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**USSR Monthly Review**



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**March 1982**

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March 1982*

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# USSR Monthly Review

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**March 1982**

The *USSR Monthly Review* is published by the Office of Soviet Analysis. The articles are coordinated as appropriate with other CIA offices.

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Comments and queries regarding the articles are welcome. They may be directed to the authors, whose

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March 1982*

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25X1

## Contents

	<i>Page</i>	
<b>Implications of the Polish Crisis</b>	<b>1</b>	25X1
<b>Perspective: The Polish Dilemma—Act II</b>	<b>1</b>	25X1
While martial law has eliminated organized opposition and restored a sullen calm in Poland, for the men in the Kremlin the risks and the stakes remain high. The time that will be required to rebuild the Polish Communist Party and the economy will assure Soviet sensitivity and vulnerability on Polish issues for several years to come.		25X1
<b>The Crisis in Poland: Implications for Polish Military Capabilities</b>	<b>3</b>	25X1
The efficient execution of martial law plans by Polish troops has probably persuaded the USSR that Poland can still be relied on to play a key role in Warsaw Pact wartime operations. The Soviets may adjust their operational planning and force structure, however, if the crisis undermines Polish military reliability or significantly delays the scheduled modernization of the Polish armed forces.		25X1
		25X1
<b>The Cost of Soviet Assistance to Poland</b>	<b>7</b>	25X1
Soviet assistance to Poland in 1981 amounted to about \$6 billion. The burden of supporting Poland is becoming increasingly onerous as the USSR's resource base shrinks and its hard currency position weakens.		25X1
		25X1
<b>The Polish Dilemma in Soviet–West European Relations</b>	<b>11</b>	25X1
The Soviets have so far been reasonably successful in using propaganda, diplomacy, and economic pressure to minimize the damage from events in Poland to their political and economic interests in Western Europe. They remain uneasy, however, about the impact developments in Poland may have on their relations with political and financial power centers in Europe.		25X1
		25X1

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**East European Response to Polish Crisis**  **15** 25X1

East European regimes generally are relieved that the Polish Government has been able to check Solidarity and restore order without Soviet intervention. Many of them, however, are concerned about the predominant role of the military and the decline of the party. They are also worried about having to provide economic assistance to Poland when they are trying to cope with economic problems of their own.

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**The Impact of the Polish Crisis on West European Communist Parties**  **19** 25X1

The imposition of martial law in Poland has frayed the relations of many West European parties with the CPSU, heightened the differences in approach to international Communism among the European parties, and intensified dissension within many of them.

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**The Impact of the Polish Crisis on Soviet Domestic Policy**  **23** 25X1

In the wake of events in Poland, Soviet leaders have shown heightened concern over the dissatisfactions of Soviet workers and consumers. They have taken a number of measures to make official trade unions more responsive to workers' interests, dampen rising consumer expectations, and learn more about the public mood.

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**Poland's Economic Strategy**  **27** 25X1

Premier Jaruzelski's economic strategy is to coerce 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 recovery. To achieve these goals, Warsaw is reducing living standards, considering forced agricultural deliveries, and seeking aid from its allies.

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[Redacted]

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**Other Topics**

**Implications of the Soviet Reduction of Oil Deliveries to Eastern Europe** [Redacted] **29**

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Moscow's reduction of oil exports to some East European countries is primarily intended to ease Soviet economic problems by freeing the oil for hard currency sales in the West. The oil cutback's likely disruption of the East European economies could damage Soviet political, economic, and military interests in the region. [Redacted]

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[Redacted]

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**The Polish Aircraft Industry: Soviet Influence in Design and Production** [Redacted] **33**

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Poland ranks among world leaders in number of aircraft produced, about 900 per year—primarily light transports, gliders, sport planes, and helicopters. Most of the output consists of Soviet-designed aircraft and components manufactured under license, although the Poles have established a few production agreements with Western aircraft firms and have tried to develop a non-Warsaw Pact export market. [Redacted]

