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FM WARSAW

TO DESKBY 311700Z FCO
OF 311600Z OCTOBER 88

MY TELNO 642 : CLOSURE OF LENIN SHIPYARD

SUMMARY

1. STATEMENT BY WALESA EMPHASISES POLITICAL NATURE OF CLOSURE OF SOLIDARITY'S BIRTHPLACE. NO CALL FOR STRIKES.

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DETAIL

2. WALESA HAS ISSUED THE FOLLOWING STATEMENT:

THE DECISION TAKEN ON 29 OCTOBER ON THE LIQUIDATION OF THE LENIN SHIPYARD IN GDANSK EFFECTS THE ENTERPRISE IN WHICH BEGAN THE PROTEST OF THE WORLD OF LABOUR AGAINST THE PROFOUND DISTORTIONS OF OUR LIFE, AND WHERE THE AUGUST AGREEMENTS WERE SIGNED. THIS ENTERPRISE, THE CRADLE OF SOLIDARITY, IS A SYMBOL OF THE STRUGGLE OF THE WORLD OF LABOUR AND OF THE WHOLE OF SOCIETY FOR THE DIGNITY OF WORK, FOR THE DEEP REFORMS IN SOCIAL, ECONOMIC AND POLITICAL LIFE. PRIME MINISTER RAKOWSKI'S DECISION WAS NOT DETERMINED BY ECONOMIC FACTORS. THE POLISH ECONOMY REQUIRES RESTRUCTURING AND FUNDAMENTAL CHANGES. THE INDEPENDENT TRADE UNION SOLIDARITY ALWAYS SUPPORTED AND STILL SUPPORTS SUCH CHANGES. SOLIDARITY WILL DEFEND THE ENTERPRISE WHICH IS FOR IT AND FOR THE WHOLE NATION A SYMBOL OF THE STRUGGLE FOR A NEW BETTER POLAND. WE ARE READY TO SUPPORT THE WORKERS COUNCIL IN EFFORTS AIMING AT RESTORING THE ENTERPRISE'S HEALTH, APPOINTING MANAGEMENT ON THE PRINCIPLE OF COMPETENCE AND NOT OF THE NOMENCLATURA, A CHANGE IN THE DIRECTIONS OF PRODUCTION TOWARDS A FUNDAMENTAL IMPROVEMENT IN THE EFFECTIVENESS OF WORK. THE PRIME MINISTER'S DECISION COULD BE REGARDED AS A POLITICAL PROVOCATION AIMED AT THE IDEA OF RECONCILIATION, AT THE ROUND TABLE, SERVING THE CREATION OF TENSION AND CONFLICTS AND NOT THE SOCIAL CALM, WHICH THE AUTHORITIES SAY THEY ARE PURSUING.

COMMENT

3. WALESA'S STATEMENT PLACES THE CLOSURE IN AN ENTIRELY POLITICAL CONTEXT, LAYING THE BLAME FOR THE SHIPYARD'S DIFFICULTIES ON THE

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SYSTEM AND SEEING THE DECISION AS A BLOW AIMED AT SOLIDARITY. HE DOES NOT CALL FOR STRIKE ACTION BUT DOES COMMIT SOLIDARITY TO DEFENDING THE SHIPYARD. HE PROPOSES ACTION THROUGH THE WORKERS COUNCIL (OR WORKERS SELF MANAGEMENT) AS A WAY OF DEALING WITH THE YARD'S PROBLEMS. HIS STATEMENT ALSO REFLECTS THE VIEW NOW INCREASINGLY HELD, THE THE ROUND TABLE IS, IF NOT DEAD, THEN INDEFINITELY POSTPONED. THE GOVERNMENT'S DECISION REFLECTS THIS.

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POLAND : CLOSURE OF LENIN SHIPYARD

SUMMARY

LIQUIDATION OF LENIN SHIPYARD ANNOUNCED. DETAILS INCLUDE MEASURES TO AVOID UNEMPLOYMENT. A STEP LONG UNDER CONSIDERATION, BUT TIMING OF ANNOUNCEMENT DELIBERATELY CHOSEN. POSSIBLE IMPLICATIONS FOR PRIME MINISTER'S VISIT. SUGGESTED LINE FOR PRESS.

