
PERSONAL MESSAGE
2
Serial No.

CAB/WHITE HOUSE 001/04

PRIORITY
040950Z SEP 80
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TO: THE PRESIDENT OF THE UNITED STATES OF AMERICA, THE WHITE HOUSE.
FROM: THE PRIME MINISTER, THE CABINET OFFICE.

3, SEPTEMBER 1980

DEAR MR PRESIDENT,

THANK YOU FOR YOUR MESSAGE OF 27 AUGUST ABOUT THE SITUATION IN POLAND. I HAVE READ IT WITH VERY GREAT INTEREST.

IN THE FEW DAYS SINCE YOU WROTE, EVENTS HAVE CONTINUED TO MOVE RAPIDLY AND AGREEMENT HAS NOW, OF COURSE, BEEN REACHED BETWEEN THE STRIKERS IN THE NORTH AND SOUTH OF THE COUNTRY AND THE POLISH GOVERNMENT. THE CONCESSIONS WHICH HAVE BEEN WON BY THE SHIPYARD WORKERS AND THE COAL-MINERS, AND THE WAY IN WHICH THEY HAVE BEEN WON, ARE OF ENORMOUS POTENTIAL CONSEQUENCE, NOT ONLY FOR POLAND ITSELF BUT FOR EASTERN EUROPE AS A WHOLE. THEY ALSO HAVE FAR REACHING IMPLICATIONS FOR WESTERN INTERESTS AND POLICIES IN THE AREA.

FURTHER TIME WILL BE NEEDED TO ASSESS THE SIGNIFICANCE OF WHAT HAS HAPPENED. MUCH IS YET TO PLAY FOR. I MYSELF DOUBT WHETHER THE SITUATION HAS YET REACHED THE POINT OF STABILITY. I SUSPECT THAT THE PROCESS NOW LAUNCHED WILL EITHER BE CARRIED FURTHER OR GO INTO REVERSE. THE ATTITUDE OF THE SOVIET GOVERNMENT WILL, INEVITABLY, BE CRUCIAL. THE IMMEDIATE INDICATIONS ARE NOT ENCOURAGING. THE RUSSIANS CLEARLY DO NOT LIKE THE EXTENT OF THE CONCESSIONS MADE. THEY WILL BE WATCHING CAREFULLY HOW THE AGREEMENT IS IMPLEMENTED AND WILL, NO DOUBT, BE URGING THE POLISH LEADERS TO TRY TO RECOVER SOME OF THE LOST GROUND.

I SHARE YOUR VIEW ABOUT THE IMPORTANCE OF THE ECONOMIC ASPECT. WE HERE HAVE BEEN CONCERNED FOR SOME TIME ABOUT THE DETERIORATING SITUATION IN POLAND AND ABOUT POLAND'S GROWING INDEBTEDNESS TO THE WEST. THE OVERALL EFFECT OF THE RECENT STOPPAGES CAN ONLY HAVE BEEN TO EXACERBATE POLAND'S DIFFICULTIES. LIKE YOU, I AM SURE THE POLES WILL SOON BE ASKING THE WEST FOR FURTHER ASSISTANCE. I NOTE WHAT YOU SAY ABOUT THE OBJECTIVES OF THE WEST'S AID, AND LOOK FORWARD TO HEARING WHAT YOU HAVE IN MIND. I WOULD WELCOME ANY PROPOSAL FOR ENSURING THAT OUR HELP GOES TO BENEFIT THE POLISH PEOPLE RATHER THAN TO THE SHORING UP OF AN UNREFORMED SYSTEM. BUT WE MUST TAKE CARE TO AVOID ACCUSATIONS OF INTERFERENCE.

THESE ARE ALL MATTERS ON WHICH IT WILL BE VITAL FOR OUR TWO GOVERNMENTS TO REMAIN IN THE CLOSEST TOUCH. WE SHALL WANT TO CONSIDER TOGETHER, AND WITH THOSE OF OUR ALLIES MOST DIRECTLY INVOLVED, HOW WE REACT TO THE DEVELOPING SITUATION. I HOPE THAT WE CAN ALSO CONTINUE TO EXCHANGE INFORMATION ABOUT OUR CONTACTS WITH THE POLES. APART FROM THE USUAL EXCHANGES OF THE DIPLOMATIC NET, PETER CARRINGTON HOPES TO SEE THE NEW POLISH FOREIGN MINISTER, MR CZYREK, DURING THE U.N. GENERAL ASSEMBLY IN NEW YORK LATER THIS MONTH, AND WILL BE VISITING WARSAW ON 30 AND 31 OCTOBER. I WILL ENSURE THAT YOU ARE KEPT FULLY IN THE PICTURE ABOUT WHAT TRANSPIRES.

MEANWHILE, WE HERE INTEND TO CONTINUE TO TAKE A CAREFUL AND RESTRAINED ATTITUDE IN PUBLIC TO EVENTS IN POLAND. WE HAVE STRESSED OUR VIEW THAT THIS IS A STRICTLY INTERNAL MATTER TO BE SETTLED BY THE POLISH PEOPLE THEMSELVES, PEACEFULLY AND WITHOUT INTERFERENCE. THE POLISH GOVERNMENT HAVE TOLD US, AS THEY HAVE TOLD YOU, THAT THEY APPRECIATE THIS ATTITUDE.

YOURS SINCERELY

MARGARET THATCHER

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AND QSL AT 1030Z MATE TKS KKK

RGRG TKS VM



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PRIME MINISTER

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I have redrafted your message to President Carter. It is only marginally shorter than the previous draft, but has, I hope, rather more substance. I have not cleared it with the FCO, but do not think they would have any objections.

Print

I now attach 3 telegrams from Warsaw which you may wish to read before finalising the text of the message.

3 September, 1980.

Print

Agreed. Have struck out one sentence which does not seem necessary.

GR 600

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FM WARSAW 031235Z SEP 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 279 OF 3 SEPTEMBER 1980

INFO ROUTINE MOSCOW, PRAGUE, SOFIA, BUDAPEST, BUCHAREST, EAST BERLIN, BELGRADE, UKDEL NATO, WASHINGTON, PARIS, BONN, MODUK.

M.I.P.T. POLISH CRISIS:

THE FIRM CONCESSIONS MADE TO STRIKERS BY THE AUTHORITIES WILL REPRESENT A SUBSTANTIAL ADDITIONAL BURDEN ON THIS HARD-PRESSED ECONOMY, AND A MARKED SWITCH IN POLICY AWAY FROM THAT ANNOUNCED EARLIER THIS YEAR BY BABIUCH WILL BE NEEDED TO MEET THEM.

FURTHERMORE, UNDERTAKINGS TO INTRODUCE MEASURES IN THE FIELDS OF HOUSING, HEALTH SERVICES, PENSIONS AND ALLOWANCES, RETIREMENT AGE, MARKET SUPPLIES ETC WILL BE HARD TO CLAW-BACK GIVEN THE NEW-FOUND POWER OF THE WORKERS AND THE MEANS OF CHANNELLING IT.

2. THE FIRST EFFECTS OF THE CONCESSIONS ARE LIKELY TO BE SEEN ON PRICES, WHICH WILL BE STABILISED AT ENORMOUS ADDITIONAL COST IN SUBSIDIES: ON SUPPLIES TO THE MARKET, ESPECIALLY OF FOODSTUFFS, WHICH WILL INVOLVE MASSIVE ADDITIONAL IMPORTS (A FIGURE OF UP TO DOLLARS 300 MILLION TO THE END OF 1980 HAS BEEN MENTIONED PRIVATELY) AND A REDUCTION IN POLISH EXPORTS OF GOODS REQUIRED INTERNALLY: AND A SURGE IN THE NATION'S WAGES BILL. IN THE LONGER-TERM, FULFILLMENT OF OTHER PLEDGES IN THE SOCIAL FIELD WILL REQUIRE EITHER MAJOR NEW IMPORT PROGRAMMES, EG OF HOUSING MATERIALS AND RAW MATERIALS FOR MEDICAL SUPPLIES, OR A MASSIVE DIVERSION OF RESOURCES FROM THE EXPORT TO THE DOMESTIC MARKET.

3. TO THE COST OF THESE CONCESSIONS MUST BE ADDED THOSE OF THE STRIKES THEMSELVES. IF THE WORKERS ACHIEVE HIGHER PRODUCTION LEVELS AS PROMISED SOME OF THE LOST GROUND MAY BE MADE UP: BUT SOME COSTS, EG DEMURRAGE CHARGES ON SHIPS LEFT IDLE FOR SEVERAL WEEKS OR MORE, ARE PROBABLY NON-RECOVERABLE.

4. THE GOVERNMENT HAS VIRTUALLY NO ROOM FOR MANOEUVRE IN THIS BLEAK SITUATION. UNLESS IT MEETS ITS PLEDGES IT FACES REPETITION OF STRIKE ACTION: BUT IT IS DIFFICULT TO SEE WHERE THE RESOURCES WILL COME FROM TO MEET ITS COMMITMENTS. IT MAY BE POSSIBLE TO REDUCE INVESTMENT-ORIENTATED IMPORTS STILL FURTHER, ALTHOUGH THE SCOPE FOR THIS MUST BE SEVERELY LIMITED IN VIEW OF CUTBACKS MADE ALREADY AND DEMANDS BY WORKERS TO BE GIVEN THE MEANS FOR PRODUCTION. PLANS FOR FUTURE NEW PROJECTS WILL BE SHELVED, BUT THESE SEEMED LIKELY TO BE FEW IN NUMBER ANYWAY. AND THE EXPANSION IN THE POPULATION'S SPENDING POWER ENGENDERED BY THE NEW MEASURES WILL HAVE TO BE MET SOMEHOW IF THE FRUSTRATION LEADING TO THE RECENT CRISIS ARE TO BE AVOIDED.

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5. POLAND'S ONLY HOPE MUST BE FOR MASSIVE OUTSIDE ASSISTANCE. WHETHER HER CMEA PARTNERS WILL HELP MUST BE DOUBTFUL IN THE CIRCUMSTANCES. BUT SHE IS ALREADY DEEPLY IN DEBT TO THE WEST AND THERE WAS LITTLE LIKELIHOOD OF THIS DEBT BEING REDUCED BEFORE THE CRISIS BEGAN. SOMEHOW POLAND'S LEADERS MUST PERSUADE THE WEST TO HELP FURTHER, BUT EXPERIENCE OF HER RECENT ONLY PARTLY-SUCCESSFUL ATTEMPTS TO RAISE NEW LOANS SUGGESTS THAT COMMERCIAL SOURCES OF FINANCE ARE DRYING UP. WE CAN THEREFORE EXPECT FURTHER VERY HEAVY PRESSURE ON GOVERNMENTS FOR ASSISTANCE OVER THE COMING MONTHS.
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FROM WARSAW 031220Z SEP 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 278 OF 3 SEPTEMBER 1980

INFO ROUTINE MOSCOW, PRAGUE, SOFIA, BUDAPEST, BUCHAREST, EAST BERLIN, BELGRADE, UKDEL NATO, WASHINGTON, PARIS, BONN, MODUK.

MIPT POLISH CRISIS:

1. AS IMPORTANT AS THE CONCESSIONS THEMSELVES IS THE FACT THAT THEY HAVE BEEN WRUNG FROM THE GOVERNMENT IN THE GLARE OF RADIO AND TV PUBLICITY AND HAVE BEEN ENSHRINED IN FORMAL WRITTEN AGREEMENTS. THIS MEANS THAT THE ISSUES HAVE BEEN PUBLICLY DISCUSSED, THE REGIME'S INADEQUACY CONFESSED, GENUINE COLLECTIVE BARGAINING HAS BEEN VISIBLE, AND THE AGREEMENTS, UNLIKE THOSE OF 1956 AND 1970, ARE ON RECORD. TO RETURN TO THE STATUS QUO ANTE WILL, SHORT OF SOVIET INTERVENTION, BE ALMOST IMPOSSIBLE. THE 1956 SPRING COULD BE CLAWED BACK BUT THE WORLD (AND THE WORKERS' SOPHISTICATION) HAS MOVED ON SINCE THEN.
2. THE GOVERNMENT HAS SUCCESSFULLY DEFENDED THE LEADING ROLE OF THE PARTY, THE COLLECTIVIST ETHIC AND THE COUNTRY'S INTERNATIONAL ALLIANCES. PROBABLY ONLY THE FORMER WAS AT ALL DIFFICULT. THE SIGNATURE CEREMONIES TOOK PLACE UNDER A BANNER READING "WORKERS OF THE WORLD UNITE", AND RIGHT-WING DISSIDENTS SEEMED ENTIRELY OUT OF THE PICTURE. BUT TO YIELD AT ALL IN SUCH CIRCUMSTANCES WAS OF COURSE A SHATTERING DEFEAT FOR THE REGIME. JUST HOW THE NEW TRADE UNIONS WILL DEVELOP IS UNCERTAIN BUT THEY CAN HARDLY FAIL TO BECOME A FORCE IN THE COUNTRY PARALLEL TO THE PARTY/GOVERNMENT AND THE CHURCH. MOST OMINOUS OF ALL FOR THE REGIME IS THE DISCOVERY BY ORGANISED WORKERS OF THE POWER OF THE STRIKE WEAPON. WHEN THEY FIND (SEE BELOW) THAT THINGS WILL HAVE TO GET WORSE BEFORE THEY GET BETTER, THEY MAY USE IT AGAIN AND IN A LESS RESTRAINED MANNER. THERE IS PLENTY OF SCOPE ALSO FOR ARGUMENT ON IMPLEMENTATION OF THE AGREEMENTS.
3. MANY OF THE STRIKERS' DEMANDS COVERED COMPARATIVELY MINOR MATTERS CONCERNING CONDITIONS OF WORK, SHIFTS, HEALTH ARRANGEMENTS, LEAVE, PENSIONS, ETC. THIS SUGGESTS THAT HAD THE GOVERNMENT BEEN SUFFICIENTLY IN TOUCH WITH THE FEELINGS OF THE WORKERS AND DEALT WITH SUCH GRIEVANCES A FEW MONTHS AGO (IE IF THE PARTY CONGRESS IN FEBRUARY HAD FULFILLED ITS PROPER FUNCTION), THINGS MIGHT NOT HAVE COME TO THE BOIL AS THEY DID. THERE HAS CERTAINLY BEEN A MASSIVE FAILURE OF COMMUNICATION. THE REGIME'S BEST HOPE NOW IS TO LEARN TO ACCEPT THE SITUATION, TO OFFER SOME GENUINE POWER-SHARING AND, MOST OF ALL, TO ESTABLISH A PROPER DIALOGUE WITH THE PEOPLE. ONLY IN THIS WAY MIGHT THE PARTY REVIVIFY ITSELF AND STAND ANY CHANCE OF CAPTURING THE NEW UNIONS, WHICH MAY BE ITS ULTIMATE AIM. MEANWHILE THERE ARE A LOT OF ECONOMIC AND SOCIAL GRIEVANCES WHICH THE UNIONS COULD OCCUPY THEMSELVES WITH FOR SOME TIME WITHOUT IMPINGING FURTHER ON POLITICES.

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4. A MAJOR DIFFICULTY HOWEVER IS THAT SO MANY OF THE STRIKERS' DEMANDS, EG FOR HIGHER PAY, LOWER PRICES, SHORTER HOURS AND MORE MEAT, WILL IN THE SHORT RUN EXACERBATE ECONOMIC DIFFICULTIES. AND NEW UNION POWER WILL MAKE IT HARDER TO REDUCE OVER-MANNING AND INCREASE THE MOBILITY OF LABOUR. WITHOUT AN ECONOMIC MIRACLE OR LARGE NEW BORROWING, THE GOVERNMENT'S PROMISES OF MORE FOOD AND MORE FLATS CANNOT BE MADE GOOD. DISAPPOINTMENTS IN THESE FIELDS MAY LEAD TO NEW STRIKES WITH LESS RESPONSIBLE LEADERS MAKING IMPOSSIBLE POLITICAL DEMANDS AND PERHAPS THINKING SOVIET INTERVENTION A PAPER TIGER.
5. THE LOGIC OF ALL THIS IS THAT THE WEST NEEDS TO HELP TO KEEP POLAND AFLOAT RATHER AS WE KEPT TITO AFLOAT IN THE 1950S FOR DIFFERENT REASONS.
6. MIFT DISCUSSES MORE FULLY THE ECONOMIC IMPLICATIONS.

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FM WARSAW 031200Z SEP 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 277 OF 3 SEPTEMBER 1980

INFO ROUTINE MOSCOW, PRAGUE, SOFIA, BUDAPEST, BUCHAREST, EAST BERLIN, BELGRADE, UKDEL NATO, WASHINGTON, PARIS, BONN MODUK.

MY TELNO 272:

1. A FIRST STUDY OF THE AGREEMENTS CONCLUDED AT SZCZECIN AND GDANSK SHOWS THAT ALTHOUGH THEY COVER THE SAME BASIC GROUND THE FORMER IS A MUCH SHORTER AND LESS CONTENTIOUS DOCUMENT THAN THE LATTER. THIS SUGGESTS THAT THE GDANSK MEN WERE THE HARDCORE OF STRIKERS.
2. ON TRADE UNIONS, THE SZCZECIN DOCUMENT SIMPLY SAYS THAT SELF-GOVERNING UNIONS, SOCIALIST IN CHARACTER AND IN KEEPING WITH THE POLISH CONSTITUTION, WILL BE POSSIBLE AND THE NECESSARY LAWS SHOULD BE PREPARED, TO A TIMETABLE, TO ACCORD WITH ARTICLE 3 OF ILO CONVENTION NO 87.
3. THE GDANSK DOCUMENT IS FULLER. IT SAYS THAT THE NEW UNIONS ACCEPT COLLECTIVE OWNERSHIP OF THE MEANS OF PRODUCTION, AND ARE NOT GOING TO FORM A SECOND POLITICAL PARTY; THEY ACCEPT THE LEADING ROLE OF THE PZPR AND THE EXISTING SYSTEM OF INTERNATIONAL ALLIANCES. THE GOVERNMENT GUARANTEES THE NEW UNIONS, WHICH WILL BE SEPARATE FROM THE EXISTING COUNCIL OF TRADE UNIONS, FULL RESPECT FOR THEIR FREEDOM AND SELF-GOVERNMENT BOTH AS REGARDS ORGANISATIONAL STRUCTURE AND FUNCTIONING. THE STRIKE COMMITTEES CAN ACT AS WORKERS' REPRESENTATIVE COMMITTEES PENDING ELECTIONS FOR THE NEW UNIONS WHICH IT SEEMS THEY WILL ORGANISE. THE NEW UNIONS WILL PARTICIPATE IN DECISIONS ABOUT LIVING STANDARDS, DIVISION OF THE NATIONAL INCOME, WAGES, INVESTMENT AND PRICES. THE NEW TRADE UNION LAW WILL PROVIDE A RIGHT TO STRIKE, DEFINING THE CONDITIONS UNDER WHICH A STRIKE CAN TAKE PLACE. THIS STILL LEAVES MUCH UNCLEAR IN PARTICULAR WHETHER UNIONS MORE IN THE BRITISH OR THE GERMAN STYLE ARE CONTEMPLATED.
4. RELIGIOUS DENOMINATIONS WILL HAVE ACCESS TO THE MEDIA ACCORDING TO AGREEMENTS TO BE WORKED OUT BETWEEN THE GOVERNMENT AND RELIGIOUS GROUPS. RADIO AND TV SHOULD EXPRESS DIFFERING OPINIONS. BUT CENSORSHIP IS ACCEPTED AS NECESSARY FOR THE SECURITY OF THE STATE AND ITS VITAL ECONOMIC AND OTHER INTERESTS. BELIEVERS AND NON-BELIEVERS SHOULD BE PROTECTED AND IMMORAL PUBLICATIONS BANNED. A NEW LAW WILL ENSHRINE THESE PRINCIPLES.

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5. THE 3 PRISONERS SPECIFICALLY MENTIONED WILL BE RELEASED PENDING AN INVESTIGATION BY THE MINISTER OF JUSTICE. DISMISSALS AFTER THE STRIKES OF 1970 AND 1976 TO BE CONSIDERED WITH A VIEW TO REINSTATEMENT. DETENTION WITHOUT TRIAL IS TO BE LIMITED, BUT THE DETAILS HAVE NOT BEEN PUBLISHED (PERHAPS SIGNIFICANTLY). PROMOTION WILL BE BY MERIT RATHER THAN PARTY AFFILIATION. FREEDOM OF BELIEF AND POLITICAL ACTIVITY NOT HARMFUL TO THE SOCIALIST STRUCTURE AND BASIC INTERESTS OF THE STATE WILL BE PERMITTED.

6. ON THE ECONOMIC SIDE.

DESPITE CONCESSIONS INCLUDE THE FOLLOWING:-

- (1) PAYMENT IN FULL OF WAGES FOR THE STRIKE PERIOD, IN RETURN FOR WHICH WORKERS WILL TRY TO IMPROVE PRODUCTIVITY AND REDUCE THE USE OF MATERIALS AND ENERGY RESOURCES;
- (2) PAY INCREASES TO ALL WORKERS INTRODUCED GRADUALLY;
- (3) IMPROVEMENTS IN MEAT SUPPLIES BY MAKING PRODUCTION MORE PROFITABLE, CUTTING BACK EXPORTS TO "THE NECESSARY MINIMUM" AND INCREASING IMPORTS;
- (4) WITHDRAWAL FROM HARD CURRENCY SHOPS OF POLISH-MADE ITEMS IN SHORT SUPPLY DOMESTICALLY;
- (5) RAISING RETIREMENT PENSIONS TO A MUTUALLY AGREED "SOCIAL MINIMUM"; AND
- (6) IMPROVING THE HEALTH SERVICES BY IMPORTING MORE RAW MATERIALS TO INCREASE PHARMACEUTICAL SUPPLIES, INCREASING INVESTMENT IN THIS SECTOR AND IMPROVING PAY AND CONDITIONS IN THE MEDICAL SECTOR.