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[Redacted]

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**Briefs**

**Decline in Soviet Industrial Output** [Redacted] **37**

25X1

**Rail Transportation Problems** [Redacted] **37**

25X1

**Completion of BAM Railroad Delayed** [Redacted] **37**

25X1

**Subway Expansion Enhances Civil Defense** [Redacted] **38**

25X1

**Propaganda Foul-Up** [Redacted] **38**

25X1

**Central Asian Officials Censured** [Redacted] **38**

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## Implications of the Polish Crisis

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### Perspective: The Polish Dilemma—Act II

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Act I of the Polish crisis ended when martial law eclipsed the broadly based reform movement spearheaded by Solidarity. The free trade union organization had become the standard bearer of popular dissatisfaction with party authoritarianism, bureaucratic incompetence, and faltering living standards. Most ominous in Soviet eyes was the collapse of the party amid increasingly political demands from Solidarity.

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Martial law has been successful in eliminating organized opposition and restoring a sullen calm in Poland. For the moment at least, the threat that institutional change emphasizing pluralism could spill over the borders of Poland and endanger Communist rule elsewhere in Eastern Europe has been stilled.

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Even if the Soviets can regard martial law as a success, it is not unqualified. Solidarity survives underground as a focal point for popular dissent. Some of its leaders are threatening an escalation of resistance in the spring. Poland's economy continues to deteriorate, with little hope of substantial recovery in the foreseeable future. The burden of foreign debt will remain crushing, and production will stagnate because of worker discontent and the absence of critical Western imports. The party is still in disarray, and the military regime will require years to rebuild it.

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For the men who rule the Soviet Union the stakes are high. Moscow's influence over the European left has been damaged: the Italian Communist Party—Europe's largest—has taken another step away from Moscow, and European opposition to INF has been at least temporarily weakened. The access of Moscow and its allies to Western credits has been reduced. A further unraveling of the situation in Poland could:

- Threaten to undermine the Soviet position in Central Europe because of Poland's location astride the Soviet lines of communication to East Germany and Poland's key military role in the Warsaw Pact.

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SOVUR 82-003  
March 1982

Secret

- Add a possibly massive aid burden at a time when the economies of the USSR and its allies are already strained.
- Aggravate the shift in Western perceptions of the Soviet Union, with negative consequences for Moscow's ability to drive a wedge between the United States and its NATO allies and to maintain access to Western credits.

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Moscow has strong incentives to maintain a low profile in the Polish crisis and minimize disruption to its ties with the major West European countries. The burden of supporting Poland's economy is cutting deeper into Soviet hard currency and other resources, and the West European governments, as potential consumers of Soviet natural gas, hold the key to Moscow's future hard currency earnings.

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The Soviets will continue to pursue the cautious off-stage approach they have used to this point. Over the next year, they probably will be willing to provide some additional hard currency assistance as well as raw materials to support the present martial law regime. Jaruzelski's progress in returning control to the party will be slow. Soviet and Polish leaders are girding for a long-term rebuilding effort in Poland. Hungary's recovery from similar problems, for example, took the better part of a decade.

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The articles in this theme package portray the costs of the martial law regime, primarily as seen from Moscow. The reader is likely to conclude that while the repressive measures of martial law will contain popular frustrations, the time that will be required to rebuild the Polish Communist Party and the economy will assure Soviet sensitivity and vulnerability on Polish issues for several years to come.

