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Central
Intelligence**

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Poland's Prospects Over the Next 12 to 18 Months

Special National Intelligence Estimate

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**POLAND'S PROSPECTS
OVER THE NEXT 12 TO 18 MONTHS**

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THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS, EXCEPT AS NOTED IN THE TEXT.

The following intelligence organizations participated in the preparation of the Estimate:

The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organizations of the Departments of State and the Treasury.

Also Participating:

The Assistant Chief of Staff for Intelligence, Department of the Army

The Director of Naval Intelligence, Department of the Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

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CONTENTS

	<i>Page</i>
KEY JUDGMENTS	1
DISCUSSION	5
I. INTRODUCTION.....	5
II. THE ROAD TO MARTIAL LAW	5
III. THE PRESENT SITUATION.....	6
A. Internal Political Affairs.....	6
The Regime.....	6
The Party.....	8
Solidarity	8
The Church.....	8
B. Economic Problems.....	9
Production.....	9
Food Supplies and the Farmer.....	9
Economic Relations With the West	10
Economic Strategy and Reform.....	10
C. External Forces	11
USSR	11
Eastern Europe	12
The Western Alliance.....	13
IV. PROSPECTS	14
Economic Stabilization.....	14
The Containment of Large-Scale Violence.....	14
Political Tactics.....	15
Evolution of the Regime	16
V. IMPLICATIONS.....	16
Implications for Poland.....	16
Implications for the USSR and Eastern Europe.....	17
Implications for the United States.....	17

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KEY JUDGMENTS

The imposition of martial law in Poland has permitted the regime to attain its minimal objectives of restoring centralized political control, suppressing Solidarity, and generally maintaining public order. However, martial law has not forged any sort of national consensus or stopped the economic decline.

① The decision to impose martial law has ruled out genuine political accommodation based on power sharing as a possible solution to the Polish crisis within the next 12 to 18 months. The range of conceivable outcomes now runs from limited accommodation through a prolongation of the national political stalemate to repression even more extensive than that currently practiced. While the possibility of a lowering of public expectations and accompanying moderation by the regime exists, most of the near-term contingencies that the regime is likely to confront will probably push it toward continued repression.

② Moscow is pleased that the Polish regime has regained political control and suppressed Solidarity. Throughout the Polish crisis, Moscow's basic concerns have been to preserve Poland as a member of the Warsaw Pact and to restore the party as the dominant political force within Poland, while minimizing the Soviet Union's overt involvement in repression. The USSR desires, largely for ideological reasons, to have the Polish Communist party act as the leading force. Nevertheless, because of deep disarray in the party and the inherent instability of the situation, the Soviets—despite their misgivings—probably will continue for some time to accept the military's dominant role in governing Poland. Moscow will not resort to direct military intervention unless the Polish regime loses political control and the security situation deteriorates sharply.

Moscow's
objectives

③
④
⑤ Martial law is unlikely to be fully lifted during the next 12 to 18 months. The restoration of the traditional power structure emphasizing the party's leading role will not occur quickly or easily and may become a source of tension over the next several years. Even when martial law is ended, the military may see a need for continuing its own role in political and administrative affairs, especially if the party and government are unable to develop coherent and effective programs, remain divided, and show little ability to exercise control.

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The decisionmaking structure that has emerged is a transitional military/party/government hybrid. The regime is divided and factionalized, with hardline forces likely to gain ground over the coming months. For political and economic reasons, the Polish leadership will be especially vulnerable to Soviet pressure and will demonstrably stress its ties with Moscow.

The regime realizes that any progress toward creating meaningful links with the population, especially the workers, is closely tied with the revival of ~~some trade union activity. Yet it remains divided~~ over the issue. The moderates will continue to advocate the creation of unions with limited independence. The hardliners, on the other hand, will push for the re-creation of the more traditional, "conveyor belt" model not much different from that which existed before August 1980. Neither side ~~appears to be strong enough to force the issue, and there is little likelihood that the problem will be resolved during the next 12 to 18 months.~~

The Church in Poland is in a weaker position than before the imposition of martial law. Its most pressing concern is preventing bloodshed and a Soviet military intervention; consequently, it has avoided becoming the focal point of active resistance to martial law. If there is severe regime repression of society, the Church will feel compelled to speak out more forcefully.

The regime appears to be pursuing an economic strategy of coercing enough output from a crippled economy and a beleaguered population to ease Poland's financial problems with the West and to lay the basis for an economic recovery. However, the economic situation continues to deteriorate, largely as the result of shortages of Western imports. It is uncertain whether further economic decline can be halted at a level that will provide a tolerable standard of living for the population. ~~Although famine is not a likely prospect, the food outlook for the next 18 months is bleak, with a possible crisis looming by late spring as the regime may not be able to meet the urban population's requirements for food.~~

not true

Warsaw still confronts staggering debt service obligations to the West, and will be unable to make any significant principal payments for the foreseeable future on its \$27 billion debt. Warsaw will probably choose to pay as much as it can on its interest obligations to private banks—its most impatient creditors—while forgoing other payments due on its debt. Its inability to meet ~~much of the estimated \$2.5 billion interest due banks in 1982~~ means that the risk of default will continue to grow.

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Warsaw's problems are being further exacerbated by the impact of Western sanctions, which will deepen Poland's financial morass and reduce vital imports. Sanctions will tend to make Warsaw more dependent on Moscow and its CEMA partners. Jaruzelski is thus faced with the choice of presiding over a deeper and more permanent integration of the Polish economy into that of the Soviet Union or of undertaking the political measures necessary for the lifting of sanctions.

If Poland were forced into default, this would have a limited impact on its economy in the short run. But, it could, at the very least, delay and complicate Poland's attempt to join the IMF, thereby postponing important financial assistance. It would also have an important impact on the ability of other CEMA countries to gain Western credits and would damage their trade ties with the West.

The chances that unorganized violence will occur in the coming months are very high. The widespread expectation among Poles that more open resistance will come with warmer weather will probably prompt some to engage in violent acts. In anticipation, the regime will have to continue the use of repressive measures. If spring passes without a major upsurge of resistance, there could be a psychological letdown among the populace that would increase the government's chances for averting widespread violence for a while.

The substantial and well-trained forces of the Ministry of Internal Affairs have acted effectively in implementing martial law, and we believe they—with the continuing support of the Army—have a good chance of maintaining order. If the situation deteriorated, the regime would probably employ the Army in a more active role but would choose those units selected and trained for such a role. In a situation in which there was a total breakdown of order, which we consider highly unlikely, the regime would have to contemplate using military units whose reliability in a violent confrontation with the population has yet to be tested. We do not believe that it will come to this as the Poles have sufficient forces to handle successfully most contingencies that could arise. Thus the likelihood of a Soviet military intervention is slight. Moscow remains willing, however, to move in should the regime fail.