7. IN ADDITION, THE GOVERNMENT HAS COMMITTED ITSELF TO BRINGING FORWARD PROPOSALS BY THE END OF 1980 TO ACHIEVE:

- (A) ECONOMIC REFORM, BASED ON GREATER INDEPENDENCE OF ENTERPRISES AND PARTICIPATION BY WORKERS' BODIES IN ACHIEVING THIS;
- (B) A BINDING PROGRAMME OF FORWARD PAY INCREASES FOR THE LOWER PAID;
- (C) A PROGRAMME FOR COMPENSATING THE POPULATION FOR RISING PRICES. (IN THE INTERIM MEASURES WILL BE INTRODUCED TO HOLD PRICES OF OVER 150 BASIC ITEMS REPRESENTING 55 PER CENT OF TOTAL EXPENDITURE (AND 80 PER CENT OF EXPENDITURE ON FOODSTUFFS). THE LONGER-TERM PROGRAMME ENVISAGES A UNIFORM PRICING SYSTEM "GOVERNED BY ECONOMIC LAWS". IT SEEMS THAT PRIVATE SELLERS WILL BE DEPRIVED OF THE POWER TO SET THEIR OWN PRICES);
- (D) A PROGRAMME TO ENSURE BETTER MARKET SUPPLIES IN FUTURE, INCLUDING RATIONING IF APPROPRIATE;
- (E) A REDUCTION IN RETIREMENT AGE FOR THOSE ENGAGED IN HEAVY MANUAL LABOUR AND POSSIBLY OTHER MEASURES IN THIS FIELD;
- (F) REGULAR INCREASES IN RETIREMENT PENSIONS;
- (G) BETTER MATERNITY ALLOWANCES AND MATERNITY LEAVE ARRANGEMENTS;
- (H) IMPROVEMENTS IN THE OVERALL HOUSING SITUATION; AND
- (I) IMPROVEMENTS IN SHIFT ALLOWANCES, WORKING HOURS, STAFF GRADINGS AND SICKNESS BENEFITS.

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8. THE STRIKERS PRESSED IN ADDITION FOR AN EXPANSION OF PRIVATE AGRICULTURE AND RURAL SELF-GOVERNMENT, THE LIQUIDATIONS OF "COMMERCIAL" SHOPS, AND LOWERING OF THE RETIREMENT AGE TO 50 FOR WOMEN AND 55 FOR MEN. NO DOUBT THESE POINTS WILL FORM THE BASIS OF FURTHER PRESSURE ON THE GOVERNMENT IN THE FUTURE.

9. FOR COMMENT SEE MIFT.

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MS

TO IMMEDIATE FCO LONDON TEL NO 167 OF 2 SEPT 80.

AND TO IMMEDIATE UKDEL NATO,

ROUTINE WARSAW, MOSCOW, EAST BERLIN, BUCHAREST, BUDAPEST, SOFIA,

YODUK ROUTINE WASHINGTON, PARIS, BONN, LUXEMBOURG, UKREP BRUSSELS,

BELGRADE.

FCO TEL NO 157 TO UKDEL NATO.

POLAND.

1. THE CZECHOSLOVAK LEADERSHIP WILL HAVE WATCHED DEVELOPMENTS IN POLAND WITH CONSIDERABLE ANXIETY AND WILL NOW BE RELIEVED THAT THE POLISH AUTHORITIES HAVE MANAGED TO REACH SOME SORT OF ACCOMMODATION WITH THE BALTIC COAST STRIKERS. THEIR RELIEF WILL BE TEMPERED BY ANXIETY ABOUT THE PRECISE NATURE OF THE ACCOMMODATION AND BY REPORTS THAT STRIKE ACTION IS NOW SPREADING TO THE POLISH MINING AREA IMMEDIATELY ACROSS THE BORDER.
2. THE PUBLIC POSITION OF THE LEADERSHIP IS ONE OF CALM OR EVEN INDIFFERENCE. THE PARTY PRESS HAS DEVOTED LITTLE SPACE TO POLAND AND HAS CONFINED ITSELF LARGELY TO QUOTING SELECTED EXCERPTS FROM TRIBUNA LUDU. IF THE CZECHOSLOVAK MAN IN THE STREET WERE NOT ABLE TO HEAR WESTERN RADIO BROADCASTS HE WOULD BE UNDER THE IMPRESSION THAT A FEW ANTI-SOCIAL ELEMENTS HAD GONE

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ON STRIKE BUT HAD NOW RETURNED TO WORK FOLLOWING THE SIGNATURE OF CERTAIN UNSPECIFIED AGREEMENTS. THE HEAD OF MFA'S 6TH DIVISION TOLD THE H OF C ON 29 AUGUST THAT AS FAR AS CZECHOSLOVAKIA WAS CONCERNED THE CRISIS REMAINED A STRICTLY INTERNAL POLISH AFFAIR, AT LEAST FOR THE FORESEEABLE FUTURE, BUT THAT IT COULD HAVE "DANGEROUS INTERNATIONAL IMPLICATIONS" IF IT WAS NOT RESOLVED FAIRLY SPEEDILY. THIS IS PROBABLY THE CLOSEST WE SHALL GET TO AN OFFICIAL VIEW FOR THE TIME BEING.

3. AS THINGS NOW STAND THE CZECHOSLOVAK REGIME WILL CONTINUE TO TOE THE RUSSIOAN LINE WITH METICULOUS ACCURACY AND THEY WILL SUPPORT ANY POLITICAL OR MILITARY INTERVENTION. A POLITICALLY "SOUND" CZECHOSLOYAK FORMATION IS CURRENTLY IN THE GDR FOR THE WARSAW PACT MANOEUVRES AND WOULD BE THE OBVIOUS CHOICE FOR AN EVENTUAL CZECHOSLOVAK CONTINGENT. THE PRIMARY POPULAR REACTION WOULD PROBABLY BE THE CYNICAL REFLECTION THAT IT WAS THEIR (NOT MUCH LOVED) POLISH NEIGHBOURS' TURN THIS TIME.

4. LOOKING RATHER FURTHER AHEAD IT IS DIFFICULT TO GUESS HOW HIGH THE LEADERSHIP RATE THE POSSIBILITY OF POPULAR DISCONTENT SPREADING TO CZECHOSLOVAKIA. HOW CONFIDENT ARE THEY THAT "NORMALISATION" SINCE 1970 WILL STAND UP TO THE INFLUENCE OF FURTHER DEVELOPMENTS IN POLAND? AT THE PURELY MATERIAL LEVEL MOST CZECHOSLOVAK WORKERS HAVE LESS INCENTIVE TO GRUMBLE THAN

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THEIR POLISH COUNTERPARTS, AND DESPITE THE LATENT PROBLEMS OF THE ECONOMY THE TYPE OF INDUSTRIAL ACTION WHICH COULD, AS IN THE POLISH CASE, LEAD TO POLITICAL DEMANDS HARDLY SEEMS IN QUESTION AT THIS STAGE. NOT HAVE THE REGIME MUCH TO FEAR FROM THE DISSIDENTS, WHOSE LINKS WITH THE WORKERS, UNLIKE THE KOR'S, ARE TENUOUS. THERE ARE HOWEVER CLOSE LINKS BETWEEN SILESIAN AND MORAVIAN MINERS, AND WE HAVE HEARD THAT POLISH WORKERS BASED IN CZECHOSLOVAKIA HAVE HELD MEETINGS DURING THE LAST FEW DAYS. THE AUTHORITIES APPARENTLY MADE NO ATTEMPT TO PREVENT THESE FROM TAKING PLACE, BUT MUST NEVERTHELESS HAVE VIEWED THEM AS AN UNWELCOME DEVELOPMENT. THEY HAVE DONE NOTHING TO RAISE CONSUMER PRICES, WHICH THEY WOULD NORMALLY HAVE DONE DURING THE HOLIDAY SEASON, EVEN THOUGH THIS COULD COMPOUND THEIR ECONOMIC PROBLEMS LATER ON.

5. AS MR PRIDHAM SAYS, WE HAVE ONLY SEEN THE END OF ACT 1. FURTHER DEVELOPMENTS IN POLAND COULD LEAD TO STRAINS WITHIN THE COALITION OF 'DOGMATISTS' AND 'PRAGMATISTS' WHICH HAS RULED CZECHOSLOVAKIA SINCE 1969. MEMORIES OF 1967-69, DIFFERENTLY COLOURED THOUGH THEY MAY BE, ARE STILL VIVID FOR THE ORDINARY CZECHOSLOVAK AND FOR THE HARD LINER. IT WOULD, HOWEVER, BE

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IDLE TO SPECULATE AT THIS JUNCTURE HOW THE POLITICAL SITUATION
WILL BE AFFECTED UNTIL IT EMERGES JUST HOW RADICAL THE CHANGES
IN POLAND PROVE TO BE.

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FM EAST BERLIN 021200Z SEP 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 136 OF 2 SEPTEMBER

INFO IMMEDIATE UK DEL NATO, PRIORITY LUXEMBOURG
INFO SAVING WARSAW, MOSCOW, PRAGUE, BUCHAREST, BUDAPEST, SOFIA,
BONN, BMG BERLIN, WASHINGTON, PARIS, UKREP BRUSSELS, BELGRADE,
MOSKOW.

MS

YOUR TEL TO UKDEL NATO NO 157: POLAND

1. THE GDR MEDIA HAVE BRIEFLY REPORTED THE END OF THE STRIKES WITHOUT DETAILS OR COMMENT OF THEIR OWN. THE NEWS HAS BROUGHT DEEP RELIEF HERE. THE PROSPECT OF THE USE OF FORCE WITH ITS LIKELY REPERCUSSIONS ON DETENTE AND INNER-GERMAN RELATIONS HAD BEEN GRIM FOR REGIME AND PEOPLE ALIKE. IN THE LAST RESORT THE REGIME WOULD PRESUMABLY HAVE FAVOURED THE USE OF FORCE BY THE POLISH AUTHORITIES RATHER THAN SEE A BREAKDOWN IN A NEIGHBOURING COMMUNIST SYSTEM, BUT THEY MUST HAVE DREADED AN ORDER FROM MOSCOW FOR A JOINT WARSAW PACT INTERVENTION WHICH, GIVEN THE SENSITIVITIES OF THE GDR-POLISH RELATIONSHIP, WOULD HAVE BEEN MORE TRAUMATIC THAN THE CZECHOSLAVAKIAN INVASION.
2. THE REGIME WILL NOT HAVE WELCOMED THE POLITICAL CONCESSIONS AND IT WILL SHARE MOSCOW'S APPARENT HOPE THAT SOME CAN BE CLAWED BACK. TODAY'S GDR PRESS REPRODUCED THE CRITICAL PRAVDA ARTICLE OF 1 SEPTEMBER. BUT THOUGH CONCERNED THEY NEED NOT FEEL REALLY THREATENED. THROUGHOUT THE CRISIS THERE HAS BEEN NO SIGN OF THE POLISH CONTAGION SPREADING HERE. THE NERVOUSNESS OF THE AUTHORITIES OVER THE PROPOSE SCHMIDT VISIT TO ROSTOCK WAS A SPECIAL CASE.
3. THERE IS MUCH ADMIRATION FOR THE POLISH STRIKERS AMONG ORDINARY EAST GERMANS. THE GREATER FREEDOM ENJOYED BY THE POLES HAS LONG BEEN ENVIED AND WILL BE EVEN MORE SO NOW. HOWEVER THE EAST GERMAN WORKER KNOWS THAT HE IS NOT ONLY MATERIALLY BETTER OFF BUT ALSO SUBJECTED TO A MUCH MORE DETERMINED SECURITY CONTROL. THE POLISH SUCCESS MIGHT SPARK OFF SOME ISOLATED SHOP-FLOOR MILITANCY, BUT IN GENERAL THESE INHIBITIONS WILL REMAIN DECISIVE. THE REGIME WILL BE ALERT FOR ANY SIGNS OF INCIPIENT TROUBLE, BUT THE MAIN LESSON IT WILL DRAW IS THAT THE ESTABLISHED POLICY OF HIGH PRIORITY FOR MAINTAINING LIVING STANDARDS MUST BE PURSUED: THOUGH I WAS ASSURED BY A SENIOR ECONOMIC OFFICIAL AT THE LEIPZIG FAIR

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THAT THE AUTHORITIES ARE SATISFIED WITH THE PRESENT BALANCE BETWEEN CONSUMPTION AND INVESTMENT AND DO NOT INTEND TO MODIFY IT.

4. SOLESBY'S LETTER TO GLADSTONE OF 1 SEPTEMBER CONTAINS MORE DETAILED COMMENTS.

5. FCO PLEASE PASS ALL SVING.

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TO PRIORITY FCO

TELEGRAM NUMBER 550 OF 01 SEPTEMBER

INFO ROUTINE WARSAW MOSCOW PARIS WASHINGTON UKDEL NATO AND MOD (UK)
INFO SAVING BUDAPEST BUCHAREST PRAGUE EAST BERLIN AND BELGRADE

FRG/POLAND

1. VON DER GABLENTZ (FEDERAL CHANCELLOR'S OFFICE) HAS GIVEN US IN STRICT CONFIDENCE FOLLOWING ACCOUNT OF CONVERSATION (AT WHICH HE WAS PRESENT) BETWEEN CHANCELLOR SCHMIDT AND CHYLINSKI, POLISH AMBASSADOR IN BONN, ON 28 AUGUST. THE LATTER, A MEMBER OF THE CENTRAL COMMITTEE WHOM THE GERMANS REGARD AS REPRESENTING ITS QUOTE LIBERAL UNQUOTE WING, HAD JUST RETURNED FROM WARSAW WITH PERSONAL MESSAGES FOR SCHMIDT FROM BOTH GIEREK AND OLZONSKI. THE MESSAGES AND THE TONE OF THE CONVERSATION (WHICH LASTED TWO HOURS) MADE IT CLEAR THAT QUOTE SCHMIDT IS THE WESTERN LEADER TO WHOM ABOVE ALL THE POLISH GOVERNMENT IS LOOKING FOR UNDERSTANDING AND SUPPORT UNQUOTE. (GIEREK HAD ALREADY SENT AN EARLIER MESSAGE OF THANKS TO THE FEDERAL GOVERNMENT FOR THE RESTRAINT WITH WHICH IT WAS REACTING TO THE POLISH SITUATION).

2. CHYLINSKI GAVE THE IMPRESSION THAT THE CENTRAL COMMITTEE WERE PREPARED TO GO TO ALMOST ANY LENGTHS TO SETTLE THE STRIKES PEACEFULLY. THEY RECOGNISED THAT SERIOUS MISTAKES HAD BEEN MADE OVER A LONG PERIOD AND THAT DRASTIC REFORMS WERE NEEDED TO ENABLE THE REGIME TO RECOVER THE CONFIDENCE OF THE POLISH PEOPLE AND REGAIN ITS LEGITIMACY. THEY WERE PREPARED TO TAKE THE NECESSARY STEPS WITHOUT TOO MUCH REGARD FOR COMMUNIST ORTHODOXY. CHYLINSKI HAD APPARENTLY SPOKEN OF QUOTE WIDENING THE BASIS OF THE LEADERSHIP UNQUOTE TO BRING IN ELEMENTS REPRESENTATIVE OF THE WORKERS, THE CHURCH AND OTHER GROUPS; AND OF A QUOTE GENTLEMAN'S AGREEMENT UNQUOTE BETWEEN THE REGIME AND THE CHURCH PROVIDING FOR RELAXATION OF GOVERNMENT CENSORSHIP ON THE CATHOLIC PRESS AND A DEGREE OF GREATER ACCESS BY THE CHURCH TO TV AND RADIO - ALTHOUGH CARDINAL WYSZINSKI HIMSELF WAS SAID TO BE DOUBTFUL ABOUT THE WISDOM FOR EXAMPLE OF TELEVISED RELIGIOUS SERVICES. CHYLINSKI HAD MADE NO SECRET OF THE REGIME'S HEAVY INDEBTEDNESS TO THE CHURCH FOR THE MAINTENANCE OF RESTRAINT AND STABILITY IN POLAND.

3. CHYLINSKI HAD NOT REFERRED DIRECTLY TO THE LIKELIHOOD OF SOVIET INTERVENTION, ALTHOUGH IT WAS APPARENT THAT THIS WAS IN THE FOREFRONT OF ALL THE CENTRAL COMMITTEE'S CALCULATIONS. BUT HE HAD MADE IT CLEAR THAT THE POLES THOUGHT THAT THE THRESHOLD FOR SOVIET INTERVENTION WOULD BE VERY HIGH. SCHMIDT HAD ASKED WHETHER THE POLISH GOVERNMENT MINDED PUBLIC EXPRESSIONS BY WESTERN GOVERNMENTS OF (A) SUPPORT AND SYMPATHY FOR THE STRIKERS OR (B) CONCERN AT THE PROSPECT OF SOVIET INTERVENTION, INDICATING THAT PRESSURE ON THE FEDERAL GOVERNMENT TO SPEAK OUT IN THESE TERMS WAS MOUNTING. CHYLINSKI SAID THERE WAS NO OBJECTION TO (A); SYMPATHY WITH THE STRIKERS WAS SHARED IN THE

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CENTRAL COMMITTEE AND HAD BEEN AN IMPORTANT FACTOR IN PERSUADING THEM TO GO AS FAR AS THEY HAD IN MEETING THE STRIKERS' DEMANDS. BUT (B) WAS NOT HELPFUL. ON THIS, HIS ARGUMENT RAN THAT THE SOVIET LEADERS RESENTED THE IMPLICATION THAT THEY MIGHT BREACH THEIR OBLIGATIONS UNDER THE HELSINKI FINAL ACT, AND THAT THIS COULD LEAD THEM TO INCREASE PRESSURE ON THE POLISH GOVERNMENT TO USE POLISH TROOPS TO SUPPRESS THE STRIKERS - WHICH WOULD BE QUOTE VERY DIFFICULT UNQUOTE.

4. CHYLINSKI HAD UNDERLINED THE THRUST OF GIEREK'S MESSAGE WHICH WAS THAT, ONCE THE STRIKES HAD BEEN PEACEFULLY SETTLED, POLAND WOULD URGENTLY NEED WESTERN UNDERSTANDING FOR HER ECONOMIC DIFFICULTIES. THERE WOULD BE NO PROSPECT OF ANY EARLY REPAYMENT OF POLAND'S DEBTS: AND HER NEED FOR CREDIT AND ECONOMIC HELP WOULD BE GREATER THAN EVER. SCHMIDT APPARENTLY RECEIVED THIS SYMPATHETICALLY, BUT MADE IT CLEAR THAT THE FRG HAD NO MORE QUOTE PUBLIC MONEY UNQUOTE AVAILABLE. GABLENTZ SAID THAT SCHMIDT HAD ALREADY MADE A MAJOR PERSONAL EFFORT TO GET THE GERMAN BANKS TO AGREE TO THE CREDIT PACKAGE OF DM.1.2 MILLION, AND EVEN SO THIS PACKAGE HAD SHOWN SIGNS OF COMING APART DURING THE PAST WEEK. GIVEN THE SETTLEMENT NOW REACHED IN POLAND, HOWEVER, IT LOOKED AS IF THE PACKAGE WOULD PROBABLY HOLD TOGETHER.

5. GABLENTZ SAID THAT THE GERMANS DID NOT OF COURSE TAKE EVERYTHING CHYLINSKI HAD SAID AT ITS FACE VALUE: BUT THEY REGARDED THE CONVERSATION AS AN ILLUMINATING ACCOUNT OF THINKING WITHIN THE LIBERAL FACTION IN THE CENTRAL COMMITTEE. THE CHANCELLOR REGARDED THE COURSE OF EVENTS IN POLAND UP TO AND INCLUDING SETTLEMENT OF THE STRIKE AS A VINDICATION BOTH OF HELSINKI AND OF THE FEDERAL GOVERNMENT'S OSTPOLITIK. SCHMIDT BELIEVED THAT EVENTS IN POLAND PROVIDED A MODEL FOR THE ONLY SORT OF CHANGE FOR THE BETTER INSIDE A COMMUNIST COUNTRY WHICH WAS POSSIBLE WITHOUT DISTURBING THE PRESENT EUROPEAN POWER STRUCTURE: AND HE DREW THE CONCLUSION THAT THE WEST MUST DO ALL IN ITS POWER TO HELP AND STRENGTHEN THE PRESENT POLISH REGIME IN ITS EFFORTS TO REGAIN THE CONFIDENCE OF ITS PEOPLE ON A BROADER BASIS THAN HITHERTO.

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Foreign and Commonwealth Office

London SW1A 2AH

1 September 1980

For Draft Please

Dear Mike

Thank you for your letter of 28 August with which you enclosed a copy of a message to the Prime Minister from President Carter about events in Poland. I enclose a draft reply.

I should be grateful if you could let me have a copy of the final text of the message as agreed by the Prime Minister and for your agreement that we may then send this to our Embassy in Washington and also to our Embassies in Paris and Bonn.

I am sending a copy of this letter to Barry Hilton (Cabinet Office).

