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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.

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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. 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.

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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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