Moscow's concern about the willingness of Polish Army and internal security units to maintain control in Poland probably has been allayed by the forces' effective performance in implementing martial law. The Soviets probably have some doubts, however, about the ability of the regime to mobilize Poland if it were called to support military

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operations against NATO. These concerns may cause some adjustment in Soviet operational planning, but, unless the Polish situation deteriorates radically, the Polish role in Warsaw Pact war-fighting strategy will probably not change.

The United States has the means to produce a significant economic impact on Poland. But this capacity does not mean that the United States has great leverage over the Polish regime or the Soviet Union in determining the outcome of political events in Poland. US influence in this respect is highly constrained by the stake which both Warsaw and Moscow have in restoring a reliable system of Communist rule in Poland.

Over the next 12 to 18 months and beyond, the Polish crisis has a large potential to affect the Atlantic Alliance, ranging from a major disruption to some solidification. In the present martial law situation, the West Europeans have made the same formal demands on the Polish regime as the United States, ~~but they will not insist on the same strict compliance as Washington.~~ The Allies probably would be inclined to try to improve their relations with Poland if the Polish regime took some further steps to end martial law, released most internees, and initiated the semblance of a dialogue with the Church and selected Solidarity representatives—~~all quite conceivable regime tactics.~~ In that case, it is unlikely that punitive measures taken thus far against the Soviet Union by the West Europeans would be sustained for long.

In sum, within the next 18 months, the West cannot hope that any of its actions will lead to genuine political accommodation in Poland. The West can hope that the combination of Soviet and Polish need for Western economic cooperation, steadfast Western rejection of business as usual, and continued passive resistance to the authorities by the Polish population will have some moderating influence on the regime and maintain the possibility of long-term compromise within Polish society.

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DISCUSSION

I. INTRODUCTION

1. The imposition of martial law by the Polish regime on 13 December 1981, with Soviet approval and encouragement, conclusively demonstrated the regime's willingness to use force in order to ensure its political domination and brought a halt to an increasingly open national discussion of the country's future political and economic course. The purpose of introducing martial law was fundamentally political, not economic—to attempt to end the threat to Communist party control in Poland by use of the Polish military. It was designed to suppress the principal opponent of the party, Solidarity, and to instill a sense of fear in the Polish population. To deny Solidarity the ability to reorganize in opposition to the regime, the Polish authorities moved quickly to arrest most of Solidarity's leaders and many of its most active supporters. The effect of martial law has been to put an end to any idea of genuine power sharing, to deny the population a broad range of civil rights, and to suspend union activities—including the right to strike, which had been granted by the 1980 Gdansk Accords.

2. Using his unprecedented combination of posts—party and government head as well as Defense Minister—General Jaruzelski established military control over the decisionmaking process in Poland by creating a ruling Military Council of National Salvation and by placing his military subordinates in key positions in the governmental ministries. This step was not a military coup. Its Soviet and Polish authors saw the military functioning as the administrative arm of the ineffectual Polish United Workers' Party—the official name of the Communist party in Poland. Draconian martial law measures, however, have yet to solve any of the fundamental political and economic problems that brought about the rise of Solidarity in 1980. The purpose of this Estimate is to identify probable developments in Poland in the next 12 to 18 months, to examine how the key internal institutions—military, party, Solidarity, Church—and the external forces—the Soviet Union, Eastern Europe, and the West—will

affect the outcome, and to assess the stability and effectiveness of the system that we believe is likely to emerge.

II. THE ROAD TO MARTIAL LAW

3. Jaruzelski publicly justified the imposition of martial law as necessary to preserve the Polish state, prevent a civil war he declared was imminent, and end the economic chaos that he claimed was bringing the country to its knees. These rationalizations notwithstanding, the true purpose of the action was to protect what remained of the traditional system of Communist rule. During the 16 months after the formation of Solidarity, the party's ability to rule had progressively deteriorated. By the time martial law was imposed, the party had lost a great deal of its cohesion, was fragmented, and was unable to meet Solidarity's political challenge.

4. The contradictions and irresolute behavior of a regime in disarray and of a factionalized party significantly exacerbated the political situation in the months preceding the imposition of martial law. A deteriorating economic situation, due only in small part to strikes, and rising public anger over the lack of a nationally acceptable government program made it harder for the moderate Solidarity leadership to restrain its members and led it to devise its own programs. Eventually, increasingly political demands on the part of Solidarity—including free elections—posed a clearly perceived threat to the system, to the positions of thousands of Polish officials, and, in the longer term, to Communist rule in the Warsaw Pact countries. The regime's unwillingness to commit itself in good faith to institutionalize most reform measures or to implement fully promises already made to Solidarity contributed in a major way to a weakening of moderates and strengthening of radicals within the Solidarity leadership. This trend was then used by Jaruzelski to justify the imposition of martial law. The factors that prevented the regime from accepting a serious democratization of society before 13 Decem-

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ber—namely the reluctance in Polish ruling circles to share power and insistent pressure from Moscow—are still present, and will make the achievement in the future of a negotiated resolution of the ongoing crisis exceedingly difficult if not impossible.

III. THE PRESENT SITUATION

A. Internal Political Affairs

The Regime

5. The Polish leadership's use of force against its challengers and reassertion of physical control has only initiated a protracted process of establishing a more stable political system. Institutionally, the existing

political structure is a military/party/government hybrid. The Military Council of National Salvation, comprising 20 mostly senior officers, is formally the highest ruling authority. It lays down martial law rules and reportedly makes regulations and the more important policy choices. A smaller, informal core leadership group including representatives from the Military Council, the party Secretariat, and the Council of Ministers is said to make day-to-day decisions and consider long-term options (see table). Military overseers have been placed in factories, schools, and government ministries, and some officers have taken over direct control as provincial governors or enterprise managers. The police and security services also are very active and influential, and are executing the

Members of Poland's Core Leadership and Their Affiliations ^a

<u>Core Leaders (Primary Responsibilities)</u>	<u>Military Council of National Salvation</u>	<u>Party Politburo</u>	<u>Ministry of Defense</u>	<u>Council of Ministers</u>	<u>Party Secretariat</u>
Gen. Wojciech Jaruzelski (party, government, and defense chief)	X ^b	X	X ^c	X ^b	X ^d
Lt. Gen. Florian Siwicki (Chief of Staff)	X	X ^e	X	—	—
Lt. Gen. Czeslaw Kiszczak (Minister of the Interior)	X	X ^e	—	X ^f	—
Maj. Gen. Michal Janiszewski (Chief, Office of the Council of Ministers)	X	—	—	X ^f	—
Kazimierz Barcikowski (party monitoring of government?)	—	X	—	—	X
Gen. Brd. Miroslaw Milewski (party monitoring of security affairs?)	—	X	—	—	X
Stefan Olszowski (party oversight of ideological affairs and media)	—	X	—	—	X
Zbigniew Madej (economic planning)	—	—	—	X ^g	—
Janusz Obodowski (general economic affairs)	—	—	—	X ^g	—
Mieczyslaw Rakowski (sociopolitical affairs)	—	—	—	X ^g	—

^a Information based on various, sometimes conflicting reports.

^b Chairman.

