

GR 600

CONFIDENTIAL

CONFIDENTIAL

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.

CONFIDENTIAL

/5.

CONFIDENTIAL

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.
PRIDHAM

POLAND SPECIAL
STANDARD
EESD
CSCE UNIT
CONS D
NAD
SED
WED
ECD(E)
ECON D
ERD
SEC D
OLA
CABINET OFFICE

[COPIES SENT TO NO 10 DOWNING ST]

COPIES TO:

PS/S OF 'S)
MR DICK)
MR POWNALL) DOT
PS/CHANCELLOR)
SIR K COUZENS) TREASURY
MISS BAKER)
MR P J BULL BANK OF ENGLAND
MR COTTERILL ECGD
MR WOOLGAR OAB D/EMPLOYMENT
CAXTON HOUSE TOTHILL ST

2
CONFIDENTIAL

CONFIDENTIAL

GR 650

CONFIDENTIAL

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.

/4. A

CONFIDENTIAL

CONFIDENTIAL

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.

PRIDHAM

POLAND SPECIAL STANDARD

[COPIES SENT TO NO 10 DOWNING ST]

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

COPIES TO:

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

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

MR P J BULL BANK OF ENGLAND

MR COTTERILL ECGD

MR WOOLGAR OA3 D/EMPLOYMENT
CAXTON HOUSE, TOTHILL ST

CONFIDENTIAL

GR 900

CONFIDENTIAL

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.

CONFIDENTIAL

15

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.

2
CONFIDENTIAL

18.

CONFIDENTIAL

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.

PRIDHAM

POLAND SPECIAL
STANDARD

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

[COPIES SENT TO NO 10 DOWNING ST]

COPIES TO:

PS/S OF S)
MR DICK)
MR POWNALL) DOT
PS/CHANCELLOR)
SIR K COUZENS) TREASURY
MISS BAKER)
MR P J BULL BANK OF ENGLAND
MR COTTERILL ECGD
MR WOOLGAR, OA3 D | EMPLOYMENT
CAXTON HOUSE, TOTHILL ST

3
CONFIDENTIAL