DETAIL

1. THE GOVERNMENT PRESS BUREAU ANNOUNCED TODAY 31 OCTOBER THAT ON 29 OCTOBER THE GOVERNMENT DECIDED ON THE LIQUIDATION OF THE LENIN SHIPYARD IN GDANSK. THE SHIPYARD WAS THE BIRTH PLACE OF SOLIDARITY, AND SOLIDARITY LEADER LECH WALESIA IS STILL EMPLOYED THERE AS AN ELECTRICIAN.
2. ACCORDING TO THE GOVERNMENT'S STATEMENT, THE SHIPYARD WILL FORMALLY CEASE TO EXIST ON 1 DECEMBER 1988. THE PROCESS OF LIQUIDATION WILL BEGIN THEN AND SHOULD LAST ABOUT A YEAR. THE DECISION HAS BEEN TAKEN FOR ECONOMIC REASONS, CONSISTENT WITH THE NEW GOVERNMENT'S DETERMINATION TO TAKE DECISIVE ACTION TO RESTORE HEALTH TO THE POLISH ECONOMY AND TO REMOVE INEFFECTIVE, UNPRODUCTIVE AND UNPROFITABLE ENTERPRISES. PRODUCTION AT THE LENIN SHIPYARD HAS FALLEN IN RECENT YEARS (IN 1979 IT BUILT 24 SHIPS, IN 1987 ONLY 9), SUBSIDIES HAVE GROWN, AND THE CYCLE OF SHIP-BUILDING LENGTHENED. THE NEIGHBOURING NORTHERN SHIPYARD IN GDANSK HAS BEEN ACHIEVING ECONOMIC RESULTS ALMOST TWICE AS GOOD. CLOSURE OF THE YARD WOULD FREE FUNDS FOR INVESTMENT IN FOOD AND OTHER INDUSTRIES, AND REDUCE DEMAND FOR STEEL, DIMINISHING PRESSURES FOR FURTHER INVESTMENTS IN STEEL, RAW MATERIAL AND ENERGY INDUSTRIES.
3. IT IS ENVISAGED THAT THE NORTHERN SHIPYARD WILL TAKE OVER SOME OF THE EQUIPMENT AND FACILITIES OF THE LENIN SHIPYARD. OTHER EQUIPMENT WOULD BE PUT TO DIFFERENT INDUSTRIAL USES, SUCH AS PRODUCTION OF EQUIPMENT FOR AGRICULTURE OR FOR THE CONSUMER MARKET.

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4. THE GOVERNMENT STATEMENT ADDS THAT CAREFUL RESEARCH HAS BEEN DONE IN ORDER TO ENSURE THE PROTECTION OF THE INTERESTS OF THE 11000 WORKFORCE, GUARANTEEING ALL OF THEM WORK. THOSE WHO ARE WELL QUALIFIED AND HAVE WORKED WELL WILL ENJOY THE POSSIBILITY OF FULL UTILISATION OF THEIR SKILLS AND OF WAGES AS GOOD IF NOT BETTER. A CONSIDERABLE PART OF THE WORKFORCE WILL BE OFFERED EMPLOYMENT IN THOSE PARTS OF THE LENIN SHIPYARD TAKEN OVER BY THE NORTHERN SHIPYARD.

5. THE GOVERNMENT PRESS OFFICE POINTS OUT THAT THE MINISTRY OF INDUSTRY HAS A LIST OF ENTERPRISES FOR WHICH LIQUIDATION IS NOW PLANNED OR UNDER CONSIDERATION. FURTHER DECISIONS WILL BE ANNOUNCED IN DUE COURSE.

COMMENT

6. THE FUTURE OF THE LENIN SHIPYARD HAS BEEN IN DOUBT FOR SOME TIME. THERE IS NO DOUBT ABOUT THE ECONOMIC ARGUMENTS FOR CLOSURE THOUGH THE LENIN YARD IS NOT THE ONLY SERIOUS CASE OF INDUSTRIAL SICKNESS, AND ITS DIRECTOR HAS CLAIMED THAT ITS POSITION WAS IMPROVING. THE SHIPYARD HAD BEEN PROTECTED FOR MANY YEARS BY THE HEAVY INDUSTRY LOBBY, AS A MAJOR CONSUMER OF STEEL. THE AUTHORITIES MAY HAVE ALSO BEEN HESITANT ABOUT ATTACKING THE BIRTH PLACE OF SOLIDARITY. THE NEW GOVERNMENT SEEMS DETERMINED TO SHOW IT MEANS BUSINESS AND HAS SEIZED THE BULL BY THE HORNS.