^c Minister.

^d First Secretary.

^e Candidate member.

^f Ministerial rank.

^g Deputy Chairman.

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bulk of martial law security functions. Nevertheless, the civilian bureaucracy continues to function and some party leaders, although not the party as an institution, are playing important roles.

6. The key military and civilian decisionmakers seem to be united in their pursuit of certain minimal martial law objectives:

- To restore centralized political control.
- To prevent the reconstitution of Solidarity in its pre-martial-law form.
- To maintain public order and discipline.
- To stop the economic decline and get Poles back to work.

There is a common recognition that failure to achieve these goals by internal means would probably lead eventually to Soviet military intervention. But, beyond these minimal objectives, there are serious disagreements between moderates and hardliners within the regime over the ultimate type of desired political order, the eventual disposition of Solidarity internees, and the character of economic reforms. Badly divided, the regime has been unable so far to articulate clear policy lines.

7. Despite its hierarchical nature, the Polish military is not unified in its approach to solving Poland's problems. Some of its key leaders wanted to impose martial law earlier than Jaruzelski. Within the membership of the Council of National Salvation there reportedly are differences of view with respect to relations with the Soviets, the pace and extent of relaxation of martial law restrictions, and the degree of reform to be tolerated. Deputy Minister of Defense Molczyk and six other members apparently are especially hardline and pro-Soviet. Despite these divisions within the Council, Jaruzelski reportedly has been able to dominate it. Still, the Soviets may use the more pro-Moscow members of the Council to pressure Jaruzelski and probably will seek to cultivate the support of other members.

8. Within the party, adherents of the moderate position, with which Deputy Chairman of the Council of Ministers Rakowski has been associated, believe that some of the incipient reforms begun after August 1980 must be continued. Yet the moderates have not come

forward with specific proposals. They were ambivalent before martial law on what institutional changes were acceptable and probably feel themselves now to be in a weak and exposed position. The hardline stance, expressed most openly by Politburo member Siwak, is clearer in that it rejects the changes made since August 1980, calls for a leaner party led by ideologically pure cadres, and supports harsh measures aimed at crushing all resistance, purging liberals in all sectors, and forcibly introducing economic austerity.

9. Jaruzelski—by all accounts an enigmatic figure difficult to pigeonhole—is considered by some Poles, to be a “moderate” or “pragmatist” and not a Soviet puppet. We know that in the past, on occasion, he has resisted strenuous Soviet pressure. Nevertheless, his purported accomplishment of averting the worst—a Soviet invasion—was achieved only by doing what the Soviets wanted. Consequently, other Poles consider him a Soviet surrogate. Jaruzelski has tried to adopt a posture of standing above the fray, and has managed so far to work with both the hardline and moderate elements in the leadership. While there are those within the Council and the party who believe that Jaruzelski's policies have not been stringent enough, they have not gathered the necessary support to undercut him. The Soviets may have had some reservations about Jaruzelski before the imposition of martial law; however, its successful implementation surely pleased them. They have since been supportive of him and are apparently giving him more time to deal with Poland's problems. It is not clear, however, that Jaruzelski has sufficient political savvy to maneuver people along a predetermined long-range course of action. Jaruzelski is certainly aware that Moscow will continue to assess his performance, and, if his policies appear to be too compromising, nationalistic, or unresponsive to the USSR, it will seek to have him replaced. In general, on the fundamental issues of control and Poland's role in Warsaw Pact operations, Jaruzelski has no essential differences with the Soviets.

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most, the authorities appear ready to accept unions with only limited independence whose activities would be restricted to the confines of the factory and to defending workers' narrow economic interests. The memory of Solidarity will continue, however, to be an important psychological force in Polish politics, because Solidarity embodied the society's aspirations for wide-ranging reform. A mythology will undoubtedly grow up around the union's activities that will emphasize its victories over the regime and play down its own internal disunity.

The Party

11. Both moderates and hardliners hope to use the period of martial law to weaken their opponents. Nevertheless, martial law has given the hardliners within the party the opportunity to undercut the influence of, or purge, those who had pushed for reforms or had been identified with Solidarity. While further purging controlled by hardliners would make the party a more centralized instrument of power, it would further discredit the regime, narrow its policy options, reduce its capacity to deal effectively with the acute problems that now confront Poland, and thereby increase the likelihood of a future violent upheaval.

12. Jaruzelski probably has serious doubts about relying on the party in its present weakened state. He has been on the Politburo for 14 years and has been reared to accept the primacy of the party; yet he has seen the Polish party fail over the past decade to devise workable policies.

he has become even more aware of the extent of corruption and inefficiency in the governing system dominated by the party. He probably has few illusions about how quickly that can be changed, even though he is trying to emphasize professional competence by introducing military cadre practices into the party. As a party outsider, Jaruzelski will probably continue to act as an arbiter within the party between conservative and moderate elements. In coming months he could come increasingly under attack from conservatives for not withdrawing the military from its political role and for not restoring the party to its leading role.

Solidarity

13. As a legally recognized, truly independent national trade union organization, Solidarity is dead. At

14. There will be increased efforts to conduct underground activity, in which Solidarity adherents will play a prominent role. The union was caught totally by surprise by the declaration of martial law, but the shock is beginning to wear off and anger is leading to action. Neither Lech Walesa nor any other senior union leader seems likely to be co-opted by the regime. Those Solidarity leaders who have escaped detention are apparently having some success in reestablishing their shattered organizations and are able to publish numerous underground leaflets and bulletins. Such activity will become easier as the regime eases up on travel and communications restrictions.

15. The response of workers to these resistance activities will vary. Some will have been cowed by the regime's successful use of force and prefer not to risk the loss of their jobs and food rations; the publicizing of stiff sentences imposed by courts for participation since 13 December in banned activities has probably had a significant intimidating effect. But underground union activists may be able to organize some strike activity and will try to take advantage of disturbances that may arise spontaneously. The intelligentsia and student community will probably continue to be a hotbed of dissension.

The Church

16. With Solidarity suspended, the Polish Roman Catholic Church once again becomes the primary defender of the population against the regime. But it too is on the defensive. Despite its vast moral authority, its political power is limited. The Church is most concerned about preventing bloodshed and a Soviet

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military intervention; consequently it has avoided becoming the focal point of active resistance to martial law. The regime counts on this self-limitation and thus believes it can ignore many of the demands of the Church, although it is also apprehensive of Church influence—especially at lower levels.

17. Overall, the Church has spoken out for a continuation of the pre-martial-law national dialogue. But its Primate, Archbishop Glemp, [redacted]

[redacted] He has been pressed by some bishops who feel that a stronger stand is necessary in demanding a return to the path of reforms. Others, however, are concerned that such a stand would only encourage resistance and could lead to retaliation against Church facilities and freedom of action. The regime, for its part, will encourage such divisions. The parish priests are more radical than the bishops and may help foster opposition forces. Such local actions could become the focal point of a larger confrontation between Church and state. If there is severe regime repression of society, the Church will feel compelled to reflect the feelings of the people and to speak out more forcefully.