Yours ever

Michael Arthur

M A Arthur

M A Pattison Esq
10 Downing Street

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Office of the Secretary of State

Washington, D.C.



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DRAFT: ~~mimeo~~ letter / ~~telex~~ / ~~dispatch~~ / ~~note~~

TYPE: Draft/Final 1+

FROM:
Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:
President Carter

Your Reference

Top Secret

Secret

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PRIVACY MARKING

SUBJECT: ~~Many thanks for~~ *Many thanks for*

.....In Confidence

~~Many thanks for your message of 27 August about the situation in Poland. I fully agree with you both about the significance of developments in Poland over the last few weeks and the importance of our two countries continuing to keep close touch on the question.~~

CAVEAT.....

2. In the few days
~~2. Events have been moving fast since you wrote, events, continued to move fast if agreement has now, of course, been culminating in the agreement reached over the weekend~~
between the strikers and the ^{Polish} Government. Further time will be needed to assess the full implications of ~~what has been~~ ^{the agreement +} ~~agreed.~~ ^{the manner of its implementation. But it is already apparent that} Clearly, however, the concessions which have been won by the strikers, ~~particularly over the establishment of free trade unions,~~ and the manner in which they have been achieved, are of enormous potential consequence not only for Poland itself but for ~~the future of Eastern~~ Europe as a whole. They also have far reaching implications for Western interests and policies in the area. ~~to~~ *We shall need to give the most careful thought to the situation + I look forward to keeping in close touch with you about it.*

Enclosures—flag(s).....

3. Like you, and again with thanks from the Polish government conveyed to us by the Polish Ambassador ^{in London} ~~here,~~ ^{here} we have taken a very careful and restrained attitude in public to events in Poland, ^{we stressed} stressing our view that this is

a strictly internal matter to be settled by the Polish people themselves, peacefully and without outside inter-

ference. ~~I think it no less important, now that an~~

Now that an agreement has been reached we shall
~~agreement has been reached, that we should~~ continue to take

while
a restrained attitude in public ~~at the same time as~~ making clear discreetly to the Polish authorities our understanding of the problems they face. ~~The next stage will be crucial~~

~~and I am sure that we should do our best to continue to avoid~~

~~any comment on the situation which might make their task more~~

~~difficult.~~ *Our overriding concern will be to avoid complicating things in the next & crucial stage of the developing situation.*

4. One of the major questions will be the Soviet attitude

to the settlement, ~~on which~~ *the* immediate indications have

not been ~~very~~ encouraging. The Russians *clearly* do not like the

extent of the concessions to the strikers. They will be watching ~~very~~ carefully the way the agreement is implemented

no sense in being
and will ~~try to get~~ the Polish leaders to recover some of

the lost ground. ~~We will need to watch very carefully their reactions to the way in which matters develop.~~

5. I agree with you that ~~the implications of these~~

~~developments for the future of the Polish economy is another important issue which we will need to consider over the next~~

here
few weeks. As you know we *have* been concerned for some time

about the deteriorating economic situation in Poland and ~~in~~

about
~~particular~~ Poland's growing indebtedness to the West. It

will be some time before it is possible to ~~reach~~ *make* a full

assessment of the effects of the strikes and the concessions

which the government has been forced to grant in settling

them. ~~It is clear, however,~~ *Bank* that the overall effect will *manifestly*

be
~~have been~~ to exacerbate Poland's already *grave* ~~serious~~ problems.

W.P.
British banks have played an important part in granting

loans to Poland over the last few years including

participation in the agreement ~~recently~~ *last month* signed in London

by a consortium of Western bankers for a further loan of

/\$325 million.

\$325 million. The Government has also been involved through the provision of export credits. The Poles may well soon be looking to the West for further assistance, and I agree therefore that this is a subject on which we should keep in close touch together with our other Western allies who are likely to be most closely involved.

6. We too have been keeping in contact with the Polish authorities both through their Ambassador here and through our Embassy in Warsaw. Peter Carrington hopes to have an opportunity to see the new Polish Foreign Minister, Mr Czyrek, during the UN General Assembly in New York later this month, and will also be visiting Warsaw on 30 and 31 October. We will ensure that you are kept fully informed of the outcome of these discussions.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 270 OF 30 AUGUST 1980

AND TO IMMEDIATE UKDEL NATO AND MOSCOW

PRIORITY SOFIA BELGRADE BUDAPEST BUCHAREST EAST BERLIN PRAGUE

WASHINGTON PARIS BONN MODUK.

POLISH CRISIS:

MY TEL 001 TO UKDEL NATO.

1. EVENTS ARE MOVING FAST AND I THINK IT BEST TO SEND YOU TODAY THE GENERAL ASSESSMENT YOU ASKED FOR. REPORTS FROM GDANSK THIS MORNING ARE MORE OPTIMISTIC BUT THERE IS A LONG WAY TO GO.

2. LAST NIGHT I HAD A LONG TALK WITH STAREWICZ WHO WAS VERY GLOOMY ABOUT THE SITUATION. HE THINKS THE GOVERNMENT COULD MOVE FURTHER WITHOUT DESTROYING THE SYSTEM, EG OFFER IMMEDIATE UNION ELECTIONS, BUT DOUBTS THAT THEY WILL. THE TROUBLE IS THERE IS NO KNOWN OR TRUSTED FIGURE TO SUCCEED GIEREK.

3. LAST NIGHT THERE WERE RUMOURS THAT THE GOVERNMENT HAD DECIDED TO "CLEAR THE PORTS" IF THE STRIKE WERE NOT SETTLED BY THE WEEKEND AND THAT OLSZOWSKI WOULD SPEAK ON TELEVISION (THIS FROM STAREWICZ). IN THE EVENT HE DID NOT, PERHAPS BECAUSE THE TALKS WERE UNEXPECTEDLY RESUMED. INSTEAD, BARCIKOWSKI SPOKE PRETTY TOUGHLY, ENDING WITH THE NOTE THAT THE STRIKES COULD NOT BE ALLOWED TO CONTINUE. THERE IS ABOUT A BATTALION OF RIOT POLICE AT GDANSK AIRPORT.

4. THE TOUGHER NOTE FROM THE GOVERNMENT YESTERDAY COULD BE BLUFF BUT MORE PROBABLY INDICATES A DECISION TO ATTEMPT LIMITED FORCE IF DEADLOCK RECURS. THIS IS AN ODIIOUS OPTION BUT SO ARE ALL THE OTHERS - CHAOS, SOVIET INTERVENTION OR SURRENDER (WHICH MIGHT LEAD TO SOVIET INTERVENTION). THE GOVERNMENT MAY BE LED TO IT BY A) SUPPLIES RUNNING OUT ALL OVER THE COUNTY, B) SOVIET THREATS TO INTERVENE IF THEY DO NOT DO SOMETHING.

PRIDHAM

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TO IMMEDIATE UKDEL NATO
TELEGRAM NUMBER 001 OF 30 AUGUST 1980
AND TO IMMEDIATE FCO AND MOSCOW
PRIORITY SOFIA BUDAPEST BUCHAREST PRAGUE EAST BERLIN BELGRADE
WASHINGTON PARIS BONN MODUK

THE POLISH CRISIS:

1. YOUR TELNO 157 TO UKDEL NATO
2. LIKELY FUTURE COURSE OF EVENTS:

IN THE FIRST INSTANCE THERE ARE ONLY TWO PEACEFUL WAYS OUT OF THE PRESENT CRISIS - THAT THE STRIKERS SHOULD ABANDON OR MODIFY SUFFICIENTLY THEIR QUEST FOR FREE TRADES UNIONS OR THAT THE GOVERNMENT SHOULD CONCEDE THAT CRUCIAL DEMAND. IT NOW SEEMS CERTAIN THAT ALL OTHER DEMANDS HAVE EITHER BEEN CONCEDED TO A GREATER OR LESSER DEGREE OR HAVE BEEN SHELVED BY THE STRIKERS FOR THE TIME BEING. WE DO NOT THINK IT LIKELY THAT THE STRIKERS WILL ABANDON OR MATERIALLY MODIFY THEIR DEMANDS. ALL RECENT EYE-WITNESS REPORTS FROM THE SHIPYARDS INDICATE THAT THEIR RESOLVE CONTINUES AND THAT THEIR SELF-CONFIDENCE IS GROWING. THIS IS HARDLY SURPRISING GIVEN THAT THEY HAVE OBTAINED LARGE CONCESSIONS FROM THE GOVERNMENT ALREADY, FORCED MAJOR GOVERNMENTAL CHANGES AND NOT HAD TO RETREAT THEMSELVES.

3. THE CHANCES THAT THE GOVERNMENT WILL MAKE FURTHER MAJOR CONCESSIONS IS PERHAPS A LITTLE MORE LIKELY. BUT THEY SEEM TO HAVE GONE AS FAR AS ANY COMMUNIST GOVERNMENT CAN AFFORD TO GO IT IS NOT TO ALLOW THE BREAK UP OF THE ONE PARTY STATE. TO CONCEDE THE GENUINE TYPE OF FREE TRADES UNION STRUCTURE THAT THE STRIKERS ARE DEMANDING WOULD BE A STEP IN THAT DIRECTION. THEY MIGHT, HOWEVER, OFFER BETTER GUARANTEES OF WHAT THEY HAVE CONCEDED, A POINT WHICH WORRIES THE STRIKERS.

4. THE CHANCES OF A COMPROMISE SETTLEMENT AS AT 30 AUGUST ARE PERHAPS 50/50. IF IT IS REACHED THAT WILL BE A LONG TENSE PERIOD OF PUTTING IT INTO EFFECT AND PICKING UP THE PIECES.

5. IF THE TALKS BREAK DOWN AGAIN AND DEADLOCK ENSUES THE POLITICAL CONSEQUENCES WILL BE SOME OR ALL OF THE FOLLOWING: THE FALL OF GIEREK, A GENERAL STRIKE, USE OF FORCE BY THE POLISH AUTHORITIES AND INTERVENTION FROM THE SOVIET UNION.

6. IT IS INCREASINGLY THOUGHT HERE THAT GIEREK'S FALL AND HIS REPLACEMENT BY OLSZOWSKI CANNOT NOW BE LONG DELAYED. HE CLEARLY HAD A CONSIDERABLE FIGHT TO SURVIVE AT THE LAST PLENUM OF THE CENTRAL COMMITTEE AND EMERGED FROM IT WEAKENED, PARTICULARLY BY THE RETURN OF OLSZOWSKI AND GRABSKI. HE HAS PRESIDED OVER TEN UNHAPPY YEARS OF POLAND AND NO-ONE IN THE COUNTRY HAS MUCH CONFIDENCE IN HIS ABILITIES TO LEAD IT OUT OF THE PRESENT ECONOMIC

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/ CRISIS.

CRISIS. BUT HIS DEPARTURE IS BECOMING ALMOST IRRELEVANT TO A SETTLEMENT OF THE STRIKE. IT IS NEW MEASURES NOT NEW MEN WHICH ARE NEEDED. THIS IS THE GREAT CONTRAST WITH 1956 AND 1970 WHEN TRUSTED ALTERNATIVE LEADERS WERE AVAILABLE.

7. IF THERE IS DEADLOCK A MORE OR LESS GENERAL STRIKE IN POLAND IS ALMOST INEVITABLE. ALREADY OVER 50 FACTORIES IN WROCLAW HAVE FORMED FOR THEMSELVES AN INTERFACTORY STRIKE COMMITTEE SIMILAR TO THE ONE IN GDANSK AND IN SYMPATHY WITH ITS AIMS. THERE ARE OTHER DISTURBANCES WHICH WE HAVE HEARD OF IN LODZ, URSUS AND ELSEWHERE. THE PROLONGED DETENTION OF DISSIDENTS HAS CUT OFF THE MOST RELIABLE SOURCE OF NEWS AND PROBABLY THERE ARE OTHER STRIKES ELSEWHERE IN THE COUNTRY OF WHICH WE KNOW NOTHING.

8. LOGIC POINTS STRONGLY AGAINST THE USE OF POLISH MILICJA OR TROOPS TO BREAK THE STRIKES IN THE BALTIC PORTS. AND THEIR USE WOULD BE EVEN LESS EFFECTIVE AGAINST MORE WIDESPREAD STRIKES. THE ORDINARY MILICJA AND CONSCRIPT TROOPS HAVE CERTAINLY NOT THE EXPERTISE AND PROBABLY NOT THE STOMACH TO SMOKE THE STRIKERS OUT OF THEIR WORK PLACES AND RESTORE THEM TO NORMAL WORKING THOUGH THE FORMER MIGHT PROVE LOYAL TO THE REGIME IN THEIR OWN INTERESTS. THE BETTER TRAINED AND MORE RELIABLE REGULAR TROOPS AND THE SPECIAL RIOT POLICE ARE NOT NUMEROUS ENOUGH TO COPE WITH THE EFFECTS OF WIDESPREAD STRIKES. IN ANY CASE, THIS KIND OF MILITARY OPERATION CARRIES ENORMOUS RISKS OF FAILURE. BUT THE POLISH LEADERS WILL PROBABLY DECIDE THAT IT HAS TO BE TRIED THINKING IT PREFERABLE TO SOVIET INTERVENTION OR CHAOS.

9. THE POSSIBILITY OF SOVIET AND WARSAW PACT INTERVENTION CONTINUES TO BE UNTHINKABLE. BUT WHEN ALL OTHER POSSIBLE OUTCOMES APPEAR TO BE IMPOSSIBLE, IT MAY YET BE THE ONLY WAY THAT THIS CRISIS IS TO BE CONCLUDED. MOSCOW IS BETTER PLACED THAN I AM TO ASSESS THE POLITICAL IMPLICATIONS OF SUCH A MOVE IN THE USSR. BUT IF ONE ASSUMES THAT THE SOVIET TROOPS WERE CALLED ON TO RESTORE ORDER TO A COUNTRY THAT WAS CRIPPLED BY A GENERAL STRIKE WHICH THE POLISH AUTHORITIES HAD FAILED TO SORT OUT (POSSIBLY AFTER AN UNSUCCESSFUL ATTEMPT TO USE FORCE) THEN THEY WOULD CERTAINLY HAVE A HARD TASK ON THEIR HANDS. THE POLISH ARMY MIGHT FIGHT. AND IF THE RUSSIAN BEGAN TO USE FORCE AGAINST THE POPULACE THEY WOULD CERTAINLY BE RESISTED. INDEED, IT IS VERY MUCH IN THE POLISH CHARACTER THAT THE MORE DESPERATE THE SITUATION AND THE GREATER THE ODDS AGAINST THEM, THE MORE FIERCELY THEY FIGHT.

10. POLITICAL IMPLICATIONS:

POLAND WILL NEVER BE THE SAME AFTER THIS CRISIS. THE RESULT MAY BE A MORE MUCH LIBERAL COUNTRY WITH A POTENTIALLY SEPARATE POWER BASE THAT COULD OPPOSE THE PARTY, BUT IF SOVIET INTERVENTION DOES OCCUR THEN THE OUTCOME IS LIKELY TO BE A MUCH MORE REPRESSIVE REGIME ALONG THE LINES OF THAT IMPOSED IN CZECHOSLOVAKIA POST 1968.

IN THE FIRST CASE, POLAND WILL HAVE FORMALLY ESTABLISHED HERSELF AS THE EASTERN BLOC COUNTRY MOST WORTH CULTIVATING BY THE WEST IN ORDER TO ENCOURAGE HER TO SLACKEN HER LINKS WITH THE SOVIET UNION.

IN THE SECOND CASE, OUR POLICY TOWARDS THE COUNTRY WOULD HAVE TO BE TOTALLY REASSESSED IN THE LIGHT OF THE NEW SITUATION THAT WAS PREVAILING THERE. IN EITHER CASE, GIEREK'S PROBABLE FALL WILL MEAN THAT THE CLOSE LINKS HE HAS ESTABLISHED WITH LEADERS OF FRANCE AND WEST GERMANY WILL BE BROKEN AND HIS INFLUENCE AS A WESTERN-LOOKING COMMUNIST LEADER WILL BE LOST.

11. ECONOMIC IMPLICATIONS OF THE POLISH UNREST:

WHILE THE STRIKES CONTINUE IT IS IMPOSSIBLE TO ASSESS THEIR OVERALL IMPACT ON THE ECONOMY BUT THE MAIN CONTRIBUTORY FACTORS SEEM TO BE:

- (I) THE DIRECT EFFECTS OF THE STRIKES ON THE ECONOMY;
- (II) THE COST OF ANY CONCESSIONS MADE TO THE WORKERS; AND
- (III) THE CHANGES IN ECONOMIC POLICY WHICH WILL BE NECESSARY AS A RESULT OF THE STRIKES.

12. DIRECT EFFECTS ON THE ECONOMY:

AS POLAND'S MAIN PORTS AND SOME KEY INDUSTRIAL SITES ARE STRIKE-BOUND, THERE IS CERTAIN TO BE HEAVY COST IN LOST PRODUCTION THROUGH SHORTAGES OF IMPORTED RAW MATERIALS AND EQUIPMENT. THESE LOSSES CAN ONLY BE PARTIALLY MADE UP BY INCREASED EFFORTS WHEN THE STRIKES ARE OVER. REPORTS ARE APPEARING ALREADY OF FACTORIES CURTAILING PRODUCTION AS STOCKS RUN OUT AND AS OUTPUT BEGINS TO PILE UP WHICH CANNOT BE MOVED THROUGH THE PORTS. SO FAR THERE HAVE ONLY BEEN PERIODIC SHORTAGES OF FOODS AND ESSENTIAL MATERIALS, EG PETROL, OUTSIDE THE STRIKE-HIT AREAS THEMSELVES, PERHAPS BECAUSE THE AUTHORITIES ARE USING THEIR RESERVES OF SUCH ITEMS, BUT IF THE STRIKES CONTINUE MORE FAR-REACHING SHORTAGES AFFECTING THE MAN IN THE STREET ARE BOUND TO OCCUR.

COST OF CONCESSIONS:

13. THE COST OF CONCESSIONS MADE TO STRIKING WORKERS BEFORE THE EVENTS ON THE BALTIC COAST HAD ERODED WHATEVER SAVINGS ON SUBSIDIES WERE LIKELY TO HAVE ACCRUED FROM THE PRICE INCREASES ON MEAT AND OTHER ITEMS. IF THE ADDITIONAL PROMISES IN TERMS OF BETTER HOUSING, PENSIONS, FOOD SUPPLIES, MEDICAL SERVICES ETC ARE MET THESE WILL PUT SUBSTANTIAL ADDITIONAL BURDENS ON THIS ALREADY OVERSTRETCHED ECONOMY.

CHANGES IN POLICY:

14. THE LEADERSHIP SEEMS TO HAVE DECIDED ALREADY THAT IT WILL BE IMPOSSIBLE TO ACHIEVE THE PLANNED CUTBACK IN THE VALUE OF POLAND'S IMPORTS THIS YEAR. EVEN THOUGH FURTHER REDUCTIONS CAN BE EXPECTED IN IMPORTS FOR INVESTMENT PURPOSES OUTSIDE OF KEY SECTORS SUCH AS ENERGY, TRANSPORT AND RAW MATERIAL EXTRACTION, THESE SAVINGS SEEM LIKELY TO BE OFFSET BY ADDITIONAL PURCHASES OF

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MEAT, GRAIN AND OTHER FOODSTUFFS, AND CONSUMER GOODS DESIGNED TO MAINTAIN LIVING STANDARDS AND HENCE STAVE OFF FURTHER SOCIAL UNREST. BEYOND THIS IT IS IMPOSSIBLE TO SEE AT PRESENT WHAT OTHER MEASURES WILL BE ADOPTED IN THE AFTERMATH OF THE PRESENT DIFFICULTIES.
IMPLICATIONS FOR THE WEST:

15. IN SO FAR AS IT IS POSSIBLE TO DRAW ANY CLEAR ECONOMIC IMPLICATIONS FOR THE WEST FROM POLAND'S CURRENT PLIGHT, THEY ARE AS FOLLOWS:

- (I) POLAND WILL CONTINUE TO REMAIN HEAVILY IN DEBT FOR THE FORSEEABLE FUTURE:
- (II) THE DEBT MAY EVEN INCREASE IN THE SHORT-TERM:
- (III) POLAND WILL SEEK FURTHER HARD CURRENCY LOANS FROM THE SAME SOURCES IT HAS DRAWN ON IN THE PAST:
- (IV) HIGH PRIORITY WILL CONTINUE TO BE GIVEN, HOWEVER, TO THE REPAYMENT OF EXISTING LOANS ON TIME TO TRY TO MAINTAIN POLAND'S CREDIBILITY AS A BORROWER.

A MULTI-LATERAL RE-SCHEDULING OF POLAND'S DEBTS MUST BE ON THE CARDS. IN ANY CASE POLAND WILL FACE GREAT DIFFICULTY IN SECURING FURTHER LARGE HARD CURRENCY LOANS FROM COMMERCIAL SOURCES. IF THIS IS SO POLISH PRESSURE ON NATIONAL GOVERNMENTS FOR NEW LOANS WILL INCREASE.

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FM BUCHAREST 291300Z AUG
TO PRIORITY FCO
TELEGRAM NUMBER 213 OF 29 AUGUST.
INFO MOSCOW
WASHINGTON
WARSAW
UKDEL NATO

MY TELNO 211: POLAND. ROMANIAN PRESS COMMENTARY.