7. THEY HAVE TAKEN A BOLD BUT RISKY STEP. THERE MUST BE A DANGER THAT IN SPITE OF THE ASSURANCES ABOUT FUTURE EMPLOYMENT (WHICH MAY ADD UP TO A GOOD DEAL LESS THAN IS PROMISED) THE WORKFORCE WILL REACT ADVERSELY TO THIS NEWS AND MOUNT SOME SORT OF PROTEST. TODAY AND 1 NOVEMBER ARE HOLIDAYS SO THE GENERAL REACTION WILL BE CLEAR ONLY ON 2 NOVEMBER. WALESA'S INITIAL REACTION WAS TO DESCRIBE THE ACTION AS A POLITICAL PROVOCATION BY RAKOWSKI. SPOKESMAN ONYSZKIEWICZ HAS CALLED IT A MINE UNDER THE ROUND TABLE TALKS. WALESA MAY MAKE A FURTHER STATEMENT LATER TODAY, WHICH WE SHALL REPORT AS SOON AS THE TEXT IS AVAILABLE.

8. IT IS NO COINCIDENCE THAT THE FIRST MAJOR INDUSTRIAL ENTERPRISE IN POLAND TO BE LIQUIDATED IS THE LENIN SHIPYARD, NOR THAT THE ANNOUNCEMENT HAS BEEN MADE ON THE EVE OF THE PRIME MINISTER'S VISIT. PROPAGANDA ABOUT THE VISIT HAS EMPHASISED THE PRIME MINISTER'S APPROACH TO UNECONOMIC BUSINESSES, AND INDUSTRY MINISTER WILCZEK WAS QUOTED LAST WEEK AS SAYING THAT MRS THATCHER COULD TEACH

WALESA SOME ECONOMIC LESSONS. THE AUTHORITIES NO DOUBT HOPE TO SECURE THE PRIME MINISTER'S ENDORSEMENT FOR THEIR ACTION. THEY MAY ALSO HOPE TO EMBARRASS HER, AND MAKE IT MUCH MORE DIFFICULT FOR HER TO EXPRESS PUBLIC SUPPORT FOR SOLIDARITY BY POSING IN THE MOST BLATANT WAY SUCH A CHALLENGE ON ECONOMIC POLICY. IN THE WORST CASE, AN OCCUPATION IN THE SHIPYARD COULD HAVE IMPLICATIONS FOR THE PRIME MINISTER'S VISIT TO GDANSK.

9. THERE IS LIKELY TO BE CONSIDERABLE INTEREST IN HMG'S REACTION TO THIS STEP, PARTICULARLY GIVEN OUR PERSISTENT CALLS FOR IMPLEMENTATION OF THE ECONOMIC REFORM. I DO NOT THINK IT IS REALLY FEASIBLE TO SEPARATE THE ISSUES OF SOLIDARITY AND ECONOMIC REFORM, AND INDEED WE HAVE, RIGHTLY, SAID THAT POLITICAL AND ECONOMIC REFORM SHOULD GO HAND IN HAND. I SUGGEST ANY PUBLIC COMMENT IS BASED ON THE FOLLOWING LINE:

WE HAVE CALLED FOR REFORM OF THE POLISH ECONOMY. WE HAVE NOTED THE ACTION TAKEN ON THE LENIN SHIPYARD. WE CANNOT JUDGE THIS STEP IN ISOLATION. IT NEEDS TO BE SEEN AS PART OF A BROADER POLICY. WE CONTINUE TO BELIEVE THAT DIFFICULT ECONOMIC DECISIONS LIKE THIS MUST GO HAND IN HAND WITH POLITICAL REFORMS TO ENSURE THAT THEY HAVE SUPPORT OF SOCIETY AND THAT SOCIETY AS A WHOLE BELIEVES THEY WILL BRING LONG TERM BENEFITS. IN THIS CONTEXT, WE CONTINUE TO BELIEVE THAT THE SOLIDARITY MOVEMENT, AND OTHERS WHO STAND OUTSIDE THE POLITICAL ESTABLISHMENT IN POLAND, SHOULD BE GIVEN AN APPROPRIATE OPPORTUNITY TO PLAY A ROLE IN THE POLITICAL LIFE OF THE COUNTRY.

A bit too long. Specific decisions are not your business.

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