18. A key event in Church-state relations this year and perhaps an important sign of how the regime intends to structure its relations with the Polish people will be the projected visit of Pope John Paul II to Poland in August to commemorate the 600th anniversary of Poland's holiest shrine, that of Our Lady of Czestochowa. The Pope probably has reservations about coming to Poland out of fear of bestowing legitimacy on the martial law regime or of being blamed for incidents or provocations during his trip. The regime also undoubtedly has serious doubts about letting the visit take place. While a papal visit could marginally enhance the regime's image, it could more importantly boost public morale and strengthen resistance. The Soviets, who blame the rise of Solidarity partly on the Pope's 1979 visit, reportedly oppose his returning this year.

B. Economic Problems

Production

19. The overall effect of martial law has been to hamstring an already weakened economy. The early

active resistance phase brought industry to a virtual standstill as workers from several hundred factories and mines—chiefly the largest and most important—went on strike. Moreover, the sealing of ports and borders and the shutdown of communications cut off industrial inputs and further reduced production elsewhere in the economy. The strikes were quickly broken and many of the transport and communication restrictions have been lifted; however, those still in effect are impeding enterprise communications with suppliers and foreign markets.

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20. Still, the economic situation is deteriorating further, largely as the result of shortages of Western materials for industry, but probably also because of passive resistance. These shortages stem mostly from cutbacks in imports from the West at the end of 1981 and the halting of commerce during the early phase of martial law, with the full impact of Western sanctions still to be felt. As a result of all these impediments, even certain militarized industries are unable to work extended hours. Production in the manufacturing industries may decline by 15 to 20 percent in the first quarter of the year.

21. In certain sectors not as dependent on Western imports, however, notably coal and other mineral industries, production is reportedly up because of the six-day workweek and martial law restrictions governing absenteeism, strikes, and trade union activity. Increased coal production might ease power restrictions in industry and permit some growth in exports.

Food Supplies and the Farmer

22. The government has so far been able to keep market supplies of food at least up to previous low levels by the apparent release of military and other food reserves and emergency food shipments from the USSR and other East European countries. The outlook for the next 18 months, however, is not good. Meat supplies are likely to decline about 20 percent this year because lack of grain is forcing distress slaughter of chickens and hard currency constraints will limit meat imports. Potato, flour, and bread supplies depend on the regime's success in convincing the farmers to sell to the state. Although famine is not a likely prospect, some Polish consumers may suffer from protein deficiency because of reduced availability of meat and eggs, and it is possible that by late spring the regime

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could face a serious crisis in meeting the urban population's demand for food.

23. In its approach to private farmers, the regime has indicated that it will take whatever steps are necessary to obtain food, especially grain. So far the regime has insisted that farmer procurement contracts with the state are legally binding, has tied farmer sales to the state with access to seed and fertilizer, and has threatened as a last resort to impose compulsory procurement. At the same time, the regime has tried to balance these heavyhanded policies by offering more credits for agricultural inputs, bonuses for prompt deliveries, higher procurement prices, and liberalization of laws on pensions, farm inheritance, and size of landholdings. This combination of threats and blandishments has not yielded the necessary procurement. Farmers are loath to part with grain as long as government feed sales are reduced and there are few goods for them to buy with their money. The regime hopes that retail price increases will help make more goods available for farmers, but this strategy may not work. Compulsory deliveries and a concomitant major confrontation between the regime and the farmers remain distinct possibilities.

Economic Relations With the West

24. Martial law has further damaged Poland's economic relations with the West and prompted Warsaw to rely more heavily on economic ties with its CEMA allies—especially the USSR. The reduction in imports from the West hurts Poland severely because of its heavy dependence not only on Western technology but also on grain and feed concentrates, chemicals, high-quality semifinished goods, and spare parts. Warsaw's needs from the West this year total close to \$7 billion. However, it will probably buy only about \$5 billion worth of goods because of its intention to run a trade surplus in order to pay some debt service.

25. Warsaw still confronts staggering debt service obligations to the West, and will be unable to make any significant principal payments for the foreseeable future on its \$27 billion debt. Poland barely managed to scrape through 1981 without formal default. But new unpaid obligations toward the West are mounting at the rate of \$800 million monthly, of which \$200 million is interest. Poland now faces \$10 billion in debt service obligations this year—and each succeeding

year in the 1980s. Warsaw will probably choose to pay as much as it can on its interest obligations to private banks—its most impatient creditors—while forgoing other payments due on its debt. Its inability to meet much of the estimated \$2.5 billion interest due banks in 1982 means that the risk of default will continue to grow.

26. Warsaw's problems are being further exacerbated by Western sanctions, which will deepen Poland's financial morass and reduce vital imports. The most serious casualty is the poultry industry, whose decline will result in decreased availability of meat and eggs for Polish consumers. The cutoff of vital Western credits has forced Poland to trade on a cash-and-carry basis—thus reducing the amount of even key Western goods that it can buy—and has blocked the continuation of Warsaw's 1981 financial strategy of importing on credit and using export earnings to pay interest to private banks. In recognition of its inability to meet its huge 1982 obligations, particularly in light of the suspension of rescheduling talks, the government in late January unilaterally declared a total moratorium on all 1982 principal and interest payments "for the time being." However, in an attempt to keep Western creditors from declaring them in default and to keep some economic ties to the West, the Poles will probably resume some payments when overdue 1981 interest obligations to banks are met.

Economic Strategy and Reform

27. The regime appears to be pursuing an economic strategy of coercing enough output from a crippled economy and a beleaguered population to ease Poland's financial problems with the West and to lay the basis for an economic recovery. Its introduction of higher retail prices is already leading to some correction of disorder in domestic markets and restoration of value to the currency. This, it hopes, will lead in turn to greater production and food procurement because workers will work Saturdays and overtime and farmers will sell their crops to the state in order to buy the more expensive goods. The strategy could contribute to some stabilization of the economy. But the extent of any near-term stabilization or recovery will depend heavily on provision by the USSR, and to a lesser extent by Eastern Europe, of enough assistance to make up much of the loss of imports from the West.

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Poland's near-term economic prospects will depend also on a return by the Western governments to a more generous policy and on continued patience among Western lenders about collection of their Polish debts.

28. The strategy also requires acceptance by the population of lower living standards. Massive increases in food and utility prices on 1 February 1982 were not fully offset by wage compensation, and about one-fifth of the population—including private farmers and craftsmen—received no compensation. Private farmers have been especially hard hit as prices of their equipment, fertilizer, and other inputs have been boosted by more than increases in the sales prices of their products. Moreover, retail prices of manufactured goods will be rising rapidly this year, further lowering living standards, despite regime pledges to monitor price increases by enterprises and to consider further wage compensation.