1. PUBLISHED AS IN RESPONSE TO READERS' LETTERS TO THE EDITOR, "SCINTEIA" OF 28 AUGUST CARRIES AN ARTICLE ABOUT POLISH EVENTS UNDER THE HEADING "WITH FULL CONFIDENCE IN THE POLISH PEOPLE'S CAPACITY TO SOLVE THE PROBLEMS OF THE COUNTRY'S SOCIALIST DEVELOPMENT".
2. THE ARTICLE BRIEFLY DESCRIBES POLAND'S ECONOMIC DIFFICULTIES INCLUDING THE STRIKES, AND CLAIMS THAT THE ROMANIAN PRESS HAS ALREADY CARRIED ACCOUNTS OF THESE EVENTS AND OF THE POLISH PARTY AND STATE LEADERSHIP'S PROPOSAL FOR OVERCOMING THE SITUATION. IT QUOTES FROM STATEMENTS MADE AT THE RECENT PLENARY MEETING OF THE CC OF THE PUWP AND FROM GIEREK'S SPEECH, AND REFERS TO THE CONSTRUCTIVE ATMOSPHERE PREVAILING IN MEETINGS AND DISCUSSIONS BETWEEN THE LEADERSHIP AND THE WORKERS.
3. THE ARTICLE THEN CRITICISES EXAGGERATED WESTERN PRESS INTERPRETATIONS OF THE EVENTS, AND QUOTES GIEREK'S STATEMENT THAT "ONLY A SOCIALIST POLAND CAN BE AN INDEPENDENT STATE WITH UNTOUCHABLE FRONTIERS AND INTERNATIONAL PRESTIGE. . . WE SHALL DEFEND AND PRESERVE RESOLUTELY THESE HIGH VALUES".
4. IN LINKING ROMANIA WITH POLAND, THE ARTICLE DWELLS ON TRADITIONAL FRIENDSHIP BETWEEN THE TWO COUNTRIES WHICH SHARE THE SAME ASPIRATIONS, AND EXPRESSES THE CONFIDENCE OF ROMANIAN WORKERS IN THE ABILITY OF THE POLISH PEOPLE, UNDER PUWP LEADERSHIP, TO OVERCOME ITS DIFFICULTIES WITHOUT ANY OUTSIDE INTERFERENCE. THE POLISH PEOPLE DO NOT WANT OTHERS TO SOLVE ITS PROBLEMS.

/ IT ADDS

IT ADDS THAT THE PUWP IS URGING ALL THE WORKERS TO WORK HARDER, AND INSISTING THAT STRIKES WILL NOT SOLVE THE PROBLEMS. SUCH PROBLEMS CAN ONLY BE OVERCOME BY RAISING PRODUCTIVITY AND THE EFFICIENCY OF WORK. THE ARTICLE POINTS OUT THAT ECONOMIC DIFFICULTIES LIKE THOSE IN POLAND CAN OCCUR ANYWHERE IN THE WORLD AND THAT THERE IS NO OVERNIGHT CURE FOR THEM. THEIR SOLUTION DEMANDS HARD WORK.

5. THE REPORT CONCLUDES WITH PRAISE FOR POLAND'S POST-WAR ECONOMIC ACHIEVEMENTS AND REAFFIRMS THE SINCERE WISH OF ROMANIAN COMMUNISTS AND PEOPLE FOR A SINCERE NORMALISATION OF THE SITUATION, THIS BEING IN THE INTEREST OF THE POLISH PEOPLE, THE GENERAL CAUSE OF SOCIALISM, SECURITY, DETENTE AND PEACE IN THE WHOLE WORLD.

HOLMER.

[THIS TELEGRAM WAS NOT ADVANCED]

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NOTE FOR THE FILE

Mr. Battiscombe of EESD in the FCO asked permission to pass the text of President Carter's message to Washington, and if necessary, to opposite numbers in Paris and Bonn in the process of preparing a reply. I agreed to this.

I also agreed that, if asked, our Press Office could confirm that President Carter had been in touch with the Prime Minister over Poland, without releasing details of President Carter's letter. I told Mr. Gaffin this.

MA

29 August 1980

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FM WARSAW 281000Z AUG 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 264 OF 28 AUGUST 1980

INFO PRIORITY MOSCOW PRAGUE SOFIA BUDAPEST BUCHAREST BELGRADE

EAST BERLIN UKDEL NATO WASHINGTON PARIS BONN MODUK

File upstairs
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Prime Minister

*To see current
assessment,
starting at para 5.*

POLISH CRISIS:

- MAD 29/8.*
1. SOME NEWSPAPERS OF AUG 27 REVEAL FOR THE FIRST TIME HOW NEGOTIATIONS BETWEEN THE STRIKERS AND JAGIELSKI HAVE BEEN GOING.
 2. THE (NOW) 21 DEMANDS ARE PRINTED IN FULL IN ONE PAPER. AS REGARDS THE MAIN DEMAND FOR FREE TRADE UNIONS, TRYBUNA LUDU REPORTS THAT THE CENTRAL COUNCIL OF THE TRADE UNIONS ACCEPTED ON AUG 26 THAT NEW SECRET ELECTIONS TO WORKS COMMITTEES SHOULD TAKE PLACE SOON; THAT NO DECISIONS ON PRICES, WAGES OR COST OF LIVING BE MADE WITHOUT THE UNIONS' APPROVAL; THAT A NEW BILL SHOULD AUTHORISE INDEPENDENT AND AUTONOMOUS ACTIVITY OF THE TRADE UNIONS "WITHIN THE SOCIALIST DEMOCRACY SYSTEM"; AND THAT WHEN OTHER METHODS FAIL THERE SHOULD BE A RIGHT TO STRIKE. JAGIELSKI CONVEYED THESE DECISIONS BUT THERE WAS TO BE FURTHER DISCUSSION ON THE DEFINITION FREE UNIONS.
 3. AS REGARDS OTHER DEMANDS HE SAID THERE WOULD BE NO PUNISHMENT OF STRIKERS EXCEPT IF THE LAW HAD BEEN VIOLATED. ON FREEDOM OF SPEECH, THE VICE-PRIME MINISTER SIMPLY OUTLINED SOME OF THE PROBLEMS. ON DEMANDS FOR FREEING POLITICAL PRISONERS AND REINSTATING THOSE DISMISSED, HE PROMISED INVESTIGATION. HE RESISTED THE DEMAND FOR FLAT-RATE RISES IN PAY OF 2000 ZLOTIES PER MONTH ON GROUNDS OF ECONOMICS AND EQUITY; AGREED THAT MEAT-RATIONING WOULD BE RIGHT BUT DOUBTED ITS PRACTICABILITY. HE ACCEPTED THAT MANAGERIAL APPOINTMENTS SHOULD BE ON MERIT, NOT PARTY MEMBERSHIP, AND AGREED TO CONSIDER AND ACCEPT WHERE POSSIBLE A VARIETY OF DEMANDS ABOUT PENSIONS, LEAVE, RETIREMENT AGE, SATURDAYS OFF AND SHIFT WORKING.
 4. TODAY'S PAPERS PUBLISH AT GREAT LENGTH THE GOVERNMENT'S POSITION AS OF AUG 28 ON MANY OF THE ISSUES AND SUGGEST THAT AGREEMENT MAY NOT BE FAR OFF. THEY STRESS ON THE ONE HAND THE GOVERNMENT'S DETERMINATION TO EMBARK ON FUNDAMENTALLY NEW POLICIES AND THE MOUNTING DANGER OF CATASTROPHE IF THE STRIKES CONTINUE.
 5. THE TENOR OF THESE REPORTS (ALBEIT FROM OFFICAL SOURCES) IS OF A GOVERNMENT GOING A VERY LONG WAY TO MEET THE STRIKERS. WHILE ALMOST ANY ONE OF THE DEMANDS COULD HOLD UP AGREEMENT, THE CRUX IS THE QUESTION OF FREE TRADE UNIONS. WHAT IS MEANT BY THE TERM? THAT THE GOVERNMENT ENVISAGES CLEAR LIMITS IS REPEATED IN ANOTHER ARTICLE IN TRYBUNA LUDU BY CENTRAL COMMITTEE MEMBER WOJNA IN WHICH HE SAYS THAT "THERE ARE MATTERS WHICH CANNOT BE DISCUSSED. THESE ARE MATTERS OF OUR POLITICAL SYSTEMS AND OCCURRENCES STEMMING FROM THIS POLICY; IN THE FIRST PLACE THEY

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/SYSTEM

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SYSTEM ITSELF AND THE ALLIANCES TO WHICH WE BELONG''.

6. IT SEEMS TO ME ^{UNLIKELY} ~~LIKELY~~ THAT THE GOVERNMENT ARE YET PREPARED TO ACCEPT TOTALLY FREE AND INDEPENDENT TRADE UNIONS IN THE SENSE THAT WE UNDERSTAND THEM. THE REPERCUSSIONS ON THE WHOLE SYSTEM WOULD BE TOO GREAT. BUT IT IS NOT IMPOSSIBLE THAT THE STRIKERS WOULD SETTLE FOR SOMETHING A BIT LESS IN THE LIGHT OF
(A) THE KNOWLEDGE THAT THEY COULD STRIKE AGAIN, AND
(B) THE CARDINAL'S STRONG HINTS THAT THEY OUGHT TO GO BACK TO WORK. WHILE THIS HAS GIVEN RISE TO A BITTER JOKE THAT THE CARDINAL HAS JOINED THE CENTRAL COMMITTEE, IT MUST HAVE SOME EFFECT ON THE WORKERS. THE STRIKERS WOULD NEED TO BE SATISFIED THAT WHAT THEY HAD GAINED WAS SECURE FROM GOVERNMENT BAD FAITH.

7. A NUMBER OF SYMPATHETIC STRIKES STARTED YESTERDAY, NOTABLY IN WROCLAW AND AT THE URSUS FACTORY.

IT IS DIFFICULT TO GAUGE THE MOOD OF THE COUNTRY AND PEOPLE BUT MY STAFF AND I FELT YESTERDAY AN INCREASING SUPPORT FOR THE STRIKERS' OBJECTIVES OF SECURING MAJOR CHANGE (WITHOUT PRECISE DEFINITION) AND ALSO AN INCREASING RECKLESSNESS ABOUT POSSIBLE CONSEQUENCES. MY KNOWLEDGE OF THE NEGOTIATIONS IS OF COURSE VERY INCOMPLETE AND FAR FROM UP-TO-DATE, BUT I THINK NEVERTHELESS THAT THERE IS A CHANCE OF AN AGREEMENT TO RETURN TO WORK FAIRLY SOON, EVEN IF IT IS A BRITTLE ONE. THAT WOULD BE THE END OF ACT ONE.

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10 DOWNING STREET

From the Private Secretary

28 August 1980

I enclose a copy of a message from President Carter to the Prime Minister about events in Poland. I should be grateful for a draft reply for the Prime Minister to consider. It would be helpful if this could reach us as early as possible next week.

I am sending a copy of this letter to Barry Hilton (Cabinet Office).

M. A. PATTISON

G. G. H. Walden, Esq.,
Foreign and Commonwealth Office.

COVERING SECRET

MPGM

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. 1166/80

ZCCZWAG03100 WTE24
DE WTE 06422 2402206
O 272314Z AUG 80
FM PRESIDENT CARTER

TO PRIME MINISTER THATCHER

ZEM

S E C R E T VIA CABINET OFFICE CHANNELS DELIVER AT OPENING OF BUSINESS

WH06422

AUGUST 27, 1980

DEAR MARGARET:

EVENTS IN POLAND ARE OF SUCH IMPORTANCE THAT I WOULD LIKE VERY MUCH TO HAVE YOUR PERSONAL ASSESSMENT OF THEM, AND ALSO TO SHARE MINE WITH YOU.

BECAUSE THESE EVENTS INVOLVE A SIZABLE COUNTRY IN THE VERY CENTER OF EUROPE WHICH INEVITABLY PLAYS AN IMPORTANT ROLE IN THE PRESENT COMMUNIST SYSTEM, WHAT IS GOING ON IN POLAND COULD PRECIPITATE FAR-REACHING CONSEQUENCES FOR EAST-WEST RELATIONS AND EVEN FOR THE FUTURE OF THE SOVIET BLOC ITSELF. IN MY VIEW, WE IN THE WEST HAVE ADOPTED THE CORRECT POSITION: TO BE SYMPATHETIC TO POLISH EFFORTS TO REFORM THE SYSTEM BUT TO URGE ALSO RESTRAINT BY ALL PARTIES CONCERNED, AND PARTICULARLY TO STRESS THAT THE MATTER IS FOR THE POLKS THEMSELVES TO RESOLVE, WITHOUT ANY FOREIGN INTERFERENCE. MY ADMINISTRATION HAS BEEN VERY CAREFUL NOT TO SAY OR DO ANYTHING THAT COULD BE SEIZED UPON BY THE SOVIETS AS A PRETEXT FOR INTERVENTION, AND I KNOW THAT THIS HAS BEEN YOUR POSITION AS WELL.

THE BEST OUTCOME FROM EVERY STANDPOINT WOULD INVOLVE ACCOMMODATION BETWEEN THE AUTHORITIES AND THE POLISH PEOPLE, WITHOUT VIOLENCE. SUCH AN ACCOMMODATION COULD WELL TRANSFORM THE CHARACTER OF THE POLISH SYSTEM, LEADING POSSIBLY TO A MORE LIBERAL AND DEMOCRATIC MODE. WE MUST OF COURSE BE CONCERNED ABOUT POSSIBLE SOVIET REACTIONS TO THE EVENTS IN POLAND, BUT AT THE MOMENT, IT APPEARS THAT MR. GIEREK HAS AT LEAST SOVIET ACQUIESCENCE FOR HIS COURSE OF ACTION. MY IMPRESSION IS THAT THE MAJORITY OF POLES ALSO FAVOR EVOLUTIONARY CHANGES WITHOUT RECOURSE TO VIOLENCE, AND I AM HEARTENED BY THE CONCILIATORY APPROACH ADOPTED PUBLICLY BY THE POPE AND BY CARDINAL WYSZYNSKI.

CERTAINLY THE ECONOMIC SIDE OF THE POLISH SITUATION IS ALSO IMPORTANT FOR US TO CONSIDER. POLAND WILL UNDOUBTEDLY CONTINUE TO WANT ECONOMIC AND FINANCIAL ASSISTANCE FROM THE WEST. I BELIEVE OUR AID SHOULD BE DESIGNED TO ENCOURAGE THE POLES TO UNDERTAKE A MORE FUNDAMENTAL AND SYSTEMATIC REFORM OF THEIR ECONOMIC SYSTEM. I WOULD VERY MUCH WELCOME YOUR THOUGHTS ON THIS PROBLEM, WHICH ALSO HAS RELEVANCE TO THE PROBLEMS FACED BY OTHER EASTERN EUROPEANS AS WELL.

END OF PAGE 01

I ALSO WANTED TO TAKE THIS OPPORTUNITY TO INFORM YOU OF OUR LATEST CONTACTS WITH THE POLISH AMBASSADOR IN WASHINGTON, SPASOWSKI, A SENIOR MAN WHO HAD PREVIOUSLY SERVED AS DEPUTY MINISTER OF FOREIGN AFFAIRS. SPASOWSKI HAS BEEN IN TO SEE WARREN CHRISTOPHER TWICE IN THE LAST SEVERAL DAYS, TO EXPRESS HIS GOVERNMENT'S APPRECIATION FOR OUR OWN GOVERNMENT'S CAREFULLY RESTRAINED COMMENTARY ON THE POLISH EVENTS, AND MOST RECENTLY TO STRESS THE NEW POLISH GOVERNMENT'S INTEREST IN MAINTAINING GOOD RELATIONS AND A CLOSE DIALOGUE WITH THE UNITED STATES. WE HAVE STRESSED TO SPASOWSKI OUR OWN INTEREST IN MAINTAINING SUCH A DIALOGUE.

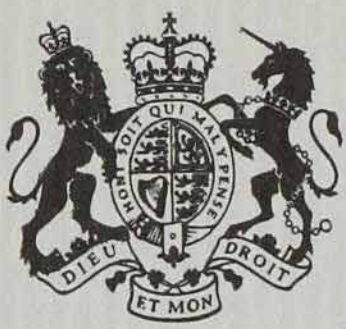
ED MUSKIE HAS HAD THE OPPORTUNITY THIS WEEK TO DISCUSS POLAND WITH JEAN FRANCOIS-PONCET AND HANS-DIETRICH GENSCHER. I THINK IT IS EXTREMELY IMPORTANT FOR US TO KEEP IN TOUCH AS THE SITUATION IN POLAND DEVELOPS. I LOOK FORWARD TO HEARING FROM YOU, AND HOPE THAT WE CAN ALSO KEEP IN CLOSE TOUCH AT WORKING LEVELS.

SINCERELY,

JIMMY CARTER

THE RIGHT HONORABLE
MARGARET R. THATCHER, M.P.
PRIME MINISTER
LONDON
0605
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10 DOWNING STREET

PRIME MINISTER

Here is the message from President Carter which I mentioned to you this morning.

We will let you have a draft reply at the beginning of next week.

MAD

28 August 1980

ms.

La. Hunt. 5/3

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PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL NO. T. 166/80

ZCCZWAG03100 WTE24
DE WTE 86422 2402206
O 272314Z AUG 80
FM PRESIDENT CARTER
TO PRIME MINISTER THATCHER
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S E C R E T VIA CABINET OFFICE CHANNELS DELIVER AT OPENING OF BUSINESS
WH06422

AUGUST 27, 1980

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SINCERELY,

JIMMY CARTER

THE RIGHT HONORABLE
MARGARET R. THATCHER, M.P.
PRIME MINISTER
LONDON
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FROM UKMIS NEWYORK 272016Z AUG 80

TO PRIORITY F C O

TELEGRAM NUMBER 1164 OF 27 AUGUST

INFO EC POSTS WARSAW EAST BERLIN MOSCOW WASHINGTON UKDEL NATO

MA 28/8

POLAND.

1. M. THORN CONVENED A POLITICAL CO-OPERATION MEETING OF MINISTERS OF THE NINE ON 27 AUGUST.
2. THE DISCUSSION ON POLAND REVEALED NOTHING THAT HAS NOT ALREADY APPEARED IN THE PRESS. GENSCHER DELIVERED THE MAIN ANALYSIS. HE SAID THAT THE POLITICAL LANDSCAPE IN EASTERN EUROPE WAS IN TRANSITION THERE WAS A SIGNIFICANT MOVEMENT TOWARDS NATIONAL SOVEREIGNTY AND THE ESTABLISHMENT OF CIVIL LIBERTIES. THE FRG HAD DECIDED TO CONTINUE TO ENCOURAGE FINANCIAL HELP TO THE POLISH GOVERNMENT NOTWITHSTANDING CRITICISM THAT THIS WAS STABILISING THE PRESENT REGIME. THE FRG THOUGHT THAT THEIR ATTITUDE MUST BE IMPARTIAL IE, GIVING NO PRETEXT FOR SOVIET INTERVENTION. THEY WERE CONSCIOUS OF THE WIDESPREAD POLITICAL CONCERN CAUSED IN THE GDR BY EVENTS IN POLAND. ONE OF THE REASONS WHY HONECKER HAD MADE DIFFICULTIES ABOUT SCHMIDT'S PROPOSED VISIT TO ROSTOCK WAS BECAUSE OF THE PRESENCE OF THOUSANDS OF POLISH WORKERS THERE. A MAIN REASON FOR THE CANCELLATION OF THE VISIT HAD BEEN MUTUAL AGREEMENT ON THE VIRTUAL IMPOSSIBILITY OF DRAFTING AN AGREED COMMUNIQUE. HONECKER HAD BEEN GREATLY RELIEVED AT THE CANCELLATION. NO DATE HAD BEEN FIXED FOR A FUTURE VISIT. THIS WOULD DEPEND ON EVENTS IN POLAND BUT WOULD CERTAINLY NOT TAKE PLACE IN 1980.
3. IT EMERGED DURING THE DISCUSSION THAT POLAND HAD BEEN PUT ON THE AGENDA AT THE INITIATIVE OF COLOMBO (ITALY), WHO HAD FLOATED THE IDEA THAT THE NINE SHOULD MAKE SOME PUBLIC STATEMENT OR AT LEAST CO-ORDINATE ATTITUDES TOWARDS THE CONTINUATION OF ECONOMIC AND FINANCIAL TIES WITH THE POLISH GOVERNMENT.
4. COLOMBO WAS FIRMLY SHOT DOWN BY ALL SPEAKERS, INCLUDING MR MARTEN. IT WAS AGREED THAT THE NINE'S APPROACH SHOULD BE LOW KEY AND THAT WE SHOULD DO NOTHING WHICH MIGHT BE INTERPRETED AS INTERFERENCE IN POLISH INTERNAL AFFAIRS OR PROVOKE THE SOVIET UNION. MEMBERS OF THE NINE SHOULD DECIDE INDIVIDUALLY ON THEIR ATTITUDES TOWARDS CONTINUED ECONOMIC AND FINANCIAL HELP TO POLAND.
5. IT WAS AGREED THAT, IF TACKLED BY THE PRESS, THORN WOULD MAKE CLEAR THAT THE POLITICAL COOPERATION MEETING HAD NOT BEEN CALLED BECAUSE OF POLAND BUT THAT POLAND HAD OF COURSE BEEN DISCUSSED. HE WOULD LEAVE IT AT THAT.

