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FM WARSAW 101525Z JAN 82

TO IMMEDIATE FCO

TELNO 076 OF 10TH JANUARY 1982

INFO IMMEDIATE UKDEL NATO.

INFO PRIORITY: MOSCOW, WASHINGTON, PARIS AND BONN.

INFO SAVING: EAST BERLIN, PRAGUE, BUDAPEST, MUDUK, SOFIA,
BUCHAREST, BELGRADE, HELSINKI, STOCKHOLM, UKMIS NEW YORK AND
UKREP BRUSSELS.

POLISH SITUATION,

1. AT A PRESS CONFERENCE GIVEN YESTERDAY BY URBAN, OBODOWSKI, DEPUTY PRIME MINISTER IN CHARGE OF ECONOMIC AFFAIRS, KRZAK, MINISTER OF FINANCE AND NESTOROWICZ, MINISTER OF FOREIGN TRADE, OBODOWSKI SAID THAT THE ECONOMY WAS IN A POOR STATE. IT WOULD TAKE A FEW YEARS AT LEAST TO PAY FOR THE ERRORS OF THE PAST. THE AGRICULTURAL SITUATION WAS PARTICULARLY BAD, BUT IN INDUSTRY REPORTS OF DIMINISHING SUPPLIES OF RAW MATERIALS WERE ALARMING. HE COMPLAINED THAT THE WEST HAD COMPOUNDED POLAND'S PROBLEMS BY FREEZING CREDITS. HE SAID POLAND'S DEBT NOW AMOUNTED TO 23.5 BILLION DOLLARS NOT INCLUDING ALL OF LAST YEAR'S FOOD PURCHASES. POLAND NEEDED 1.5 BILLION DOLLARS EACH QUARTER OF 1982 AND A RESPITE OF AT LEAST A YEAR FROM DEBT REPAYMENTS. URBAN SAID THAT THE PROCESS OF DEMOCRATISATION WOULD BE FURTHER HAMPERED IF POLAND DID NOT GET CREDITS FROM THE WEST. HE SAID THAT POLAND WOULD NOT SUCCEED TO POLITICAL PRESSURE FROM THE WEST. THE AUTHORITIES HAD SUFFICIENT MEANS TO SURVIVE BUT SOCIETY WOULD HAVE TO GO SHORT IF NECESSARY. PAINFUL AND SUBSTANTIAL PRICE INCREASES WERE INEVITABLE WITH HIGHER INCOME EARNERS BEARING THE MAIN BRUNT, SAID OBODOWSKI. KRZAK SAID THAT POLAND NEEDED A BRIDGING LOAN OF 350 MILLION DOLLARS OVER HALF A YEAR WHICH WESTERN BANKERS HAD SO FAR REFUSED.
2. AT THE PRESS CONFERENCE URBAN ALSO ANNOUNCED THAT THERE WOULD BE A SEJM SESSION ON 28 JANUARY AT WHICH JARUZELSKI WOULD GIVE A SPEECH ABOUT THE STATE OF THE NATION. THE SEJM WOULD ALSO CONFIRM THE COUNCIL OF STATE'S DECREE INTRODUCING MARTIAL LAW. HE ALSO SAID THAT POLAND WANTED TO CONTINUE ITS LINKS WITH THE WEST BECAUSE IT NEEDED WESTERN TECHNOLOGY. ONLY 0.7% OF CIVIL SERVANTS HAD DECLINED TO SIGN A PLEDGE OF LOYALTY AND LEAVE SOLIDARITY.
3. LATER YESTERDAY GLEMP MET JARUZELSKI. PAP ISSUED A SHORT COMMUNIQUE SAYING THAT THE TWO HAD EXCHANGED VIEWS ON THE CURRENT SITUATION AND HOPED THAT LIFE IN POLAND WOULD NORMALISE. THE REUTERS CORRESPONDENT HERE HAS TOLD US THAT HE HEARD FROM A GOOD SOURCE THAT THE MEETING WAS NOT A SUCCESS. GLEMP IS TO PREACH IN WARSAW LATER TODAY. THE CHURCH ALSO HELD A MEETING IN WARSAW YESTERDAY CHAIRED BY MIZIOLEK, ONE OF THE BISHOPS OF WARSAW. THE MEETING CONSIDERED WHAT THE CHURCH SHOULD DO ABOUT INTERNEES. MIZIOLEK IS TO VISIT THE SOUTH OF POLAND THIS WEEK.

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4. TELEPHONES HAVE BEEN SWITCHED ON IN WARSAW TODAY FOR LOCAL CALLS WITHIN THE VOIVODSHIP ONLY. THE EMBASSY'S TELEX HAS BEEN RE-CONNECTED, ALTHOUGH FOREIGN CORRESPONDENTS' TELEXES HAVE NOT. BUT CENSORSHIP ON FOREIGN CORRESPONDENTS HAS BEEN LIFTED AND THEY CAN NOW FILE THROUGH INTERPRESS.

5. THE MFA HAVE TODAY INFORMED US THAT LARGE DIPLOMATIC PARTIES MAY NOW BE HELD. PROTOCOL DEPARTMENT OF THE MFA ARE "READY" TO FORWARD INVITATIONS TO POLISH CITIZENS. THIS DOES NOT SEEM TO CONSTITUTE AN OBLIGATION ON EMBASSIES TO INVITE POLES TO PARTIES THROUGH PROTOCOL BUT IT MAY BE A MOVE IN THAT DIRECTION.

FCO PLEASE PASS SAVING TO ALL SAVING ADDRESSEES

MELHUI SH

REPEATED AS REQUESTED

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