29. Jaruzelski is committed to push ahead with some economic reform because he recognizes in principle that the old system of centralized planning, detailed directives from the top, and inflexible prices not reflecting scarcities did not work and contributed to the problems leading to the August 1980 events. The regime has implemented planned wholesale price reform and devalued the zloty. It will probably enact other reform measures, although positive effects from these steps largely depend upon parallel movement toward a decentralized economy. Nevertheless, Jaruzelski's desire to maintain control over the economy will preclude his accepting much decentralization, tolerating worker influence on decisionmaking, or relying on economic forces to guide the economy—all of which are needed to address the basic problems of the economy. Thus the regime's emphasis on tight economic control, and probable worker resistance to declining living standards, reduce the chances that significant economic reform will be enacted in the next 12 to 18 months.

C. External Forces

USSR

30. Throughout the Polish crisis, Moscow's basic concerns have been to preserve Poland as a member of the Warsaw Pact and to restore the Communist party

as the dominant political force within Poland, while minimizing the Soviet Union's overt involvement in repression. More broadly speaking, Moscow has sought to head off the weakening of Soviet hegemony throughout Eastern Europe that liberalization in Poland would in time have fostered. Having pressed the Poles for many months to prepare for martial law, and having coordinated its planning and advocated its implementation at several points during the crisis, Moscow clearly welcomed its imposition and the effectiveness with which Polish security forces carried out their assignments.

31. The Soviets, nonetheless, appear to realize that Poland's basic problems remain unsolved and that martial law in some respects has complicated them further. Moscow is concerned about divisions within the party, the ongoing economic crisis, and widespread worker antipathy to the regime. The complexity of these problems and the unpredictability of events in Poland will provide abundant grounds for differences between Moscow and Warsaw, and probably among the Soviets themselves, over appropriate actions.

32. The Soviets may recognize that genuine stabilization in Poland will eventually require some flexibility and accommodation. Nonetheless, the Soviets, like the Poles, realize they cannot afford to allow any challenge to Warsaw's coercive policy to succeed. Moscow is likely to urge the regime to use whatever repression is necessary for maintaining order, to continue purging those within the party and other institutions who are identified with far-reaching reformist ideas, and to work at improving the economic situation by enforcing austerity measures. The Soviets will approve conciliatory gestures only if they are initiated from the top and only to the extent that these appear absolutely necessary for preventing renewed disorder or blunting major sanctions by the West. In the final analysis, they will take whatever action they consider necessary, including the use of Soviet military force, to ensure that the Polish regime retains control of the situation.

33. As long as Jaruzelski appears able to maintain control and is responsive to Soviet views, Moscow is unlikely to seek to remove him. It will, however, continue to cultivate potential challengers as a means of inducing him to cooperate and of preparing for possible future contingencies. For ideological reasons,

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the USSR desires to have the Polish Communist party act as the leading force in Poland. Nevertheless, because of deep disarray in the party and the inherent instability of the situation, the Soviets—despite their misgivings—probably will continue for some time to accept the military's dominant role in governing Poland.

34. Soviet policy toward Poland primarily reflects basic strategic considerations shared by all Soviet leaders. Consequently, any changes within the Soviet leadership are likely to affect only the tone and pace of Moscow's response to events. The recent death of Politburo member Suslov probably has expanded the limits of what is ideologically acceptable to Moscow but is unlikely to have diminished Soviet concern for the reestablishment of strong central control. Of the two leading contenders to succeed Brezhnev, Kirilenko has taken a harder line than Chernenko on most foreign policy issues and might prefer to react to events somewhat more quickly and forcefully. However, the exact stance to be taken by a contender will be partly determined by the situation prevailing in Poland at the time and by his perception of how it can be used to further his own political ambitions. Consequently, if an abrupt turn of events in Poland coincided with intense political maneuvering in Moscow, the interaction of the two could significantly influence both the Soviet succession and Moscow's policy toward Poland.

35. Moscow will attempt to maximize its influence by maintaining close liaison at various levels with Polish military and civilian authorities, particularly in the security apparatus (where KGB infiltration apparently increased greatly during 1981); by playing off rival personalities and factions within ruling institutions; and by using high-level visits, authoritative media commentary, and exchanges of correspondence to underscore its views. The Soviets will seek (probably with little success) to modify Polish public opinion by maintaining an intense propaganda campaign of their own while jamming Western radiobroadcasting.

36. Estimates indicate that Soviet economic assistance to Poland in 1981 totaled about \$1 billion in hard currency and about 3.5 billion rubles (the equivalent of \$5 billion) in other forms of aid, much of it in price subsidies. Although the Soviets so far have not indicated a willingness to provide substantial hard currency

support to Poland—much of last year's assistance consisted of rolling over old hard currency debt to the USSR—the need to prop up the new Polish government could well force their hand. Poland desperately requires funding for purchases of Western foodstuffs and essential industrial materials such as steel and chemicals. But because of its own hard currency problems, the USSR may not wish to provide even commodity assistance on more than a short-term basis.

37. The Soviet attitude toward aid for Poland has become more favorable since the imposition of martial law. Moscow agreed in early January 1982 to allow Poland to run a 1.2-billion-ruble deficit in their planned 1982 trade, and will probably increase that amount. The ruble credits involved—covering one-fourth of Poland's imports from the USSR—will free up an equivalent amount of Polish goods for export to hard currency markets or for use at home. Without Soviet acceptance of a sharp drop in imports of Polish coal, for example, Warsaw could not have met even its greatly reduced target for coal exports to the West.

38. The Soviets will encourage the Poles to seek Western debt relief and credits in a manner that does not compromise the restoration of a measure of Communist orthodoxy internally or the further integration of Poland into CEMA. The Soviets are likely to make further aid to Poland contingent on the regime's pursuing policies that the USSR approves, and therefore any increases are likely to be doled out piecemeal in order to maximize Moscow's leverage. Moscow has already demonstrated—several times last year—its willingness to use economic pressure tactics and will be ready to do so again. The Polish leadership will be especially vulnerable to Soviet pressure because of the dire state of the economy and reduced levels of Western assistance. Soviet leverage, however, is limited by Moscow's recognition that too sharp a break in Polish-Western trade relations and too much pressure for faster CEMA integration could precipitate further destabilization in Poland and the need for still more substantial Soviet assistance.

Eastern Europe

39. With the successful implementation of martial law, Poland's East European allies breathed a sigh of relief, particularly the East Germans and Czechoslovaks. They feared the creation of an alternative

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political model that might prove attractive to their populations. Prague and East Berlin will keep pressure on Warsaw to reestablish central control. Budapest will, using its own experience as an example, probably point out cautiously that some form of political accommodation will eventually be necessary. All of Poland's allies will remain concerned about possible flareups of new political unrest in Poland.

40. Despite their satisfaction with martial law, the East Europeans remain concerned about the costs to them of Poland's problems, because of the division of labor and the mutual dependence within CEMA (especially the heavy reliance of some countries on Polish coal). There have been reports about the negative effects of the failure of the Poles to deliver contracted goods. The East Europeans as a whole probably have had to pay at least \$500 million in scarce hard currency for replacements. The East Germans have been forced to accelerate their lignite mining to reduce their dependence on Polish coal, and the Czechoslovaks have allegedly talked about curtailing their exports of capital goods because of reduced Polish deliveries. The East Europeans will probably not be able or willing to offer the kind of economic assistance that the Soviet Union is considering. They will continue to provide some aid, but will resent Warsaw's requests for even more help.