PARSONS

[THIS TELEGRAM WAS NOT ADVANCED]

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FM WARSAW 271015Z AUG 80
TO IMMEDIATE FCO
TELEGRAM NUMBER 263 OF 27 AUGUST 1980
AND TO PRIORITY MOSCOW PRAGUE SOFIA BUDAPEST BUCHAREST EAST BERLIN
BELGRADE UKDEL NATO WASHINGTON PARIS BONN MODUK

POLISH CRISIS:

1. ANY ATTEMPT TO ASSESS THE MOOD OF THE COUNTRY AT THIS POINT MUST BE HIGHLY SPECULATIVE.
2. AT ONE END OF THE SPECTRUM THERE ARE THOSE WHO REGARD THE HUMILIATION OF THE AUTHORITIES AS A GREAT JOKE, RATHER LIKE SMALL BOYS AT SCHOOL WHO SEE THE PREFECTS BROUGHT DOWN A PEG. AMONG THE MORE THOUGHTFUL THERE IS SATISFACTION THAT AT LAST CHANGES ARE TO TAKE PLACE, WITH SOME REGRET AT THE WAY THEY HAVE HAD TO BE EXTRACTED, AND AT THE DAMAGE DONE TO THE ECONOMY, TOGETHER WITH CYNICISM ABOUT THE GOVERNMENT'S REAL INTENTIONS. SUPPORT AT THIS LEVEL FOR THE STRIKERS' AIMS IS PROBABLY TINGED WITH A CERTAIN APPREHENSION. IT IS NOT THOUGHT LIKELY THAT THE RUSSIANS WILL INTERVENE BUT ACCEPTED THAT THE POSSIBILITY IS THERE IF THINGS WERE TO GET OUT OF HAND. WHAT STILL MODIFIES APPREHENSION IS THE LACK OF VISIBLE SIGNS OF CRISIS. NO RIOTS IN THE STREETS, SHORTAGES NO WORSE THAN USUAL.
3. AS THE STRIKE-LEADERS APPEAR TO GO FROM SUCCESS TO SUCCESS THERE MUST BE SOME, AMONG WHOM THE CHURCH HIERARCHY ARE INCLUDED, WHO WONDER WHETHER IT WILL GO TO THEIR HEADS AND WHETHER THEY WILL HAVE THE RESTRAINT TO STOP AT THE RIGHT MOMENT. THERE MAY BE AN IMPORTANT DIVERGENCE BETWEEN GENERATIONS. THE YOUNGER SEEM LESS APPREHENSIVE OF CONSEQUENCES THAN THE OLDER: INDIVIDUAL PRIESTS MUCH MORE BEHIND THE STRIKERS THAN THE BISHOPS. PROBABLY MOST POLES HOPE FOR AN EARLY END TO THE STRIKE, ACCOMPANIED BY SUBSTANTIAL CONCESSIONS IN THE TRADE UNION FIELD, LEADING TO EASEMENTS IN OTHER SPHERES OF DAILY LIFE, BUT NOT A BASIC CHANGE OF REGIME.

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4. THERE MUST STILL BE IN THE PARTY A SUBSTANTIAL ELEMENT OF THOSE WHO WOULD HAVE PREFERRED A FIRMER LINE. THE DECISIONS OF THE PLENUM OF 24 AUGUST WERE, IN MINISTER CZYREK'S WORDS, "CONTENTIOUS". WE HAVE NO RELIABLE INFORMATION ABOUT THE ATTITUDES OF INDUSTRIAL WORKERS IN THE SOUTH. BUT THERE IS A REPORT OF SIGNS OF CRITICISM OF THE GDANSK STRIKERS FROM THE MINING COMMUNITY, WHICH IS GIEREK'S BASE. IF THE NEW SOFTER LINE FAILS, EG IF THE STRIKE IS NOT SETTLED IN A WEEK AND SHORTAGES REALLY BEGIN TO BITE, THE HARD-LINERS COULD RE-EMERGE.

PRIDHAM

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MR COTTERILL ECGD

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FM WARSAW 270940Z AUG 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 262 OF 27 AUGUST 1980

AND TO PRIORITY MOSCOW SOFIA BELGRADE BUDAPEST BUCHAREST PRAGUE EAST BERLIN WASHINGTON BONN PARIS MODUK UKDEL NATO.

MIPT: POLISH CRISIS.

1. WYSZYNSKI'S SPEECH SEEMS TO BE CAREFULLY WORDED IN SUPPORT OF THE CHURCH'S TRADITIONAL VALUES OF HARD WORK AND RESPONSIBILITY ON THE PART OF BOTH SIDES IN THE PRESENT DISPUTE. HE DELIBERATELY FALLS SHORT OF AN APPEAL TO RETURN TO WORK BUT MAKES IT CLEAR THAT HE DOES NOT REGARD STRIKING AS A GOOD METHOD OF ACHIEVING ONE'S ENDS. THE SERMON CONTINUES THE SOMEWHAT AMBIVALENT ATTITUDE OF THE CHURCH IN THE PRESENT CRISIS, BUT IS CLEARLY REGARDED BY THE GOVERNMENT AS VALUABLE.
2. PREDICTABLY, THE TRADES UNION COUNCIL YESTERDAY ACCEPTED SZYDLAK'S RESIGNATION. THEY REPLACED HIM WITH ROMAULD JANKOWSKI, HITHERTO PRESIDENT OF THE METALWORKERS UNION AND ALTERNATE-MEMBER OF THE CENTRAL COMMITTEE. UNLIKE SZYDLAK, HE IS NOT A MEMBER OF THE POLITBURO, ALTHOUGH HE MAY SOON EXPECT TO BECOME ONE. HE IS 59 AND CANNOT BE DESCRIBED AS REPRESENTING YOUNG BLOOD. BUT NOR IS HE A MEMBER OF THE "ESTABLISHMENT" SO THE AUTHORITIES MAY HOPE THAT HE WILL BE ABLE TO BRING ABOUT THE PROPOSED REFORMS OF THE TRADES UNIONS.
3. IN TOURS TO THE SOUTH-WEST AND NORTH, DEFENCE ATTACHE AND HIS STAFF FOUND NO UNUSUAL ACTIVITY BY ANY POLISH OR SOVIET TROOPS. TWO MEMBERS VISITED THE GDANSK AREA YESTERDAY AND FOUND THE CITY (OUTSIDE THE PORT AREA, WHICH THEY DID NOT VISIT) "DECEPTIVELY NORMAL".
4. IN WHAT APPEARS TO BE ANOTHER IMPORTANT GOVERNMENT CONCESSION, JAGIELSKI YESTERDAY SAID THAT HE THOUGHT THAT THE NEW TRADES UNION LAWS OUGHT TO INCLUDE THE RIGHT TO STRIKE WHEN ALL OTHER MEANS HAD BEEN EXHAUSTED.
5. STRIKES ARE REPORTED IN LODZ AND WROCLAW "IN SUPPORT OF THE CAUSE". IN WROCLAW THERE WAS A RALLY BY 500 TAXI-DRIVERS.

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GRS 245
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FM WARSAW 270930Z AUG 80
TO IMMEDIATE FCO
TELEGRAM NUMBER 261 OF 27 AUGUST 1980
AND TO PRIORITY MOSCOW SOFIA BUDAPEST BUCHAREST EAST BERLIN BELGRADE
WASHINGTON PARIS BONN MODUK UKDEL NATO

Prime Minister

*3 cels from Warsaw: You
may like to read through
all. NAF 28/8*

POLISH CRISIS:

*The third attempts a
general assessment.*

1. IN AN UNPRECEDENTED MOVE CARDINAL WYSZYASKI'S SERMON AT CZESTOCHOWA WAS TELEVISED AT PEAK VIEWING HOUR LAST NIGHT AND HAS BEEN REPORTED IN DETAIL IN THE PARTY PRESS.

THE FOLLOWING ARE THE MAIN POINTS:

- I) POLAND NEEDS PEACE AND THE WORK ETHIC. EVERYBODY SHOULD FULFILL THEIR DAILY RESPONSIBILITIES AT HOME AND WORK. THERE MUST BE A SENSE OF RESPONSIBILITY FOR THE NATION.
- II) THE CHURCH WAS NOT INTERESTED IN BLAMING ANYBODY FOR THE PRESENT SITUATION BUT ONLY IN SEEING WHAT COULD BE DONE TO RETURN PEACE AND ORDER TO THE NATION.
- III) FREEDOM AND AN ORDERED FAMILY LIFE WERE ESSENTIAL ELEMENTS IN THE LIFE OF THE NATION.
- IV) WHILST EVERYBODY HAS THE RIGHT TO STRIKE AS A LAST RESORT, THIS IS A VERY EXPENSIVE WAY OF CARRYING ON ARGUMENTS BECAUSE WORK IS NOT ONLY ESSENTIAL TO THE ECONOMIC WELL-BEING OF THE COUNTRY BUT TO THE WELL-BEING OF SOCIETY AND THE GOOD OF PEOPLE'S SOULS.
- V) THE ANSWER TO POLAND'S PROBLEMS IS FOR PEOPLE TO WORK MORE EFFECTIVELY, TO AVOID DESTROYING THINGS, FOR POLAND TO BORROW AND EXPORT LESS AND LOOK AFTER ITS PEOPLE'S DAILY NEEDS BETTER.
- VI) POLAND HAS ACHIEVED A GREAT DEAL IN RE-BUILDING ITS GREAT CITIES SINCE THE WAR. BUT THIS ALL TOOK TIME.
- VII) IF WE ALL WORK HARDER WE WILL HAVE MORE RIGHT TO MAKE DEMANDS ABOUT OUR RIGHTS.

2. FOR FURTHER DEATILS AND COMMENTS SEE MIFT.

PRIDHAM

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Prime Minister

FM WARSAW 270710Z AUG 80

TO PRIORITY DOT

TELEGRAM NUMBER CRED4 37 OF 27 AUGUST 1980

FOR DICK CRE4.

MP 28/8

POLAND'S HARD CURRENCY LIABILITIES:

1. THE NEW POLISH FINANCE MINISTER MADE AN UNPRECEDENTED APPEARANCE ON POLISH TV NEWS ON 25 AUGUST TO DESCRIBE POLAND'S CURRENT DEBT PROBLEMS AND THE LEADERSHIP'S APPROACH TO THEM. THE MAIN POINTS TO EMERGE WERE:

- I) AN ADMISSION THAT MEDIUM AND LONG-TERM DEBTS OVERSEAS AMOUNTED TO DOLLARS 20 BILLION, EQUIVALENT TO TWO YEARS EXPORTS OF GOODS AND SERVICES, AND THAT THIS AMOUNT SHOULD NOT BE EXCEEDED.
- II) CREDIT TAKEN ON IN THE EARLY 1970'S WAS USED MAINLY FOR INVESTMENT BUT MORE RECENTLY INCREASING AMOUNTS HAVE BEEN USED FOR CONSUMER ITEMS TO REDRESS FALLING AGRICULTURAL PRODUCTION. IN 1979 DOLLARS 1.5 BILLION OF CREDIT WAS USED FOR THIS PURPOSE.
- III) TIGHTER CONTROL BY THE BANKS HAD BEEN INSTITUTED TO PREVENT EARLIER "NEGATIVE OCCURENCES" WHEREBY PROJECTS HAD BEEN DELAYED AND MACHINES PURCHASED FROM OVERSEAS HAD NOT BEEN PUT INTO SPEEDY OPERATION.
- IV) AS CREDITS WERE REPAYED, NEW ONES WERE BEING TAKEN UP TO MAINTAIN LIVING STANDARDS. IT WAS NOT PROPOSED TO REDUCE IMPORTS, BUT EXPORTS HAD TO BE INCREASED TO KEEP PACE WITH THEM. BANK CREDIT WOULD BE NEEDED TO FINANCE A PART OF IMPORTS "FOR A LONG TIME YET."
- V) POLAND WAS "ON THE WHOLE" ABLE TO OBTAIN CREDIT WITHOUT TROUBLE BUT REPAYMENT OF DEBTS ON TIME WAS OF VITAL SIGNIF-
CANCE TO MAINTAIN RELIABILITY.
- VI) THE BANKS GUARANTEED THE INTERESTS OF ALL CITIZENS HAVING HARD CURRENCY ACCOUNTS.

mf

2. ALL THIS SEEMS A FAR CRY FROM PLANS EARLIER THIS YEAR TO CUT BACK IMPORTS BY ZLOTYS 2.7 BILLION WHILE BOOSTING EXPORTS. IT SEEMS TO IMPLY NO EARLY REDUCTION IN POLAND'S INDEBTEDNESS, WHICH CONTINUATION OF THE STRIKES MAY INTENSIFY IN ANY CASE. BUT THIS MAY BE A PRICE THE LEADERSHIP INTEND TO PAY TO PREVENT FURTHER SOCIAL UNREST.
PRIDHAM

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BY BAG

SAVING TELEGRAM

Prime Minister

FROM PARIS

UNCLASSIFIED

TO FCO TELNO 119 SAVING OF 27 AUGUST

REPEATED SAVING TO WARSAW, MOSCOW, WASHINGTON, BONN, UKDEL NATO

MA 28/8

POLAND: FRENCH COUNCIL OF MINISTERS, 27 AUGUST

1. The following statement by President Giscard was released to the press after today's French Council of Ministers meeting:

"There exists between the Polish and French peoples a deep friendship resulting from a shared history, and which is expressed through numerous human ties to which the two countries are attached. The existence and role of Poland are, in the eyes of France, of fundamental importance for balance and peace in Europe. These two factors justify the attention with which events in Poland are followed in France, and a sympathetic welcome for any initiative which responds to the aspirations of the Polish people. It is a permanent principle of France not to intervene in the internal affairs of other states. France expresses the hope that Poland will be able to find within herself the means of overcoming her difficulties and of responding to the aspirations of her people."

JAMES

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[THIS TELEGRAM WAS NOT ADVANCED]

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MR COTTERILL ECGD

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FM MOSCOW 271145Z AUG 80

TO IMMEDIATE F C O

TELEGRAM NUMBER 522 OF 27TH AUGUST

AND TO IMMEDIATE MODUK, JEDDA (FOR PRIVATE SECRETARY)

AND TO PRIORITY WARSAW, PRAGUE, EAST BERLIN, SOFIA, BUCHAREST,
BUDAPEST, UKDEL NATO, WASHINGTON, BONN AND PARIS.

MOSCOW TELNO 518: POLAND.

1. ALTHOUGH TO-DAY'S SOVIETSKAYA ROSSIYA HAS REPRINTED THE TASS PIECE BY KORNILOV, THERE HAVE BEEN NO FURTHER INDICATIONS IN THE SOVIET MEDIA AS TO HOW THE SOVIET ATTITUDE TOWARDS POLAND MAY BE DEVELOPING. THE MFA HAVE TOLD WESTERN JOURNALISTS THAT SOVIET/POLISH RELATIONS ARE "NOW AS ALWAYS" CHARACTERISED BY FULL COOPERATION IN ALL SPHERES. CURRENT EVENTS IN POLAND ARE "COMPLETELY INTERNAL AFFAIRS. THIS IS OUR OFFICIAL VIEW POINT". IN TALKING TO DIPLOMATS THE MFA HAVE TAKEN THE LINE THAT THE MAJOR PROBLEM IS ECONOMIC, THAT THE SOVIET UNION WILL GIVE WHAT ASSISTANCE IT CAN, BUT THAT POLAND WILL HAVE TO FIND ITS OWN WAY OF COPING WITH ITS INDEBTEDNESS AND OTHER PROBLEMS.

2. DESPITE THEIR PUBLIC RESTRAINT SO FAR THE SOVIET LEADERSHIP CANNOT BUT BE CONCERNED AT THE WAY THINGS ARE GOING. I AM INCLINED TO BELIEVE REPORTS THAT BREZHNEV TOLD GIEREK THREE WEEKS AGO THAT MORE FIRMNESS AND ENERGY WERE REQUIRED. THE POLISH LEADERSHIP HAVE ALREADY PROMISED MORE THAN CAN BE TO SOVIET TASTE ESPECIALLY OVER TRADES UNION ELECTIONS. THE RUSSIANS WILL BECOME STILL MORE UNEASY IF THE STRIKERS HOLD OUT FOR GENUINELY INDEPENDENT TRADES UNIONS AS A PUBLICLY RECOGNISED CENTRE OF AUTHORITY IN POLAND. THEY MUST NOW CLEARLY BE LOOKING WITH SOME ANXIETY FOR SIGNS THAT THE CONCILIATORY POLICIES OF THE POLISH LEADERSHIP ARE BEGINNING TO WORK. GIEREK'S FAILURE SO FAR TO RESOLVE POLAND'S PROBLEMS MAY EVEN BE RAISING DOUBTS HERE ABOUT HIS CONTINUED RELIABILITY FROM THE SOVIET POINT OF VIEW. THERE HAS BEEN NO PUBLIC CRITICISM AND ONE MUST BE CAREFUL NOT TO READ TOO MUCH INTO THE INDICATIONS WE HAVE SO FAR HAD BUT I WAS STRUCK (PARAGRAPH 2 OF TEL UNDER REFERENCE) BY THE PRAVDA REPORT OF GIEREK'S ADMISSION THAT HE TOO HAD UNDERGONE SELF-CRITICISM. THE SOVIET MEDIA ALSO REPLAYED GIEREK'S CONFESSION THAT THE NEW MEMBERS OF THE POLISH GOVERNMENT WERE 'COMRADES WHO HAD IN GOOD TIME NOTED THE GROWING PROBLEMS AND TRIED TO OVERCOME THEM'.

CONFIDENTIAL

/3. THE

Prime Minister

*To glance at Sir C Keeble's
assessment, especially
para 3+4.*

MFD 28/8

MB

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3. THE SOVIET DILEMMA IS OF COURSE THAT THEIR ONLY REAL WEAPON, IF SURROGATE THREATS OF SOVIET INTERVENTION MADE BY AUTHORITATIVE POLISH SPOKESMEN HAVE NO EFFECT ON THE STRIKERS, IS FORCE. THE RISKS OF USING FORCE ARE VERY CONSIDERABLE. THE RUSSIANS WOULD PRESUMABLY COUNT ON THERE BEING NO RISK OF A CLASH WITH THE WEST BUT COULD HAVE CONCERN BOTH ABOUT THE WIDER REPERCUSSIONS AND ABOUT THEIR ABILITY EFFECTIVELY TO MANAGE THE PROBLEMS OF AN OCCUPIED POLAND. ON THE OTHER HAND, THEY CANNOT AFFORD TO LET THE ESSENTIAL STRUCTURE OF THE POLISH COMMUNIST STATE CRUMBLE. IF THEY SEE MATTERS REACHING THIS POINT, THEY WILL INTERVENE DECISIVELY, IN THE FIRST INSTANCE POLITICALLY, BUT IF NECESSARY, MILITARILY.

4. ONE WOULD NOT PERHAPS EXPECT TO SEE OVERT SIGNS HERE IF THE SOVIET UNION WERE PREPARING TO INTERVENE. THE GENERAL ATMOSPHERE IS NOT PARTICULARLY TENSE AND THE MAJORITY OF THE SOVIET POPULATION ARE NO DOUBT AS PASSIVE AS USUAL ABOUT FOREIGN AFFAIRS. THOSE SOVIET CITIZENS HOWEVER WHO TAKE AN INTEREST IN SUCH MATTERS REALISE THAT SOMETHING IS AMISS. THE JAMMING OF RADIO BROADCASTS AND SOVIET PRESS ACCOUNTS OF THE SITUATION HAVE BEEN ENOUGH TO ENSURE THIS. ALTHOUGH THE BEST GUESS IS STILL THAT THE USSR CAN AFFORD TO ALLOW THE POLISH LEADERSHIP TO CONTINUE FOR A WHILE TO SORT OUT THEIR PROBLEMS AS BEST THEY MAY, THE LONGER THE CRISIS CONTINUES THE MORE WE MUST HEDGE OUR BETS.

KEEBLE

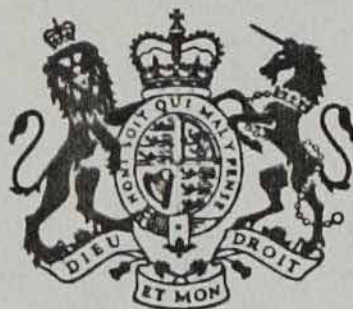
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David SS

10 DOWNING STREET

From the Private Secretary

26 August 1980

Thank you for your letter of 22 August, setting out your assessment of the current situation in Poland.

The Prime Minister has seen and noted this.

I am sending a copy of this letter to Barry Hilton in the Cabinet Office.

M. A. PATTISON

David Neilands, Esq.,
Foreign and Commonwealth Office.

SS

GR 400

CONFIDENTIAL

Prime Minister

CONFIDENTIAL

FM WARSAW 250955Z AUG 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 257 OF 25 AUGUST 1980

AND TO IMMEDIATE MOSCOW PRAGUE SOFIA BUDAPEST BUCHAREST EAST BERLIN
BELGRADE UKDEL NATO WASHINGTON PARIS BONN MODUK JEDDA(FOR PRIVATE
SECRETARY).

*You may like to glance at
these reports, although they
add little to BBC coverage.*

MAF 26/8

MY TWO IPTS.

mf

1. THE IMMEDIATE MESSAGE OF THE SHUFFLE IS THAT MEN RESISTANT
TO CHANGE HAVE MADE WAY FOR OTHERS. THE WAY IS OPEN FOR A MORE
FLEXIBLE APPROACH TO THE STRIKERS AND TO ECONOMIC MATTERS
GENERALLY.