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**The Crisis in Poland:  
Implications for Polish  
Military Capabilities** [redacted]

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The Polish and Soviet leaders' concerns about the willingness of Polish Army and internal security units to maintain control in Poland probably have been allayed by the forces' effective performance in implementing martial law. The Soviets probably have lingering 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. [redacted]

missions (see table). All of these forces carried out their part in imposing martial law with speed and efficiency. [redacted]

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**Impact of Martial Law Operations**

Implementation of martial law has not seriously disrupted the Polish armed forces. Regular Army troops were used to back up the internal security forces. They deployed to urban areas throughout the country but were used in a support role (manning checkpoints, conducting patrols, and securing trouble areas), while the principal enforcement role was played by the Ministry of Internal Affairs troops. Most units of the regular Polish forces have now returned to garrison, and—if relative domestic calm continues—future martial law duties probably will not seriously interrupt their regular training. [redacted]

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[redacted] the Army depleted its 1982 fuel allotment in martial law support operations, and this, if true, could curtail this year's field exercises. [redacted]

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**The Armed Forces**

Poland plays a key role in Warsaw Pact war plans (see map). [redacted]

**Impact of the Economic Crisis**

In mid-1981 General Siwicki, Chief of the Polish General Staff, told the Ninth Party Congress that Poland's economic crisis was having an adverse impact on national defense. He warned that it might reduce the effectiveness of the overall Pact defense effort if it were not alleviated. Siwicki indicated that economic problems had weakened Poland's defense production industry, impaired the economy's ability to mobilize, trimmed the stocks of strategic reserves, and created difficulties in the modernization of the armed forces. [redacted]

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The Polish military has attempted to ease the short-term impact of domestic economic problems by conserving scarce resources, particularly fuel and food. Since early 1981 Polish military units have had their rations and fuel allocations cut, and this has affected unit training schedules. Such curtailment, if particularly severe or prolonged through several training cycles, would reduce Polish military preparedness. [redacted]

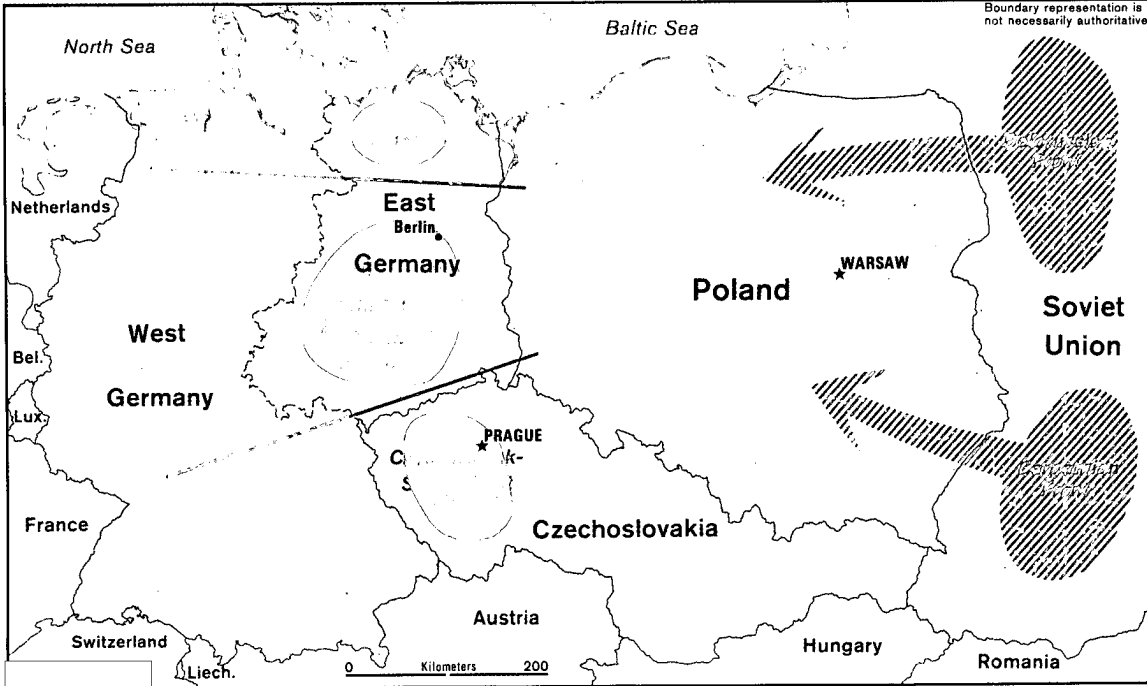
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In peacetime, the most important function of Polish forces is to guarantee the viability of Communist rule. In this role, the armed forces of the Ministry of National Defense—approximately 400,000 strong in peacetime—support the security forces of the Ministry of Internal Affairs, which include the national police force (called the Citizen's Militia) and several organs with more specialized internal security