The Western Alliance

41. West European leaders see the post-World War II Polish settlement as a key element in the European order and view Poland as a territory belonging to the Soviet sphere of influence. Their interest in nurturing political change in Poland is clearly subordinate to their interest in minimizing any danger of East-West military confrontation. Thus they refuse to make liberalization in Poland a prerequisite for a constructive East-West relationship. Nevertheless, the US NATO Allies do generally want to encourage and facilitate the survival of parts of the reform program. They believe the West can wield some influence but are wary of actions they think will aggravate the situation. Some leaders, notably West German, believe that the existing web of East-West ties has inhibited Soviet military action—the Allies' greatest fear regarding Poland.

42. Several factors are tending to push the Allies toward a stronger stand on Poland. They are sensitive to talk of US disenchantment with Western Europe following a perceived lack of support on issues such as Afghanistan, Iran, nuclear weapons, and defense spending. They realize the damage done to the fabric of the Alliance by public airing of dissension over Poland. In some countries, the domestic political situation has had a further hardening effect on government positions. Clearly a majority of West Europeans disapprove of the regime in Poland and of Soviet pressure on the Poles. Consequently, leaders of the larger NATO states have found, as the crisis over military rule has progressed, that the most politically profitable course—within limits—is to toughen their rhetoric on Poland.

43. Yet, a number of concerns also prompt the Allies to adopt a cautious stance. Their caution is powerfully motivated by a desire to protect the economic benefits received from dealings with the East. Led by the French and the West Germans, the Allies argue that economic sanctions hurt those applying the sanctions more than they do the target. They are quite likely to avoid taking measures that would incur the loss of revenue, jobs, or more diversified energy supplies.

44. Allied governments are willing to express strong verbal disapproval of repression in Poland and to hold the USSR ultimately responsible. They believe, however, that major punitive measures—which they see as increasing the chances of a long-lasting repression or Soviet military action—should be held in reserve as threats to deter such developments. Moreover, the Allies want to hold open the possibility of rewards for the Poles and Soviets should the situation improve. Even if the situation deteriorates further, the West Europeans are unlikely to take meaningful steps unless heavily pressured to do so by the United States.

45. The West Europeans are also chary of the idea that arms control—especially nuclear arms control—should be linked to events in Poland. Most West European governments believe that efforts to control nuclear weapons should proceed independently of any but the most brutal Soviet behavior. They are especially opposed to an interruption of the talks on intermediate-range nuclear forces. Nevertheless, in the event

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of direct Soviet military intervention in Poland, the Allies probably would accept grudgingly a suspension of the INF negotiations. They would caution, however, that NATO not give the impression of seeking to gain strategic advantage from this step, and if the situation in Poland stabilized they would urge that negotiations resume.

IV. PROSPECTS

46. Unprecedented internal and external conditions affecting Poland's development probably render past instances of regime consolidation in Poland (1956, 1970, and 1976), Hungary (1956), or Czechoslovakia (1968) a poor guide to Poland's future over the next 12 to 18 months. The key internal factors are economic disaster, military rule in the wake of a collapse of the Communist party, and a population that has experienced more than a year of increasing freedom from Communist controls. Externally, Poland teeters on the brink of default, remains dependent on economic ties with the West, but is looking more to the East to satisfy its needs. The USSR, despite its desire to lock Poland more tightly into the Eastern economic bloc, is nevertheless constrained in how far it can go by its own need for trade with the West and its own economic stringencies. Politically, Moscow must deal with the linkage between its behavior toward Poland and achievement of a critical foreign policy aim: further weakening of the Atlantic Alliance and prevention of INF deployment in Western Europe. This is one of the primary factors that compel it to put a premium on repression of resistance in Poland by the Polish authorities themselves.

47. Poland's future over the next 12 to 18 months has to some extent already been set by the choice to impose martial law, but various paths are still open. The decision to resort to force has ruled out genuine political accommodation as a trend possible within the period covered by this Estimate. The range of conceivable outcomes now runs from limited accommodation through a prolongation of the current national political stalemate to repression even more extensive than that currently practiced by the Jaruzelski regime. While the possibility of a lowering of public expectations and accompanying moderation by the regime exists, most of the near-term contingencies that the latter is likely to confront will probably push it toward continued repression rather than toward a relaxation of control.

Economic Stabilization

48. A central question is whether economic decline can be halted at a level that will provide a tolerable standard of living for the population (albeit that of 10 to 15 years ago), or whether the economy will plummet still further. A possibility of stopping Poland's economic slide does exist: the country has raw materials (notably coal) and a large agricultural production potential, a currently underemployed labor force, and unused capital stock. Yet, intractable problems confront the regime: a steep drop in vitally needed Western imports leading to a further decline in industrial output; rising underemployment problems; and disincentives for independent farmers to market their produce. These could lead to a further disastrous slide of the economy.

49. The need to enforce painful and unpopular choices—especially those of allocating extremely scarce resources between exports and the domestic market, and between the cities and the countryside—will at the very least reinforce political factors favoring continuation of martial law for an extended period. The regime fears that economic dislocations inherent in any economic plan it may adopt could spark public protest; it also knows that it will have to preside over a period of at least three to five years of austerity in order to have any hopes for management of its external debt problem and economic recovery. Thus, it is likely to rely primarily on coercion rather than persuasion to induce workers to produce more and farmers to cooperate with the state. At the same time, the urgent need of the government to obtain Western imports, credits, and debt relief and to encourage labor productivity may lead to a relaxation of some of the more vexatious features of martial law.

The Containment of Large-Scale Violence

50. Most resistance activities are and probably will continue to be nonviolent displays of opposition to the regime such as leaflets, posters, work slowdowns, and short work stoppages. However, the sources of potential violence that could erupt spontaneously without regard to underground activity are ready at hand: frustration over food shortages, lack of consumer goods, possible wage losses due to production cutbacks, and steep price hikes; anger over police repression and violence; widespread disenchantment among young

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Poles, especially students; dismay over the regime's corruption and inability to cope with Poland's problems; and hatred of the Russians. Although the regime has managed to restore caution among the people, it has apparently not succeeded in fully instilling fear in or breaking the morale of its opponents, nor has it succeeded in adequately stemming illicit communication that potentially could trigger and quickly spread violent resistance. We believe, therefore, that the chances of the occurrence of unorganized violence in the coming months are very high.

51. Whether isolated flareups of violence merge into large-scale nationwide conflagration will depend to a large degree upon the regime's handling of organized opposition and the strength of the latter. At least in the short run the pace of resistance efforts may accelerate and organization may improve. Acts of armed violence against the regime on the part of some groups, although strongly deplored by moderate underground elements, can be anticipated; and these will provide a reason for hardliners in the regime to argue for more draconian repression.