2. BABIUCH, WHO WAS TRYING IN HIS OWN WAY TO PUT THE ECONOMY
RIGHT, IS NO DOUBT A SACRIFICE TO THE SITUATION. WRZASZCZYK,
LUKASZEWICZ AND ZANDAROWSKI ARE IDEOLOGICAL CONSERVATIVES.
SZYDLAK WAS IN CHARGE OF TRADE UNIONS. PYKA IS HELD TO HAVE
BUNGLED THE GDANSK NEGOTIATIONS.

3. THE NEW PRIME MINISTER IS AN ECONOMIST LITTLE KNOWN OUTSIDE
PARTY CIRCLES. THE MOST SIGNIFICANT CHANGE IS THE RETURN OF
OLSZOWSKI, SACKED FROM THE POLITBURO IN FEBRUARY. HE IS CONSIDERED
LIBERAL IN ECONOMIC THOUGH NOT NECESSARILY IN OTHER MATTERS:
PRAGMATIC, FLEXIBLE AND VERY CLEVER: BELIEVED PERSONA GRATA IN
MOSCOW. HE MUST NOW BE CONSIDERED A FRONT-RUNNER TO SUCCEED GIEREK.

4. GRABSKI, NOW MADE A VICE-PRIME MINISTER, WAS SACKED IN
SEPTEMBER 1979 FROM THE POST OF PARTY BOSS IN KONIN PROVINCE FOR
OPPOSITION GIEREK'S ECONOMIC POLICIES. YET HE IS ALSO BELIEVED TO
HAVE THOUGHT GIEREK TOO LIBERAL TOWARDS THE CHURCH. BARECKI IS A
CIVILISED MAN WHO MIGHT PRESIDE OVER A FREER RADIO AND TV.
WOJTASZEK, PROMOTED TO PARTY SECRETARY, HANDS OVER THE MFA TO CZYREK.
THE LATTER, TOGETHER WITH NEW VICE-PRIME MINISTERS KISIEL AND KOPEC
AND NEW FINANCE MINISTER KRZAK, ARE KNOWN IN LONDON FROM RECENT
VISITS. THEY ARE ESSENTIALLY TECHNOCRATS.

5. THOUGH GIEREK SURVIVES HE DOES SO WEAKENED AND HUMILIATED.
OLSZOWSKI AND GRABSKI WHOM HE SACKED ARE BACK. HIS PROTEGE BABIUCH
IS OUT. THERE ARE STILL "GIEREK MEN" IN POWER, EG WASZCZUK AND
ZABINSKI, BUT HE HAS HAD TO ADMIT THAT THE NEWLY PROMOTED COMRADES
KNEW BETTER THAN HE DID. MOREOVER, WHILE 6 DAYS AGO STRIKE LEADERS
WERE ANACHISTIC AND ANTI-SOCIALIST, NOW THEY CAN BE ELECTED TO
TRADE UNIONS.

6. IT REMAINS TO BE SEEN WHAT EFFECT THE CHANGES AND THE TRADE
UNION OFFER WILL HAVE ON THE STRIKERS AND ON OTHER WORKERS,
EG IN THE INDUSTRIAL SOUTH. WHATEVER HAPPENS POLAND WILL NOT BE
THE SAME AGAIN.

7. I RECOMMEND THAT MESSAGES OF CONGRATULATION BE SENT TO THE
NEW PRIME MINISTER AND FOREIGN MINISTER.

PRIDHAM

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GRS 300

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FM WARSAW 250950Z AUG 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 256 OF 25 AUGUST 1980

AND TO IMMEDIATE MOSCOW PRAGUE EAST BERLIN SOFIA BUCHAREST BUDAPEST
BELGRADE UKDEL NATO WASHINGTON BONN PARIS AND MODUK JEDDA (FOR
PRIVATE SECRETARY)

MIPT: GIEREK'S SPEECH.

1. FOLLOWING ARE THE MAIN POINTS OF GIEREK'S SPEECH WHICH
CONCLUDED YESTERDAY'S FOURTH PLENUM OF THE CENTRAL COMMITTEE.

- I) WE MUST FIND A WAY OUT OF THE DRAMATIC CONFLICT IN WHICH WE
ARE NOW ENGAGED. THE ECONOMIC SITUATION IN POLAND IS VERY
BAD AND MUST BE IMPROVED.
- II) WE BELIEVE THAT THERE SHOULD BE NEW ELECTIONS TO THE TRADE
UNIONS IN THOSE FACTORIES WHERE THE WORK FORCE DESIRES THEM.
THESE ELECTIONS SHOULD TAKE PLACE DEMOCRATICALLY BY MEANS
OF A SECRET BALLOT AND WITH NO LIMIT ON THE NUMBER OF
CANDIDATES. THE FORTHCOMING CONGRESS OF POLISH TRADE UNIONS
SHOULD BE USED AS A REPRESENTATIVE FORUM OF POLISH WORKING
PEOPLE. THE SEJM SHOULD UNDERTAKE NEW LEGISLATION ABOUT
TRADE UNIONS. IF THE STRIKE LEADERS CAN MAINTAIN THEIR
SUPPORT AMONG THE WORKFORCE, THEY WILL FIND THEMSELVES
ELECTED TO THE OFFICIAL TRADES UNIONS.
- III) THE CENTRAL COMMITTEE HAS MADE MAJOR PERSONNEL CHANGES IN
THE MANAGEMENT OF THE COUNTRY. THESE CHANGES PARTICULARLY
AFFECT THE ECONOMIC SPHERE. THE COMRADES WHO HAVE BEEN
APPOINTED ARE THOSE WHO SAW THE ECONOMIC MISMANAGEMENT EARLIER
THAN WE DID, AND TO WHOM WE DID NOT LISTEN AT THE TIME.
- IV) THERE MUST BE A CHANGE IN THE MORAL CLIMATE FOR WHICH WE
COUNT ON SOCIETY'S SUPPORT.
- V) ONLY UNDER SOCIALISM CAN POLAND BE AN INDEPENDENT STATE
WITH PERMANENT BORDERS AND INTERNATIONAL AUTHORITY.
- VI) DESPITE HER ECONOMIC PROBLEMS AND PAST MISTAKES, POLAND STILL
HAS A LOT GOING FOR HER. WE MUST ALL WORK FOR A BETTER FUTURE.

2. FOR COMMENTS SEE MIFT.

PRIDHAM

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FM WARSAW 250945Z AUG 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 255 OF 25 AUGUST 1980

AND TO IMMEDIATE MOSCOW PRAGUE SOFIA BUDAPEST BUCHAREST EAST BERLIN
BELGRADE UKDEL NATO WASHINGTON PARIS BONN MODUK JEDDA (FOR PRIVATE
SECRETARY).

MY TELNO 254 OF 23 AUG AND UNNUMBERED TEL OF 24/8.

GOVERNMENTAL CHANGES:

1. CHANGES ARE AS FOLLOWS:-

POLITBURO:

OUT.

—
BABIUCH
KUKASZEWICZ
SZYDLAK
WRZASZCZYK
PYKA
ZANDAROWSKI

IN.

—
FULL MEMBERS:

OLSZOWSKI
PINKOWSKI - (PROMOTED FROM CANDIDATE MEMBER)

CANDIDATE MEMBERS:

WASZCZUK
ZABINSKI

2. SECRETARIAT:

OUT.

—
LUKASZGWICZ
PINKOWSKI (IN ORDER TO BECOME PRIME MINISTER)
ZANDAROWSKI

IN.

—
OLSZOWSKI
WOJTASZEK

3. COUNCIL OF MINISTERS:

OUT:

—
BABIUCH
PYKA
WRZASZCZYK
WOJTASZEK (LOSES FOREIGN AFFAIRS PORTFOLION ON PROMOTION TO
PARTY SECRETARY).

/ BROCHAL

Unfayed to
Cheques 24.8-80

BBC Monitoring at 1945 hours Sunday 24 August

GIEREK ANNOUNCES FUNDAMENTAL CHANGE OF POLICY

In a speech at today's Polish Central Committee Session broadcast on Warsaw TV Gierek said another meeting would be held to debate the issues under discussion. But today's decisions would make it easier to find a way out. The causes of discontent must be removed and a climate of trust restored. A "fundamental change" in the policy of the Party and State was being made to reflect today's realities. The economic plan for the near future must be drastically changed, with cuts in investment and steps to increase agricultural production. Economic management would be reformed. All relevant suggestions would be submitted to the Central Committee in the autumn. The Central Trade Union Council must hold new elections in all enterprises where workers wanted to elect new officials. The elections must be fully democratic Gierek said and hinted that strike leaders might stand. A new union draft law must be debated this year. The Central Committee had carried out profound changes in the Party leadership and in the Council of Ministers, mainly in leading economic posts. New comrades had been appointed who forecast the incorrect phenomena but whose views we did not heed at the time Gierek said. They counted on the full support of the whole Polish community.

Attacks on the foundations of our system must be resisted: only a Socialist Poland could be independent, appealing to all the citizens. Gierek said the Party honestly wanted to correct its policy and was ready to go on talking, also with the workers' representatives who had emerged during the strikes. But they could not make promises they could not keep or accept demands striking at the very root of our system.

Referring to the talks with the strikers on the coast, Gierek said that to continue the stoppages would only add to the losses and aggravate the political danger. He thanked those who had stayed at work and expressed appreciation that order had been kept at the striking enterprises.

CONFIDENTIAL

GR 155

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FM WARSAW 231010Z AUG 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 254 OF 23 AUGUST 1980

INFO IMMEDIATE MOSCOW

PRIORITY PRAGUE EAST BERLIN WASHINGTON BONN PARIS HELSINKI

STOCKHOLM UKDEL NATO MODUK SOFIA BUDAPEST BUCHAREST

MY TELNO 253: STRIKES:

TALKS WITH THE STRIKERS CONTINUE, JAGIELSKI LEADING IN GDANSK
AND BARCIKOWSKI IN SZCZECIN. -

2. WARSAW APPEARS NORMAL TODAY ("FREE" SATURDAY)
BUT LAST NIGHT THERE WERE VERY LONG QUEUES AT FOODSHOPS AND
PETROL STATIONS.

3. THERE IS INCREASING TALK OF A CHANGE OF LEADERSHIP.
PASTUSIAK, A PARTY MEMBER AND HEAD OF A MARXIST INSTITUTE,
SAID TO ME LAST NIGHT THAT HE DID NOT THINK THE CRISIS COULD BE
SURMOUNTED WITHOUT GIEREK'S DEPARTURE EITHER NOW OR IN A FEW
MONTHS TIME. WHILE PASTUSIAK IS FAIRLY SMALL FRY HE IS FORMER
FIRST SECRETARY OCHAB'S SON-IN-LAW AND IN TOUCH WITH ASPECTS OF
CENTRAL COMMITTEE OPINION. IT IS SAID THAT THE MINISTER OF THE
INTERIOR HAS ALREADY BEEN DISMISSED. A PLENUM OF THE CENTRAL COMM-
ITTEE IS EXPECTED SOON.

PRIDHAM

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Prime Minister

Foreign and Commonwealth Office

You may like to see this FCO assessment, London SW1A 2AH

prepared for your

return. There is a

22 August 1980

complementary intelligence

near Mike, report elsewhere. MAF 22/x.

You asked for an assessment of the current situation in Poland for the Prime Minister. You will by now have seen the report on the situation approved by the JIC yesterday. The following may, however, help in amplifying this assessment.

The labour unrest in Poland, which began in early July as a result of meat price increases, has escalated in the last 10 days with large-scale strikes in the Baltic ports. These have centred on the Lenin Shipyard in Gdansk but have spread to a number of other ports in the area. A large number of enterprises appear to be involved and the strikers have established an inter-factory strike committee to negotiate with the authorities. There have also been rumours of trouble in other areas, including the important mining and industrial area of Silesia and the steel works in Krakow but these remain unconfirmed.

The significant feature of the present strikes is that whereas the strikers demands in July were exclusively economic, the demands now being put forward include many in the political field which it is virtually impossible for the regime to concede. These include the replacement of the official trade union structure by free trade unions, abolition of censorship and the release of political prisoners. Nevertheless by contrast to the situation in 1970, the unrest has so far been largely confined to strikes and there have been virtually no demonstrations and no violence. The Church, always one of the most powerful sources of influence in Poland, has remained on the side lines.

The reaction of the authorities has been conciliatory. But they have made it clear that they are unable to concede the political demands now being made and are unwilling to negotiate with the inter-factory strike committee. Speeches on TV by Polish leaders, including one by the party leader, Mr Gierek on 18 August, have warned about the serious economic consequences of the strikes and the hardship they are causing to ordinary Polish people. The main tactic of the authorities is likely to be an attempt to isolate the strikers in the Baltic area and to avoid the strikes spreading to other parts of the country and to wear down the resistance and solidarity of the workers and induce them to negotiate on a factory by factory basis. This is no doubt the main reason behind the arrests yesterday of 14 dissident leaders since the dissident movement had been acting as one of the main channels of information on the strikes. The authorities have very little room for manoeuvre. They will no doubt be prepared to make further economic concessions to reach a settlement and may also be prepared to introduce some reforms in the trade union system. But they cannot give in on the major political demands without undermining their own authority and risking Soviet intervention.

/The

CONFIDENTIAL



an internal affair of the Polish people and he hoped that the countries in the surrounding area would take the same view.

I am sending a copy of this letter to Robert Wade-Gery (Cabinet Office).

yours sincerely

D J Neilands

(D J Neilands)
Private Secretary

Mike Pattison Esq
10 Downing Street
LONDON

CONFIDENTIAL

22 AUG 1980



GRS 420

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FM WARSAW 221450Z AUG 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 253 OF 22 AUGUST 1980

INFO ROUTINE PRAGUE, MOSCOW, EAST BERLIN, SOFIA, BUCHAREST, BUDAPEST, BELGRADE, BONN, PARIS, WASHINGTON, UKDEL NATO, MODUK

MY TELNO 251: STRIKES:

1. THERE IS NOT MUCH HARD NEWS FROM THE LAST 24 HOURS.
2. IN WARSAW THE POSSIBILITY OF INCREASED SHORTAGES AND RUMOURS, SO FAR UNFULFILLED, OF A GENERAL STRIKE HAS RESULTED IN PANIC BUYING. THERE ARE LONG QUEUES OUTSIDE FOODSHOPS AND PETROL STATIONS. BISHOP KACZMAREK OF GDANSK HAS ISSUED A CAREFULLY WORDED STATEMENT WHICH APPEARS TO RECOMMEND AGAINST A SERIES OF LONG STOPPAGES. WE HAVE HEARD AN INTERVIEW BY A DANISH JOURNALIST OF A STRIKE-LEADER IN THE GDANSK OIL REFINERY WHICH SUGGESTED THAT ALTHOUGH STRIKERS OUTSIDE THE LENIN SHIPYARD ARE NOT AS POLITICALLY MOTIVATED OR AWARE AS THE LEADERS WITHIN IT, THEY WILL SUPPORT THE INTER FACTORY STRIKE COMMITTEE OUT OF WORKDER SOLIDARITY.
3. THE POLES HAVE JUST CANCELLED A DELEGATION FROM BRITISH AEROSPACE WHICH WAS TO HAVE VISITED MIELEC AND SWIDNIK EARLY NEXT WEEK. THEY HAVE TOLD BRITISH AEROSPACE THAT THIS IS DUE TO THE UNEXPECTED ABSENCE OF SENIOR MANAGEMENT. AS BOTH THESE FACTORIES WERE INVOLVED IN THE FIRST WAVE OF STRIKES, IT MAY BE THAT THE AUTHORITIES FEAR A REPETITION OF TROUBLE THERE.
4. FOLLOWING GRAY'S TELECON WITH MISS ROSS, WE ARE UNABLE TO CONFIRM THE DAILY TELEGRAPH REPORT THAT GIEREK HAS VISITED MOSCOW. INTERPRESS HAVE CATEGORICALLY DENIED IT, AND NO ONE IN THE WESTERN PRESS OR DIPLOMATIC CORPS HAS HEARD ABOUT IT. BUT GIEREK WAS NOT REPORTED BY THE POLISH PRESS AS HAVING PARTICIPATED IN YESTERDAY'S MEETING OF THE CENTRAL GOVERNMENT, AT WHICH HE MIGHT HAVE BEEN EXPECTED TO HAVE BEEN PRESENT.
5. AN ARTICLE IN TODAY'S POLITYKA BY RAKOWSKI SAYS THAT IF THERE IS NOT A RETURN TO WORK WITHIN THE NEXT FEW DAYS THE COUNTRY WILL FACE A THREAT OF ENTERING A PERIOD OF DESTABILIZATION WITH DANGEROUS CONSEQUENCES TO US ALL. THE GOVT IS STRESSING THIS THEME TOGETHER WITH THAT OF GREATER POWER - SHARING IN THE FUTURE. IT IS POSSIBLE THAT JAGIELSKI HAS GONE TO GDANSK WITH MORE FLEXIBLE INSTRUCTIONS THAN PYKA HAD.
6. FURTHER INTERVENTION BY THE CHURCH IS NOT UNLIKELY. RATHER THAN SENDING IN THE ARMY OR SURRENDERING THE GOVERNMENT MIGHT EVEN ALLOW CARDINAL WYSZYNSKI TO BROADCAST.

PRIDHAM

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Prime Minister

GRS 180

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MA 26/8

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FM F.C.O. 221844Z AUG 80

TO IMMEDIATE MOSCOW

TELEGRAM NUMBER 456 OF 22 AUGUST

INFO PRIORITY WASHINGTON, BONN, UKDEL NATO, PARIS, WARSAW,
INFO SAVING TO SOFIA, PRAGUE, EAST BERLIN, BUCHAREST, BUDAPEST,
BELGRADE AND HELSINKI.

HELSINKI TEL NO 25 TO YOU: SOVIET JAMMING

1. FOLLOWING INFORMATION BY TELEPHONE THAT YOU WERE HAVING DIFFICULTY OBTAINING AN APPOINTMENT AT A SUITABLE LEVEL IN THE SOVIET MFA, BULLARD ASKED THE SOVIET CHARGE D'AFFAIRES TO CALL THIS EVENING AND SPOKE AS INSTRUCTED IN TELEGRAM UNDER REFERENCE.
2. KELINE SAID HE HAD NO OFFICIAL INFORMATION, ALTHOUGH HE HAD READ IN THE BRITISH PRESS THAT WESTERN ACCUSATIONS ON THIS SUBJECT HAD BEEN OFFICIALLY AND CATEGORICALLY REFUTED. EITHER OUR INFORMATION WAS INEXACT OR THERE WAS POSSIBLY SOME TECHNICAL INTERFERENCE. BULLARD SAID THIS WAS HARD TO BELIEVE GIVEN THE JAMMING ALSO OF THE VOICE OF AMERICA AND DEUTSCHE WELLE.
3. KELINE UNDERTOOK TO TRANSMIT TO US ANY INFORMATION ON THE SUBJECT WHICH HE MIGHT RECEIVE.
4. WE ARE TELLING THE PRESS OF THIS CONVERSATION.
5. WE PROPOSE TO WAIT A DAY OR TWO BEFORE CONSIDERING WHAT FURTHER ACTION MIGHT BE APPROPRIATE.

CARRINGTON

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MR BULLARD
MR ADAMS

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Prime Minister

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DESKBY 231200Z WARSAW

FM FCO 221915Z AUGUST 80

TO IMMEDIATE WARSAW

TELEGRAM NUMBER 370 OF 22 AUGUST

INFO IMMEDIATE MOSCOW ROUTINE PRAGUE, EAST BERLIN, WASHINGTON,
BONN, PARIS, HELSINKI, STOCKHOLM, UKDEL NATO, MODUK
INFO SAVING SOFIA, BUDAPEST, BUCHAREST.

MM

MA 26/8

POLAND

1. BISZTYGA, THE POLISH AMBASSADOR, CALLED ON BULLARD THIS EVENING AT HIS OWN REQUEST AND ON HIS OWN INITIATIVE. HE MADE THE FOLLOWING POINTS:

- A) THE POLISH GOVERNMENT WAS GRATEFUL FOR HMG'S ATTITUDE TO THE PRESENT CRISIS. BISZTYGA REFERRED SPECIFICALLY TO MY REMARKS IN STOCKHOLM AND HELSINKI:
- B) THE ABILITY OF REFORMIST MEMBERS OF THE POLISH GOVERNMENT TO ADVANCE THEIR VIEWS WOULD NOW BE MUCH LIMITED BY THE NEED TO AVOID SEEMING TO SIDE WITH THE DISSIDENTS: THE 24 (SIC) ALREADY DETAINED WOULD STAY DETAINED:
- C) THE WEST SHOULD AVOID ACTIONS WHICH COULD MAKE THE SOVIET UNION FEAR FOR ITS OWN SAFETY OR STRENGTHEN THE HAND OF SOVIET HARDLINERS DEMANDING A TOUGH LINE ON POLAND. BISZTYGA REFERRED SPECIFICALLY TO THE BROADCASTING TO THE SOVIET UNION BY THE BBC OF THE DISSIDENTS' AND WORKERS' DEMANDS:
- D) PYKA'S DISMISSAL WAS NOT OF GREAT SIGNIFICANCE. AS A MIDDLE CLASS INTELLECTUAL HE FOUND IT HARD TO TALK TO WORKERS. JAGIELSKI WAS OF WORKER ORIGINS AND ALSO HAD GOOD LINKS WITH MOSCOW:
- E) THE POLISH GOVERNMENT WOULD NEVER USE FORCE AGAINST THE STRIKES:
- F) A SERIOUS DIALOGUE HAD BEGUN BETWEEN THE GOVERNMENT AND WORKERS. THE OFFICIAL TRADE UNIONS WOULD BE STRENGTHENED AND GIVEN A GREATER SAY IN THE APPOINTMENT OF MANAGERS AND THE RIGHT TO NEGOTIATE WAGES ON THE BASIS OF A BASKET OF THE PRICES OF 100 KEY CONSUMER PRODUCTS:
- G) THERE WOULD BE A CENTRAL COMMITTEE PLENUM PROBABLY EARLY NEXT WEEK, AT WHICH BISZTYGA HINTED THERE MIGHT BE 'SUBSTANTIAL' LEADERSHIP CHANGES. HE HIMSELF WOULD RETURN HOME TEMPORARILY SHORTLY THEREAFTER. HE HAD INTENDED TO RETURN HOME TOMORROW (23 AUGUST) BUT HAD BEEN INSTRUCTED TO STAY ON:
- H) THE CHURCH'S LATEST STATEMENT WOULD BE VERY HELPFUL TO THE GOVERNMENT:
- I) GIEREK HAD NOT (NOT) VISITED MOSCOW ON WEDNESDAY AS SOME WESTERN MEDIA HAD REPORTED. ANY POLISH LEADER WHO DID SO AT SUCH A TIME WOULD IMMEDIATELY LOSE ALL CREDIBILITY WITH THE PEOPLE.