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### Warsaw Pact Forces for Initial Operations in Central Europe



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During the crisis, Polish military manpower has been used extensively in civil sectors—beyond the normal participation of troops in harvest support and civilian construction projects. [redacted]

[redacted] this activity has created manpower shortages at some garrisons. We believe, however, that it has had only minimal impact on the Army's readiness to fight. Of 10,000 soldiers assigned to work in the Silesian coal mines, about a quarter were probably conscripts who had already been replaced in their units by newly drafted personnel. The remainder probably were in "noncombatant service," a category that includes skilled workers who are drafted, put under military authority, and then returned immediately to their civilian jobs. [redacted]

To maintain the relative combat capabilities of its forces, particularly in the face of NATO modernization efforts, Poland had planned to continue its gradual equipment modernization. Polish combat units (like those of the other East European allies) are more poorly equipped than similar Soviet forces, and some of the equipment in their inventories is of World War II vintage. The crisis is already hampering several

military production programs, however. [redacted]

[redacted] the political and economic situation made it impossible to consider beginning the licensed production of T-72 tanks in Poland—though the agreement to do so was concluded in the late 1970s. In addition, strikes and material shortages have interrupted deliveries of Polish-manufactured military equipment to other Pact countries. [redacted]

We anticipate that the Polish regime will attempt to expedite military production and that some of the planned modernization will take place regardless of economic conditions. [redacted] we judge that the Poles are moving ahead with T-72 production plans, albeit on a delayed schedule. Nevertheless, most goals almost certainly will not be met, and the primary effort will be devoted to extending the useful life of weapons the forces already have. Prolonged curtailment of modernization efforts will widen the gap between the capabilities of the Polish and the Soviet forces. [redacted]

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**Polish Armed Forces**

**Ministry of National Defense**

Armed Forces

Ground Forces  
 Personnel 290,000  
 (13 active divisions and two brigades)  
 3,400 tanks  
 1,136 artillery pieces  
 3,185 armored personnel carriers

Air and Air Defense Forces  
 Personnel 90,000  
 20 MIG-23s  
 360 MIG-21s  
 175 MIG-17s  
 30 SU-7s  
 35 SU-20s  
 36 SA-2 sites  
 14 SA-3 sites

Navy  
 Personnel 25,000  
 4 W-class submarines  
 1 Kotlin DDG missile destroyer  
 23 medium landing ships

**Ministry of Internal Affairs**

Regular Security Forces

Regular Police (Citizens Militia—MO) 100,000  
 Motorized Regional Citizens Militia (ZOMO) 25,000  
 Voluntary Reserve of the Citizens Militia (ORMO) 350,000  
 Border Guards (WOP) 20,000  
 Nadwislanski Units 3,500

**Military Reliability**

The Soviets probably remain confident in the commitment of the top Polish political and military leadership to the Warsaw Pact. Throughout their careers, the key military leaders have been trained by and have cooperated with the Soviets, and during the crisis many of them have stated publicly that a firm alliance with the USSR is the only guarantee of Poland's security. The Soviets have sometimes criticized the Poles, but Polish military leaders apparently are still being included in Pact military planning, Polish units

continue to participate in Pact military exercises, and Moscow continues to provide military assistance.

We believe the prospects for Polish security forces to maintain order are good. Overall, Polish and Soviet military leaders probably have been encouraged by the steadfastness and obedience to authority displayed by Polish troops. Before martial law, they were concerned about Solidarity's influence in the enlisted ranks, but Polish Army and security forces have performed creditably throughout the crisis. During disturbances at the Gdansk shipyards and at coal mines near Katowice, for example, Polish regular Army units sealed off the areas to allow Polish security forces to go in and deal forcibly with the demonstrators. So long as the Army and security forces remain loyal—and their recent performance suggests they will—the Polish martial law regime probably can prevent serious disorder and avoid provoking a Soviet military intervention.