52. This spring is now a key juncture. There is a widespread expectation among Poles that with warmer weather will come more open resistance. This expectation will undoubtedly prompt some Poles to engage in violent acts. In anticipation, the regime will have to continue the use of repressive measures. If the regime can make it through the spring, there could be a psychological letdown among the populace that would increase the government's chances for averting widespread violence for a while. However, the potential for violent resistance will remain.

53. The substantial and well-trained forces of the Ministry of Internal Affairs have acted effectively in implementing martial law, and we believe they—with the continuing support of the Army—have a good chance of maintaining order.¹ If the situation deteriorated, the regime would probably employ the Army in

¹ Ministry of Internal Affairs forces include 100,000 members of the regular police, 25,000 in the Motorized Regional Citizens Militia (ZOMO), and 350,000 in the Voluntary Reserves of the Citizens Militia (ORMO). The ZOMO forces are specialized police trained and equipped for riot control. They have been in the forefront when violence was used to enforce martial law. The ORMO auxiliaries are part-time volunteers, widely regarded by the populace as thugs and informers. Regular ground forces number 290,000, about 25 percent of whom are first-term inductees.

a more active role but would choose those units selected and trained for such a role. In a situation in which there was a total breakdown of order, which we consider highly unlikely, the regime would have to contemplate using military units whose reliability in a violent confrontation with the population has yet to be tested. We believe that the Poles have sufficient forces to handle successfully most contingencies that could arise. Thus the likelihood of a Soviet military intervention is slight. Moscow remains willing, however, to move in should the Poles fail.

Political Tactics

54. The regime will continue to pursue a two-track policy aimed, on the one hand, at root-and-branch suppression of all organized underground resistance and, on the other, at the institutionalization of sanctioned communication and control links with the population. It foresees the emergence of some kind of ill-defined yet significant participatory-consultative process that would permit political accommodation with major social groups—workers, farmers, the intelligentsia, and students. If such a program could be implemented, this would sap the vitality of "extremist" underground resistance and contribute greatly to political stabilization.

55. The prospects for achieving effective links with the population cannot be disentangled from the regime's treatment of the opposition movement. The regime enjoys no trust and little, if any, legitimacy in the eyes of the population. To gain that modicum of trust necessary to establish such links, the regime would have to terminate fundamental rather than peripheral features of martial law—which would then be likely to accelerate underground resistance.

56. The regime's dilemma is capsulized in its quandary of what to do with the approximately 3,600 internees that it still acknowledges. Without a broad release of these prisoners (including Walesa), there is not much likelihood that the regime will be able to strike a genuine deal with any recognized spokesmen of the workers, arrange much of a dialogue with the Church, or interest Western governments in dropping sanctions. But with a broad release of prisoners not accompanied by a regime commitment to genuine systemic reform, there would be a clear danger of giving underground resistance a major shot in the arm.

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We believe that, in dealing with this issue, the regime will sacrifice accommodation in favor of short-run security interests, while attempting to convey an impression of moderation. What we are likely to see, therefore, is a differentiated approach to the prisoner-release problem, which will seek to defuse the danger of release through phased liberation of the least dangerous individuals, attempts to fracture unity among the remaining internees through extortion and provocation, continued detention of those who will not cooperate, and continued offers of emigration.

57. The regime faces perhaps an even more vexing dilemma over how to restructure the trade unions in general and what to do about the suspended Solidarity in particular. The regime realizes that any progress toward creating meaningful links with the population, especially the workers, is closely linked with the revival of some trade union activity. Yet it remains divided over the issue. The moderates will continue to advocate the creation of unions with limited independence, organized along occupational rather than regional lines, that would be allowed to air worker grievances while still subject to regime control. The hardliners, on the other hand, will push for the re-creation of the more traditional, "conveyor belt" model not much different from that which existed before August 1980. A victory for the hardliners would almost certainly further alienate the workers, fuel underground resistance, and probably force the Church to take a more confrontational position. The fact that the interned Walesa continues to retain a special status suggests that the moderates have not yet totally lost out on this point. But neither side appears to be strong enough to force the issue and there is little likelihood that the problem will be resolved during the next 12 to 18 months.

Evolution of the Regime

58. The restoration of the traditional power structure, emphasizing the party's leading role, will not occur quickly or easily and may become a source of tension over the next several years. Even when martial law is ended, the military may see a need for continuing its new role in political and administrative affairs, especially if the party and government are unable to develop coherent and effective programs, remain divided, and show little ability to exercise control. At the

top, decisions will probably continue to be made over the next year or so by an ad hoc group of leaders tenuously united by their common rise to the top of the power structure and by their personal ties to Jaruzelski. The situation is much more complex at lower levels, where conflicts may well emerge between military officials performing civilian duties and their party or governmental counterparts.

59. In policy terms, the regime of the next 12 to 18 months is likely to be subject to much the same conflicting pressures from hardline and moderate elements that the party Politburo experienced before the imposition of martial law. Jaruzelski will probably remain in overall control, but will supervise a party in which moderates are on the defensive and hardline elements appear better organized. As a worsening environment allows them plausibly to call for even more repressive measures, the hardliners' influence will probably increase in the coming months. Moscow will not provide unqualified support to all their initiatives but, will pursue a course that enhances stability and promotes Soviet influence.

60. Since the imposition of martial law and adoption of Western sanctions, the Polish regime has played up the alleged subversive ties of Solidarity and has voiced increasingly strong anti-Western—and especially anti-American—sentiments, while proclaiming even more forcefully its commitment to Moscow. This line flows from the regime's internal propaganda needs, its tactical requirements in suppressing resistance, and its desire to placate the Kremlin. The line may well become more pronounced over the next year, but the regime will be constrained to some extent by hopes of Western economic assistance.

V. IMPLICATIONS

Implications for Poland

61. Despite martial law, Poland remains unstable. The decisionmaking structure that has emerged is transitional, and lacks legitimacy. The regime is divided and factionalized, and has proved incapable to date of formulating a coherent political-economic strategy. Use of the Army for repressive purposes has weakened its public standing. It retains some sympathy in the eyes of the population, but it has lost its appeal as the one component of the regime to which most Poles felt

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allegiance. Popular discontent, stimulated by underground resistance, is likely to grow, reinforcing low productivity and possibly leading to violence. Under Archbishop Glemp's vacillating leadership, the Church has been thrown on the defensive and will be less able than previously to calm public passions or exert a moderating influence on the regime.

62. The regime may well be trapped into an ever-expanding resort to coercion. To end martial law, release the internees, and engage in good-faith negotiations with Solidarity and the Church would mean to accept power sharing. The regime imposed martial law precisely to avoid such an eventuality and it is even less likely now than last fall to accept it. The possibility that it will be prepared or able in the near term to accept these conditions which have been set for a lifting of Western sanctions is low. However, the regime will make a concerted effort to present an appearance that it is taking steps that amount to de facto compliance with the three conditions.