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2. ON (C) ABOVE BULLARD POINTED OUT THAT WE COULD NOT CONTROL THE BBC AND THAT EVEN IF WE COULD OTHER STATIONS WOULD CONTINUE TO BROADCAST SUCH MATERIAL TO THE SOVIET UNION.

3. ON THE WAY OUT BISZTYGA ADDED THAT HE HAD NO EVIDENCE THAT THE RUSSIANS WERE SERIOUSLY CONCERNED AT THE MOMENT ALTHOUGH THEY HAD SOME WEEKS AGO EXPRESSED FEARS ABOUT THE COURSE OF EVENTS. NOR HAD HE SEEN OR HEARD ANYTHING ABOUT ANY SOVIET MILITARY MOVES.

4. BISZTYGA WAS FOR HIM VERY SUBDUED, BUT ENDED BY EXPRESSING CONFIDENCE THAT ALL WOULD BE WELL ALTHOUGH THE NECESSARY SOLUTIONS WOULD TAKE SOME TIME TO WORK OUT - HE WOULD NOT PREDICT HOW LONG.

CARRINGTON

POLAND STANDARD

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GR 690

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Prime Minister

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FM WARSAW 211400Z AUG 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 250 OF 21 AUGUST 1980

AND TO IMMEDIATE HELSINKI (FOR PRIVATE SECRETARY)

INFO ROUTINE MOSCOW SOFIA PRAGUE EAST BERLIN BUDAPEST BUCHAREST
BELGRADE WASHINGTON UKDEL NATO BONN PARIS MODUK.

*To see all
MAP
22/8*

mt.

MY TELNO 249: STRIKES:

1. 14 MEMBERS OF KOR INCLUDING KURON WERE ARRESTED YESTERDAY IN A MAJOR DEPARTURE BY THE GOVERNMENT FROM THEIR POLICY OF NON-HARASSMENT. WE WILL NOT, OF COURSE, KNOW WHETHER THIS IS MERELY A 48 HOUR DETENTION OR SOMETHING MORE SEVERE UNTIL TOMORROW. BUT IT MAY BE AN ATTEMPT TO CUT THE STRIKERS' LINES OF COMMUNICATION, PARTICULARLY WITH THE SOUTH, WITHOUT UNDULY ANTAGONISING THEM.
2. THE PRESS TODAY REPORTS MEETINGS OF PARTY ACTIVISTS IN WARSAW, KATOWICE, CZESTOCHOWA AND BIELSKO-BIALA SPECIFICALLY AIMED AT SOLVING PROBLEMS RAISED BY THE STRIKES. WE EXPECT THAT SUCH MEETINGS WILL CONTINUE THROUGHOUT THE COUNTRY.
3. THE BA REP HERE TELLS US THAT RUMOURS ARE CIRCULATING OF A GENERAL STRIKE IN WARSAW TOMORROW. MEANWHILE, THERE ARE FAIRLY RELIABLE REPORTS THAT THERE WAS A STRIKE IN 12 OUT OF THE 18 DIVISIONS AT NOWA HUTA, WHICH HAS NOW BEEN SETTLED.
4. TIM GARTON-ASH OF THE SPECTATOR CALLED ON THE EMBASSY YESTERDAY AFTER SPENDING A DAY IN THE LENIN SHIPYARD IN GDANSK. HE REPORTED THAT THE MAIN STRIKE LEADERS WERE WALESA, JONNA GWIAZDA AND BORUSZEWICZ, THE LOCAL KOR REP. HE SAID THAT THESE THREE AND THE SHIPYARD WORKERS WERE VERY DETERMINED BUT DOUBTED THEIR ABILITY TO HOLD THE SUPPORT OF STRIKERS FROM ELSEWHERE IN GDANSK. ORGANISATION OF SUCH PRACTICAL MATTERS AS BRINGING FOOD INTO THE SHIPYARD AND CLEARING OUT REFUSE WAS EXCELLENT. PYKA HAS BEEN RECALLED FROM LEADERSHIP OF THE GOVERNMENT COMMISSION AND REPLACED BY JAGIELSKI.
5. GOVERNMENT PROPAGANDA, BOTH IN THE PRESS AND ON TELEVISION IS DESIGNED TO SHOW HOW THE STRIKES ARE AFFECTING ORDINARY PEOPLE BY CUTTING SUPPLIES, MAKING CHILDREN WALK TO NURSERY SCHOOL, CUTTING POLAND'S EXPORTS ETC. THE WESTERN PRESS IS QUOTED QUITE EXTENSIVELY IN TODAY'S WARSAW PAPERS. YOU ARE QUOTED AS SAYING THAT THIS WAS AN INTERNAL POLISH AFFAIR AND THE GUARDIAN AS SAYING THAT WESTERN GOVERNMENTS AND BANKERS ARE DISTURBED BY THE "UNSETTLING OF POLAND'S INTERNAL SITUATION".
6. THE ARREST OF DISSIDENTS IN WARSAW IS A NEW STEP BY THE GOVERNMENT BUT IS NOT, OF COURSE, A BREACH OF THEIR ASSURANCE NOT TO USE FORCE AGAINST THE STRIKERS THEMSELVES. APART FROM THE

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NEED TO CUT COMMUNICATIONS, THE ACTION MAY REFLECT PRESSURE FROM HARDLINERS WITHIN THE POLITBURO OR EVEN FROM MOSCOW. OR IT MAY BE A MOVE IN THE GAME OF TRYING TO GET THE MIX BETWEEN TOUGHNESS AND CONCILIATION RIGHT, IN ORDER TO DIVIDE THE MASS OF THE WORKERS FROM THE HARD-CORE LEADERSHIP. IN THIS CONNECTION VICE-MINISTER KULAGA TOLD ME TODAY THAT YESTERDAY THERE HAD BEEN INDICATIONS OF AGREEMENT BEING NEAR IN SOME FACTORIES IN THE NORTH. HE STRESSED THE GOVERNMENT'S DETERMINATION TO EFFECT GENUINE ECONOMIC REFORM SO FAR AS THE COUNTRY COULD AFFORD IT, AND THOUGHT THAT PEOPLE WERE BEGINNING TO REALISE THE DISASTROUS EFFECTS OF THE STRIKE ON THE ECONOMY. THIS OF COURSE IS AN OFFICIAL VIEW.

7. THERE ARE NOW FOUR POINTERS TOWARDS A HARDER LINE:-

- (I) THE ARRESTS IN WARSAW;
 - (II) THE REPLACEMENT OF THE PROBABLY SOFT-LINE PYKA BY THE MORE SENIOR AND TOUGHER JAGIELSKI;
 - (III) THE MOBILISATION OF THE PARTY FAITHFUL THROUGHOUT THE COUNTRY; AND
 - (IV) THE REPORTED (FROM US SOURCES) MOVE OF SOME OF THE AIRBORNE DIVISION FROM KRAKOW TO GDANSK. THIS AND THE ASSAULT LANDING DIVISION ALREADY IN THE GDANSK AREA CONSTITUTE THE ARMY'S CRACK REGULAR FORCE LIKELY TO BE MORE RELIABLE THAN CONSCRIPT DIVISIONS.
8. THE FEELING AMONG WESTERN EMBASSIES IS RATHER TO AGREE WITH THE GARTON-ASH VIEW (PARA 4 ABOVE), ITSELF SUPPORTED BY WHAT VICE-MINISTER KULAGA SAID.

PRIDHAM

POLAND STANDARD

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MR COTTERILL ECGD

Prime Minister

MP 22/8

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FM EAST BERLIN 211400Z AUG 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 123 OF 21 AUGUST

INFO ROUTINE WARSAW MOSCOW UKDEL NATO

INFO SAVING BMG BERLIN BUDAPEST PRAGUE SOFIA BONN BELGRADE

WASHINGTON PARIS BUCHAREST

GDR REACTION TO POLISH UNREST

1. IN GENERAL THE POSITION REMAINS AS DESCRIBED IN MY LETTER TO VEREKER OF 19 AUGUST. THERE ARE SIGNS AMONG PERSONAL CONTACTS OF A GROWING ADMIRATION FOR THE STRIKERS AND SYMPATHY WITH THEIR DEMANDS BUT THERE IS STILL NO EVIDENCE OF THEIR EXAMPLE BEING EMULATED.
2. THE GDR PRESS CONTINUES TO PUBLISH CAREFULLY SELECTED REPORTS FROM POLISH SOURCES WHICH HAVE NOW REVEALED IN GENERAL TERMS THE POLITICAL ASPECTS OF THE STRIKES.
3. THE DEVELOPMENT CAUSING MOST SPECULATION AMONG WESTERN OBSERVERS IS THE APPEARANCE IN TODAY'S NEUES DEUTSCHLAND OF A REPORT ON AS SPEECH BY THE MINISTER OF DEFENCE, HOFFMAN, ON THE WARSAW PACT FORTHCOMING EXERCISE QUOTE WAFFENBRUDERSCHAFT SO UNQUOTE (MY LETTER OF 14 AUGUST) AND A LONG ARTICLE BY ARMY CHIEF OF STAFF, STRELETZ, ON THE THEME QUOTE SOCIALIST MILITARY COALITION ENSURES THE PEACE UNQUOTE. BOTH REPORTS PUT THE WARSAW PACT EXERCISE IN THE CONTEXT OF THE THREAT FROM NATO, IN PARTICULAR THE US AND FRG, AND THE CONSEQUENT NEED TO STRENGTHEN WARSAW PACT DEFENCE. HOWEVER THE STRELETZ ARTICLE ALSO CONTAINS SEVERAL PASSAGES WHICH SEEM TO CONCERN COLLABORATION BETWEEN THE SOVIET UNION AND ITS WARSAW PACT PARTNERS IN PROTECTING THE GAINS OF SOCIALISM. IN ADDITION TO TWO REFERENCES TO QUOTE THE SPIRIT OF PROLETARIAN INTERNATIONALISM UNQUOTE, STRELETZ REFERS TO THE QUOTE GROWING COLLECTIVE RESPONSIBILITY FOR THE COMMON MILITARY PROTECTION OF OUR LANDS UNQUOTE AND LATER TO THE FULFILMENT BY THE GDR FORCES OF THEIR QUOTE INTERNATIONAL DUTY FOR THE PROTECTION OF SOCIALISM AND PEACE UNQUOTE. I AM TOLD BY THE LOCAL BBC CORRESPONDENT THAT THE PHRASES QUOTED ABOVE ARE VERY SIMILAR TO THOSE USED IN 1968 SHORTLY BEFORE THE INVASION OF CZECHOSLOV-

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4. IT IS DIFFICULT TO KNOW WHAT SIGNIFICANCE TO ATTACH TO THE STRELETZ ARTICLE. SOME SUCH ARTICLE COULD BE EXPECTED TO APPEAR SHORTLY AFTER THE ANNOUNCEMENT OF A LARGE-SCALE EXERCISE IN ORDER TO GIVE THE OFFICIAL LINE ON WHY IT IS BEING HELD. SOME WESTERN DIPLOMATS ARE SUGGESTING THAT THE EMPHASIS ON THE THREAT FROM NATO IS MEANT TO OFFER REASSURANCE THAT THE EXERCISE IS NOT TO BE CONNECTED WITH CURRENT EVENTS IN POLAND. HOWEVER I FIND THE LATTER EXPLANATION DIFFICULT TO ACCEPT GIVEN THE PASSAGES QUOTED ABOVE. THE GDR AUTHORITIES MUST SURELY BE AWARE THAT THE APPEARANCE OF THOSE PHRASES AT THIS PARTICULAR TIME WOULD BE OPEN TO WIDER INTERPRETATION.

5. FCO PLEASE PASS SAVING.

SOLESBY

(REPEATED AS REQUESTED)

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Prime Minister

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MS

MA 24/8.

GRS 100
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FM BONN 181315Z AUG 80
TO IMMEDIATE FCO
TELEGRAM NUMBER 610 OF 18 AUGUST
INFO ALL NATO POSTS WARSAW MOSCOW EAST BERLIN BMG BERLIN

GIEREK VISIT TO FRG

1. THE FEDERAL GOVERNMENT ANNOUNCED AT MIDDAY TODAY THE POSTPONEMENT OF GIEREK'S VISIT TO HAMBURG PLANNED FOR 19/20 AUGUST. OFFICIALS HERE HAD NOT EXPECTED THE POLISH DOMESTIC CRISIS TO AFFECT THE VISIT AND ARE SOMEWHAT SURPRISED BY THE POLISH REQUEST, MADE VIA THE FRG EMBASSY IN WARSAW, FOR POSTPONEMENT. THEY PRESUME THAT THE DEMANDS OF THE WORKERS IN DANZIG HAVE LED GIEREK TO DECIDE IT WOULD BE UNWISE TO LEAVE THE COUNTRY.
2. CHANCELLOR'S OFFICE TELL US THAT THE POLES SUGGESTED EARLY SEPTEMBER AS AN ALTERNATIVE DATE BUT THIS WAS IMMEDIATELY REJECTED BY SCHMIDT AS BEING TOO CLOSE TO THE ELECTION. NOVEMBER NOW LOOKS LIKE BEING THE MOST LIKELY DATE FOR THE POSTPONED MEETING.

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Poland

PRIME MINISTER

The Polish Ambassador came into the Foreign Office today to protest about the activities of Alastair Hutton, MEP, on a recent visit to Poland.

I understand that Mr. Hutton made fairly public contact with a number of dissidents, and that he claimed he was doing so with your authority and encouragement.

We will get a fuller report on this after the weekend, but you may like to be aware of the Polish complaint in case it is publicised. My understanding is that you have not had any special meeting with Mr. Hutton and indeed that he is not amongst the MEPs whom you know particularly well. But he may perhaps have mentioned his trip to Poland to you when the MEPs came in for a drink. You would no doubt have given him some encouragement to find out what Poles outside Government were thinking.

MA

8 August 1980

I do not know Mr. Hutton personally but would certainly be pleased if he made contact with "dissidents" on his visit. The very word condemns the governments of your countries. pub.

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FM WARSAW 211330Z JUL 80

TO IMMEDIATE FCC
TELEGRAM NO. 215 OF 21 JUL 80INFO PRIORITY MOSCOW, WASHINGTON, BELGRADE, BUCHAREST, BUDAPEST,
PRAGUE, EAST BERLING, SOFIA, UKDEL NATOR, DOT, MOD, BANK OF
ENGLAND, BONN, PARIS,MY TELEGRAM NO. 210 OF 17 JULY: LABOUR UNREST IN POLAND.
MAIN FEATURES.

1. LATEST REPORTS OVER THE WEEKEND ABOUT THE MOST RECENT LABOUR STOPPAGES IN PUBLIC TRANSPORT SERVICES IN LUBLIN INDICATE A RETURN TO WORK FOLLOWING WAGE INCREASES AND A SLIGHTLY IMPROVED GENERAL SITUATION. THIS IS THE THIRD PHASE IN THE CURRENT INDUSTRIAL UNREST HERE FOLLOWING MEAT PRICE RISES AT THE BEGINNING OF THE MONTH AND IS CERTAINLY THE MOST SERIOUS DEVELOPMENT SO FAR. A POLITBURO APPEAL FOR RAILWAY AND OTHER WORKERS TO RESUME WORK AND THE ANNOUNCEMENT OF A COMMISSION TO ENQUIRE INTO THEIR GRIEVANCES INDICATE THE EXTENT OF GOVERNMENT CONCERN. THE INTERRUPTION OF RAILWAY TRAFFIC EASTWARDS TO THE SOVIET UNION AND PARALYSIS OF PUBLIC SERVICES IN LUBLIN WERE SERIOUS BLOWS.
2. BUT THE GOVERNMENT'S REACTION HAS BEEN RESTRAINED, PROBABLY BECAUSE THERE HAS BEEN NO VIOLENCE NOR STREET MANIFESTATIONS. INDIVIDUAL WORKERS IN LUBLIN WERE RELUCTANT TO TALK WITH FOREIGN PRESS REPRESENTATIVES ON FRIDAY OR EVEN TO ADMIT STRIKING: IT WAS ONLY A QUESTION OF DISCUSSIONS PROCEEDING DURING WORK STOPPAGES, THEY SAID. DISSIDENT SPOKESMEN HAVE BEEN MAKING MOST OF THE PUBLICITY OPPORTUNITIES OFFERED BY THIS PROTEST ACTION (AND THE REUTERS AND BBC REPORTS IN PARTICULAR HAVE LEANT HEAVILY ON MATERIAL SUPPLIED BY DISSIDENTS) BUT THERE HAS BEEN NO SERIOUS PROVOCATION OF THE AUTHORITIES SO FAR.
SIGNIFICANCE.
3. IT IS CLEAR FROM RECENT EVENTS THAT POLISH WORKERS ARE AGAIN DEMONSTRATING THEIR STRENGTH AND INFLUENCE OVER GOVERNMENT POLICIES AND ACTIONS. THIS IS A SALUTARY REMINDER TO THE GOVERNMENT, IF ONE WERE NEEDED, TO TREAD CAREFULLY IN INTRODUCING ANY ECONOMIC REFORMS. THE GOVERNMENT IS SENSIBLY NOT WILLING TO RISK A HEAD-ON COLLISION WITH INDUSTRIAL WORKERS. LIBERAL VOICES AMONGST THE LEADERSHIP APPEAR FIRMLY IN CHARGE WITH HARD-LINERS FAIRLY QUIET. BUT THE GOVERNMENT IS VIRTUALLY HELPLESS AGAINST THIS KIND OF NON-VIOLENT, REASONABLE PROTEST, SINCE THERE IS LITTLE TO REPRESS. SOME POLES HAVE SUGGESTED PRIVATELY THAT THE INDUSTRIAL 'SIT-INS' AND LINKING OF WAGE INCREASES WITH PRODUCTIVITY DEALS HAVE SOME RESEMBLANCE TO BRITISH PRACTICE.

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4. THESE EVENTS ALSO SERVE A CLEAR WARNING ON THE SOVIET UNION THAT GOVERNING POLAND IS AS DIFFICULT AS EVER. THIS COUNTRY COULD BE A VERY DOUBTFUL ALLY.
5. THE EFFECT OF THESE STOPPAGES UPON THE GOVERNMENT'S CURRENT EFFORTS TO RAISE THE US DOLL 500 MILLION BALANCE OF PAYMENTS LOAN IN WESTER MARKETS AND OTHER BILATERAL OFFICIAL LOANS CAN ONLY BE HIGHLY UNFAVOURABLE.
PROSPECTS.
6. AT THIS POINT IT IS IMPOSSIBLE TO SAY WHETHER THERE WILL BE FURTHER STOPPAGES, AND, IF THERE ARE, WHETHER THE REGIME WILL KEEP ITS COOL OR WHETHER THERE WILL BE A SERIOUS FLARE-UP OF VIOLENCE.
7. ON THE SHOWING SO FAR, THE ODDS MUST BE AGAINST THE LATTER ANDD

IN FAVOUR OF FURTHER NON-VIOLENT SOLUTIONS. BUT THE FUNDAMENTAL FACT IS THAT THE SYSTEM DOES NOT REST UPON THE CONSENT OF THE VAST MAJORITY OF THE GOVERNED WHO HAVE LITTLE WAY OF INFLUENCING GOVERNMENT POLICY EXCEPT BY THIS KIND OF INDUSTRIAL ACTION. POLISH INDUSTRIAL WORKERS HAVE TWICE IN THE PAST TOPPLED GOVERNMENT AND, AS RECENTLY AS 1976, FORCED REVERSAL OF A MAJOR ECONOMIC POLICY DECISION. THIS TIME THE WORKERS SEEM MORE CAREFUL, LESS AGGRESSIVE AND LESS VIOLENT THAN BEFORE: THE GOVERNMENT SEEMS MORE DETERMINED BUT ALSO MORE SENSITIVE AND CAUTIOUS IN ITS REACTION. THIS MAY BE THE BEGINNING OF A PROLONGED SERIES OF NEGOTIATIONS BETWEEN GOVERNMENT AND WORKERS TO INTRODUCE GENUINE ECONOMIC REFORMS. BUT, AS THESE COULD LEAD TO PROFOUND POLITICAL CHANGE, THEY WILL NOT BE ACHIEVED EASILY AND PERHAPS EVEN NOT AT ALL.

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Prime Minister (para 2)

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+ f.g. Hunt Poland

NOTE OF A MEETING HELD AT NO.11 DOWNING STREET AT 12.00 NOON
ON MONDAY, 14TH APRIL, 1980

Present:

ms

Chancellor of the Exchequer
Mr. Bull - Bank of England
Mr. Hawtin

Mr. Kisiel
Mr. Biszhyga - Polish
Ambassador
Mr. Jedynak - Interpreter

VISIT OF POLISH FINANCE MINISTER

The meeting had been arranged at Mr. Kisiel's request.

ms 2. Mr. Kisiel thanked the Chancellor for agreeing to see him. He said that shortly before departing for London he had had a full meeting with the new Polish Prime Minister who had asked him to pass on his best wishes to Mrs. Thatcher. He said that the Polish Government attached considerable importance to the traditionally good relations between their two countries. The Chancellor said that he was delighted to meet Mr. Kisiel and would certainly pass on the Polish Prime Minister's greetings to Mrs. Thatcher. He added that he welcomed the open dealings which existed between the Polish and British Governments, which he had experienced before as Minister for Trade.

3. Mr. Kisiel said that the good commercial relations between the two countries complemented their political relations. He noted that relations with UK banks, particularly the clearing banks, were good. He commented that they were sensitive to the needs of the Polish economy. The opening of the Polish foreign trade bank in London the following day symbolised these relationships.



4. Mr. Kisiel explained that, following five quite successful years, the Polish economy had slowed down since 1975. Real GDP and wages had moved ahead only very slowly. The Chancellor noted that this was part of a common experience: the UK had joined the European Community just as growth in Europe started to slow, following the oil price rises of 1973-74.

5. Mr. Kisiel said that developments in the west were an important factor in the development of the Polish economy. Exports had not expanded as quickly as expected, thus preventing the planned reduction in external debt. Internal factors were also important. Agricultural output, which represented a large share of GDP, had fallen short of what had been planned. In 1979 Poland had imported 30 million tonnes of grain (compared with planned imports of 2-3 million), at a cost, including interest payments, of about \$4 billion. These imports had been necessitated by a failure to reduce demand for meat, which in turn reflected the failure to bring price into a better balance with cost. Since June 1976, in the period up to which the Polish Government had tried, unsuccessfully, of course, to achieve such a balance, price increases had been limited, so that, currently, all but 10 per cent of meat sales were heavily subsidised. So far as milk was concerned, the Government had increased the price to farmers, who owned some 80 per cent of the farm land, in order to stimulate higher production. However, these price increases had been passed on to the consumer only to a limited extent.

6. The Chancellor noted that the UK had subsidised food a little after the war and in 1973 but, having learned that rien endure comme le provisoire, had managed to eliminate food subsidies. However housing subsidies were extensive. These had the effect of leaving more disposable income to be spent on imports, which the country could not afford. The Government was seeking to reduce the level of these subsidies.



7. Mr. Kisiel noted that after having reached a record level of \$3 billion in 1977, the Polish trade deficit fell to \$1½ billion in 1978, but remained at that level last year (compared with the planned deficit of \$½ billion), as a result of the increased grain imports. Mr. Kisiel said that the new Polish Prime Minister had made the elimination of the deficit on the current account of the balance of payments as the principal objective of economic policy. The Polish Government were aiming for a trade balance, or even a small surplus, in 1980. They were planning for equilibrium on the basic balance on the balance of payments by 1983. This timing reflected the high cost of servicing Poland's existing external debt. He said that at the forthcoming meeting between Polish officials and representatives from Canadian, British and American banks Poland would be showing these trading partners her detailed balance of payments figures up to 1985. To achieve these targets Poland was planning to increase exports by £½ billion in 1980. Achieving the turnaround would require the growth of exports to the west to exceed the growth of imports from the west. They hoped trade would continue at a high level. Their policies to achieve this turnaround were:-

(i) To shift from imports of raw materials from the west to imports from COMECON trading partners. Thus Poland would be importing more gas, oil and asbestos from the USSR in future. Imports of raw materials from the west, particularly from the LDCs (for example iron from Brazil), would continue at a high level.

(ii) To increase exports of raw materials and semi-manufactures. Exports of capital goods, particularly complete plants, would continue to be important. In achieving this, the emphasis would be placed on economy in the use of energy inputs and other raw materials, rather than further substantial and expensive investments, in order to move resources into exports. He said the room for such economies was substantial: compared with the west, Polish industry used



85 per cent more cement, 65 per cent more steel and 51 per cent more primary energy to produce a given amount of output.

8. Total exports were planned to increase by 21 per cent overall. Particular emphasis would be placed on raw materials (investment in nuclear power stations should free coal for export), small cars, road building machinery, ships (particularly fishing vessels), ready made clothing, chemical products and fertilizers, and complete plants (e.g. sugar mills, cement factories and sulphuric acid plants).

9. Mr. Kisiel said the priority being given to the balance of payments would mean that there could be little real increase in personal incomes in 1980 and investment would have to be restrained. He noted that heavy investment in the past had resulted in over 50 per cent of industry being modernised during the last 10 years. He said that the working classes understood the problem; he believed the Government's targets could be achieved.

10. Turning to bilateral trade relations, Mr. Kisiel said that his Government favoured the development of balanced trade. Against this, he noted that whilst exports to Britain had increased 8 per cent in 1979, imports from Britain had fallen by 2 per cent. His Government's aim was for a trade balance at a high level of turnover. He suggested that UK/Polish trade could be developed through:

(i) Improved market access; he suggested a higher level of representation in the UK/Polish Trade Commission. The Polish Government was prepared to assign an individual to be responsible for UK/Polish trade affairs.



(ii) Improved liaison between small and medium-sized firms: again the Trade Commission could be developed to provide an appropriate framework to achieve this. He said that his Government were assisting small firms by giving them financial help.

(iii) Joint action by Poland and the UK in third markets on for example turnkey projects (e.g. sugar mills).

11. The Chancellor thanked Mr. Kisiel for his comprehensive and detailed review of Polish trade, but said that trade policy was the responsibility of the Secretary of State for Trade, Mr. Nott. Trade policy had, of course, to be handled in the context of the European Community. He did however undertake to pass on the suggestions Mr. Kisiel had made about bilateral trade relations to Mr. Nott and to the Secretary of State for Industry, Sir Keith Joseph.

12. Mr. Kisiel thanked the Chancellor for the meeting.

R.I.T.

(R.I. TOLKIEN)

16th April, 1980

Distribution

PS/ Financial Secretary
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Sir Kenneth Couzens
Mr. Barratt
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Mr. Michell
Mr. Hawtin
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PS/Lord Privy Seal
PS/Secretary of State for Industry
PS/Secretary of State for Trade
Mr. K. Cotterill - (cc90)
Mr. Bull - Bank of England

FILE

Poland

VLB

12 March 1980

I am writing on the Prime Minister's behalf to thank you for your letter to her of 11 March enclosing a message from the Chairman of the Council of Ministers of the Polish People's Republic. I have of course brought Mr. Babiuch's message to the Prime Minister's immediate attention.

MICHAEL ALEXANDER

His Excellency Monsieur Jan Bisztyga



The Polish Ambassador

11th March, 1980.

Pa

MODBA

12/3

Dear Madam Prime Minister

I have the honour to transmit to you enclosed a message from Mr. Edward Babiuch in which he conveys to you his thanks for your congratulations and good wishes on the occasion of his appointment to the post of Chairman of the Council of Ministers of the Polish People's Republic.

Sincerely yours
J. Bisztyga

Jan Bisztyga

The Rt. Hon. Margaret Thatcher, MP,
The Prime Minister,
10 Downing Street,
London, S.W.1.

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Subject

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T 53/80

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 53/80

I have the honour to extend to you my thanks for the congratulations and good wishes you conveyed to me on the occasion of my appointment to the post of Chairman of the Council of Ministers of the Polish People's Republic.

I share your wish to further develop the traditionally very good relations between our countries.

(Edward Babiuch, Chairman
of the Council of Ministers,
Polish People's Republic)

The Rt. Hon. Margaret Thatcher, MP,
The Prime Minister,
10 Downing Street,
London, S.W.1.

Subject



I have the honor to extend to you my thanks for the contributions and good wishes you conveyed to me on the occasion of my appointment to the post of Chairman of the Council of Ministers of the Polish People's Republic.

I assure you that to further the traditionally very good relations between our two countries.

Yours faithfully,
Chairman of the Council of Ministers
Polish People's Republic

12 MAR 1950



The Rt. Hon. Ernest Bevin, C.,
The Prime Minister,
10 Downing Street,
London, S.W.1.

SUBJECT.

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FM FCO 221115Z FEBRUARY 80
TO IMMEDIATE WARSAW
TELEGRAM NUMBER 98 OF 22 FEBRUARY
YOUR TEL NO 70: PRIME MINISTER'S MESSAGE

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 36A/80

1. PLEASE ARRANGE FOR THE FOLLOWING MESSAGE FROM THE
PRIME MINISTER TO BE CONVEYED TO MR BABIUCH.
'ON BEHALF OF HER MAJESTY'S GOVERNMENT I SHOULD LIKE TO OFFER
YOU MY WARM CONGRATULATIONS AND BEST WISHES ON YOUR
APPOINTMENT AS CHAIRMAN OF THE COUNCIL OF MINISTERS. I LOOK
FORWARD TO WORKING WITH YOU IN DEVELOPING, TO MUTUAL
BENEFIT, THE VERY GOOD RELATIONS BETWEEN OUR TWO COUNTRIES.'

CARRINGTON

NNNN
DIST:
FILES
EESD
PS
PS/MR BLAKER
MR BULLARD
MR FERGUSSON

[COPIES SENT TO NO 10 DOWNING ST]

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DSG

21 February 1980

NEW POLISH PRIME MINISTER

The Prime Minister has seen and approved the text of a message from her to the new Polish Prime Minister enclosed with your letter to me of 20 February.

M. O'D. B. ALEXANDER

Paul Lever, Esq.,
Foreign and Commonwealth Office.

9B



Prime Minister

Agree proposed message?

5/5 like

Duty Clerk

20.2.80

Foreign and Commonwealth Office

London S.W.1

20 February 1980

Yes
not

Dear Michael,

NEW POLISH PRIME MINISTER

HM Ambassador at Warsaw has recommended that the Prime Minister should send a message of congratulations to the new Polish Prime Minister, Mr Edward Babiuch, who was appointed on 18 February in succession to Mr Jaroszewicz. The Foreign and Commonwealth Secretary endorses this suggestion. A message was sent by the then Prime Minister to Mr Jaroszewicz on his appointment in 1970.

The Foreign and Commonwealth Secretary suggests that the Prime Minister's message should read:-

'On behalf of Her Majesty's Government I should like to offer you my warm congratulations and best wishes on your appointment as Chairman of the Council of Ministers. I look forward to working with you in developing, to mutual benefit, the very good relations between our two countries.'

If the Prime Minister agrees, we will arrange for the message to be conveyed by our Ambassador in Warsaw.

Yours etc

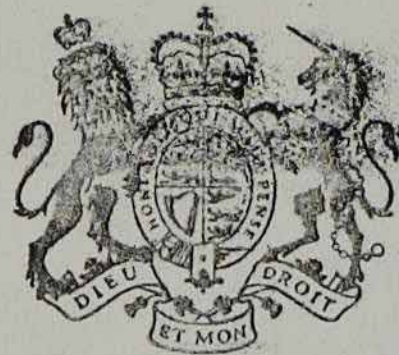
Paul

(P Lever)

M O'D B Alexander Esq
10 Downing Street

SUBJECT

POLAND 15



PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T134/79 T

10 DOWNING STREET

THE PRIME MINISTER

5 November 1979

Dear Prime Minister,

I was most grateful for your letter of 8 October which Mr. Kopec delivered during his recent visit to Britain. I share your satisfaction at the development of Polish-British relations.

I agree that there are opportunities for broadening co-operation between our two countries, particularly in the economic, industrial and technological fields. As you say, 'Poland's Technology '79' will have produced a greater awareness in this country of the progress made by Polish industry over recent years. Britain also has a great deal to offer in this field and I hope that British firms can continue to play an active role in the development of the Polish economy and industry into the 1980s. In this respect, I was encouraged by the reports I have received of the success of Mr. Kopec's visit.

I look forward to continuing exchanges at all levels between our two governments. As you may know, Mr. Blaker, the Minister of State at the Foreign and Commonwealth Office, will be visiting Poland next month for talks with Mr. Czyrek. I hope that we also may have an opportunity to meet before too long.

Yours sincerely
Margaret Thatcher

His Excellency Mr. Piotr Jaroszewicz

tw

Bland



Foreign and Commonwealth Office

London S.W.1

30 October 1979

Dear Michael,

Anglo/Polish Relations

When he called on the Lord Privy Seal on 18 October, the Polish Minister for Machine Industry, Mr Kopec, handed over a letter from the Polish Premier, Mr Jaroszewicz, dated 8 October, to the Prime Minister. I enclose a translation of this letter. The original has, I believe, already been forwarded to you.

The Poles have made it clear on a number of occasions that they want to develop relations with the UK and the letter to the Prime Minister should be seen as part of this process. They are also anxious that the Prime Minister should take up an invitation which has been outstanding for many years to visit Poland. This is clearly hinted at in the last paragraph of the letter. The Foreign and Commonwealth Secretary considers that it would be right for the Prime Minister to reply to Mr Jaroszewicz on the lines of the attached draft letter which responds positively to the points raised but does not commit the Prime Minister on the question of a visit.

If the Prime Minister agrees we shall arrange for her reply to be conveyed by HM Ambassador in Warsaw.

The reference in Mr Jaroszewicz's letter to 'Poland's Technology '79' is to a series of seminars in London and other countries which was opened by Mr Kopec during his visit.

Yours etc

Paul Lever

M O'D B Alexander Esq
10 Downing Street

File held ~~to be sent~~ OK.
18.20 30.10.79
G. Baldwin

Regis
No.

DRAFT Letter

Type 1 +

SECURITY CLASSIFICATION

- Top Secret,
- Secret.
- Confidential.
- Restricted.
- Unclassified.

To:- His Excellency Mr ^{PIOTR}~~Pieter~~ Jaroszewicz
 Chairman of the Council of Ministers
 of the Polish People's Republic

From
 Prime Minister
 Telephone No. Ext.
 Department

PRIVACY MARKING

..... In Confidence

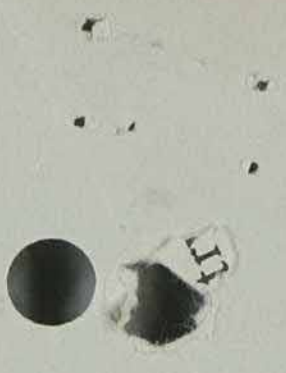
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I look forward to continuing exchanges at all levels between our two governments. As you may know, Mr Blaker, the Minister of State at the Foreign and Commonwealth Office, will be visiting Poland next month for talks with Mr Czyrek. I hope that we may also have an opportunity to meet before too long.

To mine
 Pmb



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30 OCT 1979



Foreign and Commonwealth Office

London SW1A 2AH

19 October 1979

Dear Michael,

Mr Aleksander Kopec, Polish Minister of Machine Industry, called on the Lord Privy Seal yesterday evening. Mr Kopec clearly felt his week in this country to have been most useful, and seemed genuinely surprised at, and grateful for, the warmth and courtesy which had been extended to him during his visit. He emphasised the historical importance of the close links between our two countries and how essential it was to preserve those links. The Lord Privy Seal was able to assure Mr Kopec that Her Majesty's Government reciprocated his feelings.

Mr Kopec asked Sir Ian to deliver a message from the Polish Prime Minister, Mr Jaroszewicz, to the Prime Minister, in which he conveys his satisfaction at the long tradition of Polish/British relations and his hope that cooperation can be continued and extended. This is now attached, and I would be grateful if you could pass this to the Prime Minister.

*Yours sincerely,
Myles A. Wickstead /:*

M A Wickstead
Assistant Private Secretary to
the Lord Privy Seal

Michael Alexander Esq
Private Secretary
10 Downing Street

22 OCT 1979



(UNOFFICIAL TRANSLATION)

T111A/79T

SUBJECT

PRIME MINISTER'S

PERSONAL MESSAGE

Warsaw, 8th October, 1979.

SERIAL No. T111A/79T

Dear Madame Prime Minister,

I wish to avail myself of this visit of our Governmental delegation, representing Polish industrial and trade circles, who came to the United Kingdom at the invitation of Her Majesty's Government, to express satisfaction in connection with the present fruitful and comprehensive development of Polish/British relations which happily already have a long-established tradition.

However, I am convinced that not all the possibilities of co-operation between our two countries have been fully explored. I have in mind, in particular, economic, industrial, scientific and technical co-operation. I believe that in many of these fields Poland could be a partner of the United Kingdom.

I would like to express our wish to extend economic, industrial, scientific and technical co-operation with the United Kingdom as well as our constant interest in the long-term development of these relations to our mutual benefit.

Poland has reached a high level of economic development through expansion and modernisation of its industry and other branches of its economy. This is reflected to some extent by the event now taking place in London and other British cities "Poland's Technology '79".


./...

I hope, Madame Prime Minister, that in the not too distant future there will be more than one opportunity for extensive discussions on the further development of Anglo-Polish relations.

Please accept, Madame Prime Minister, the assurance of my highest consideration.

Piotr Jaroszewicz

The Rt. Hon. Margaret Thatcher, MP,
Prime Minister,
Downing Street,
London, S.W.1.



PREZES RADY MINISTRÓW
POLSKIEJ RZECZYPOSPOLITEJ
LUDOWEJ

Warszawa, dnia 8 października 1979 r.

Szanowna Pani Premier

Korzystając ze składanej na zaproszenie Pani rządu wizyty w Wielkiej Brytanii naszej delegacji rządowej, reprezentującej sfery polskiego przemysłu i handlu, chciałbym wyrazić zadowolenie z dotychczasowego pomyślnego i wszechstronnego rozwoju polsko-brytyjskich stosunków, które mają już utrwaloną dobrą tradycję.

Jestem jednak przekonany, że nie wszystkie możliwości współpracy między naszymi krajami w pełni już wykorzystaliśmy. Mam tu na myśli zwłaszcza współpracę gospodarczą, przemysłową i naukowo-techniczną. Sądzę, że w wielu dziedzinach tej współpracy Polska mogłaby być partnerem Wielkiej Brytanii.

Chciałbym więc wyrazić naszą wolę pogłębiania stosunków gospodarczych i naukowo-technicznych z Wielką Brytanią i nasze stałe zainteresowanie długofalowym, wzajemnie korzystnym rozwojem tych stosunków.

Polska, rozbudowując i modernizując swój przemysł i inne działy gospodarki osiągnęła wysoki poziom rozwoju ekonomicznego. Pewien jego obraz dają trwające obecnie w Londynie i innych miastach brytyjskich "Dni Techniki Polskiej".

JE Pani Margaret THATCHER

Premier Wielkiej Brytanii

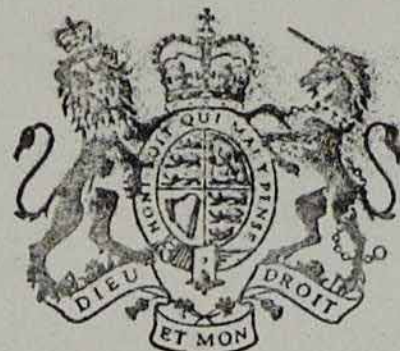
L o n d y n

Mam nadzieję, Pani Premier, że w niezbyt odległym czasie nadarzy się niejedna okazja do szerokiego przedyskutowania dalszego rozwoju stosunków polsko-brytyjskich.

Proszę przyjąć wyrazy mojego najwyższego szacunku.

Adamski

CONFIDENTIAL



tw
File
B. G. Cartledge

10 DOWNING STREET

From the Private Secretary

24 August 1979

UK/Polish Relations

Dr. Jürgen Ruhfus of the Federal German Chancellery telephoned me on 22 August to say that Chancellor Schmidt had asked him to convey to the Prime Minister one point which had arisen during his recent discussions with Mr. Gierek in Poland.

This was that Mr. Gierek had mentioned, during the course of some exchanges about Poland's relations with Western countries, the invitation which he had extended to Mr. Callaghan to pay an official visit to Poland. Chancellor Schmidt had thereupon urged Mr. Gierek to transfer this invitation formally to Mrs. Thatcher. Dr. Ruhfus explained that the Chancellor had done this because he believed that a visit by the Prime Minister to Warsaw at this time would have a very positive political effect.

I have informed the Prime Minister of what Dr. Ruhfus told me. She has not volunteered any wish to pursue the matter; but you will doubtless let me know if the Poles put out feelers.

I am sending a copy of this letter to Martin Vile (Cabinet Office),

B. G. CARTLEDGE

J.S. Wall, Esq.,
Foreign and Commonwealth Office.

9B

CONFIDENTIAL

PRIME MINISTER

POLAND

Dr. Ruhfus of Chancellor Schmidt's office telephoned me this morning, on the Chancellor's instructions, to let you know that during his recent talks in Poland with the Polish leader, Mr. Gierek had mentioned the invitation which the Polish Government had extended to your predecessor to pay an official visit to Poland.

Herr Schmidt had urged Mr. Gierek formally to transfer this invitation to you, since he believes that a visit by you to Warsaw would be very helpful politically in the East/West context.

Herr Schmidt's initiative may not be altogether welcome to you, but at least he has told you about it!

22 August 1979