Implications for the USSR and Eastern Europe

63. The suppression of Solidarity by the Polish authorities themselves has allowed Moscow to distance itself from the imposition of repression while countering the immediate threat to Soviet hegemony in Eastern Europe. The political and economic costs to Moscow, however, will still be high. In addition to providing more economic assistance to Poland, the Soviets will have to compensate to some extent for the negative impact of martial law on economic ties between other CEMA countries and the West.

64. Continuing instability in Poland will exacerbate economic problems in the other East European countries. They are being increasingly shut out of Western credit markets, and this jeopardizes their ability—in particular, that of Hungary and East Germany—to continue meeting their financial obligations. Poland's failure to deliver goods will continue to force the East Europeans to purchase substitutes on world markets with scarce hard currency. The trend toward slow growth or stagnation, in part due to the Polish crisis, will also have a disquieting effect on their domestic politics.

65. The Soviets realize that the Polish situation for some time to come will impede their attempts to

promote political and economic ties with Western Europe and to divide the Atlantic Alliance. While they are prepared to accept losses, they will make a strong effort to play upon West European security concerns, interest in trade, and disagreement with US sanctions policy.

66. As a result of events in Poland, US-Soviet relations have sunk to their lowest point since the immediate aftermath of Afghanistan. Though US political and economic sanctions thus far have not had much impact on them, the Soviets are adopting protective measures in international financial markets and seeking alternative sources of grain and agricultural goods and credits. They will continue to charge that the United States is using the Polish crisis to heighten East-West tensions and make West European leaders and publics more receptive to deployment of new US nuclear missiles in Western Europe. Senior Soviet officials appear confident, moreover, that West European concerns will establish clear limits to future US sanctions and policy options. They count on pressure from NATO Allies to preclude US suspension of the INF talks and eventually to induce the United States to set a date for START.

67. The Soviet leaders' concern about the willingness of Polish Army and internal security units to maintain control in Poland probably has been allayed by these forces' effective performance in implementing martial law. The Soviets probably have some doubts, however, about the ability of the regime to mobilize Poland if it were called to support military operations against NATO. These concerns may cause some adjustment in Soviet operational planning, but, unless the Polish situation deteriorates radically, the Polish role in Warsaw Pact war-fighting strategy will probably not change. The effects of the crisis—especially the continuing economic constraints—will impede Poland's plans to modernize its armed forces and bring them up to Pact-wide standards of organization and equipment.

Implications for the United States

68. Over the near term, the United States will face a regime in Poland that is internally divided and unable to deal effectively with the country's problems. Internal political exigencies and a desperate need for greater Soviet economic assistance will motivate the

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Polish leadership to lean further toward Moscow and adhere to its present public anti-American posture, although this could well be tempered by private appeals to the United States for a relaxation of sanctions.

69. The United States does have means to produce a significant economic impact on Poland. It could, if it desired, contribute to the alleviation of Poland's food problems, which might facilitate stabilization of the regime while at the same time strengthen moderate elements. It could make a contribution, on a much lesser scale, in the area of industrial cooperation. Most importantly, the United States is in a position to exert a major influence over Poland's prospect for debt rescheduling, credits, and default. The US Government could seek to block IMF membership—on which Warsaw is counting for about \$4 billion over the next five years. It could also seek—with or without West European support—to embargo all exports to Poland and to boycott Polish goods.

70. If Poland were declared in default by major governments and private creditors, this would have a limited immediate impact on Poland's economy because the country already has a depressed trade level, virtually no access to new Western credits, and few assets vulnerable to seizure. Default would require Poland to run a small trade surplus in order to pay for all imports on a cash-and-carry basis. To do this, Poland would probably seize on default to evade, for a while, all debt-servicing payments to the West, and then use all hard currency export earnings to cover imports. But default could necessitate some special and cumbersome arrangements to carry out trade. More importantly, it would have an important psychological impact—through the open acknowledgment of "bankruptcy"—on creditors and would-be creditors of other East European states and of the Soviet Union. Additionally, it could, at the very least, delay and complicate Poland's attempt to join the IMF, thereby postponing important financial assistance. Overall, it would have a significant, though unmeasurable, impact on East-West trade relations, to the greater detriment of the CEMA countries.

71. Sanctions against Poland, including a declaration of default if this occurred, will tend to make Warsaw more dependent on Moscow and its CEMA partners. The longer the sanctions last, the more

permanent this shift is likely to be. However, this shift will not eliminate the underlying long-term need for Poland and other CEMA countries to develop certain economic and financial ties with the West. Despite predictable regime condemnation of sanctions, the popular attitude in Poland so far has been generally favorable but could change over time as economic deprivation grows.

72. The United States also has the capacity, through radiobroadcasting, to affect the thinking of Poles and the nonofficial communication in Poland of information and ideas. Morale among Poles, and the spirit of resistance, may depend somewhat on a sense that Poland has not been forgotten. The continuous jamming of all Voice of America and Radio Free Europe broadcasts attests to the regime's anxiety about their possible effects.

73. But the capacity to affect elements of the Polish problem does not mean that the United States has great leverage over the Polish regime and its Soviet overseers, in the sense of having the capacity to force Polish and Soviet leaders to respond in a desired way to US cues. US possibilities in this respect are highly constrained by the stake which both Warsaw and Moscow have in restoring a reliable system of Communist rule in Poland that will be adequately responsive to Soviet interests. Washington can affect the conditions with which the Polish and Soviet leaders must deal and in this way influence their actions, but is unlikely to be able to compel them to share power within Poland.

74. Over the next 12 to 18 months and beyond, the Polish crisis will have a large potential to affect the Atlantic Alliance, ranging from a major disruption to some solidification—depending on what happens in Poland and the reactions of the United States and our European partners, respectively. Events in Poland are likely to heighten Allied disapproval of the Polish and Soviet regimes, and alter some aspects of the Allies' relations with the Soviet Bloc—for example, reducing financial relations and producing sharp exchanges and perhaps a freeze at CSCE. But US pressure intended to quickly reverse the Allies' major policy lines toward the Bloc would be likely to become major public issues, forcing some West European governments to resist rather than cooperate with Washington and perhaps prompting moves counter to US interests.

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75. In the present martial law situation, the West Europeans have made the same formal demands on the Polish regime as the United States, but they will not insist on the same strict compliance as Washington. The Allies probably would be inclined to try to improve their relations with Poland if Warsaw took some further steps to end martial law, released most internees, and initiated the semblance of a dialogue with the Church and selected Solidarity representatives—all quite conceivable tactics that the Polish regime may pursue. In that case, it is unlikely that punitive measures taken thus far against the Soviet

Union by the West Europeans would be sustained for long.

76. In sum, within the next 18 months, the West cannot hope that any of its actions will lead to genuine political accommodation in Poland. The West can hope that the combination of Soviet and Polish needs for Western economic cooperation, continued Western rejection of business as usual, and continued passive resistance to the authorities by the Polish population will have some moderating influence on the regime and maintain the possibility of long-term compromise within Polish society.

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