Nonetheless, the Soviets probably remain concerned about the ability of the Polish regime to mobilize the politically unsettled country if it had to play its role in military operations against NATO. With or without the crisis, the wartime behavior of the Polish people would depend greatly on whether they perceived an unambiguous threat to their national interests. The Soviets probably are confident that, even lacking such a threat, most of the Polish units could still be directed into planned Warsaw Pact operations. However, they would have to reckon that the successful operation—and even the security—of their lines of communication through Poland might be jeopardized by popular disapproval.

**Soviet Response**

Whatever loss of confidence the Soviets may feel, their military responses will be constrained by economic realities and the political context of what they are trying to accomplish—the maintenance of Poland as a stable, reliable ally. Thus, so long as there is no military collapse or serious disaffection, the Soviets are likely to resolve their doubts in Poland's favor and to sustain and strengthen the Polish military posture in its accustomed roles.

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To keep Warsaw's military modernization effort from complete stagnation, Moscow may increase the level of its military aid. The Soviets and Poles have discussed the types and amounts of military equipment to be supplied. We doubt, however, that the Soviets will view military aid as a principal solution to the problem of Polish force development. Reestablishment and growth of the defense industry will be given high priority in Polish plans for economic recovery. [redacted]

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We are confident that Warsaw Pact planners will not make major changes to deemphasize the Polish role in operations. Such changes would serve only to decrease the Pole's sense of responsibility and obligation to the Pact. Nonetheless, the Soviets may make subtle adjustments to their unilateral plans for military contingencies in Europe. [redacted]

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[redacted]

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Considering the fragility of Poland's political situation, any changes of Soviet force posture in Europe and the western USSR will almost certainly be gradual and unobtrusive. Barring a major breakdown of order in Poland, the Soviets probably will not send additional divisions into Eastern Europe. Permanent increases in the readiness posture of a few selected divisions in the western USSR would serve as a hedge against a decline in Poland's capability to fulfill its role in Warsaw Pact plans [redacted]

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[redacted]

If in the coming months the Polish Army or security units demonstrate an inability or unwillingness to maintain internal security, the Soviets will probably augment their forces in and around Poland. Such deployments could precede or accompany direct Soviet intervention in security operations. More than likely, they would be carried out with the passive cooperation of the Polish military. [redacted]

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[redacted]

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**The Cost of Soviet Assistance to Poland**

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Moscow has sharply increased its economic assistance to Poland since the beginning of the Polish crisis in July 1980. The burden of providing this support is becoming increasingly onerous as the USSR's resource base shrinks and its hard currency position weakens. Last year, direct and indirect hard currency aid to Poland represented roughly 5 percent of Moscow's hard currency earnings. This cost will cause Moscow to place an even higher premium on achieving sufficient stability in Poland to allow a reduction in Soviet aid. The Soviet-Polish relation profits Warsaw the most in economic terms but provides Moscow with large political and strategic benefits.

The USSR charged Poland only about \$17 a barrel for its oil last year, or one-half the amount it was receiving for oil sold in the West. At the same time, Poland's trade deficit with the USSR rose to the equivalent of \$2 billion. Finally, the Soviets boosted direct hard currency help to \$1 billion, all in the first quarter of the year. This help included a financial grant of about \$200 million, credits for food purchases in the West worth another \$200 million, and rescheduling of the \$820 million hard currency debt owed the USSR in 1981. In addition, the Soviet Union agreed to postpone until 1985 all repayments on Poland's ruble debt.

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**The Assistance Record**

Soviet assistance to Poland now accounts for roughly one-fourth of Soviet economic support to all of Eastern Europe.<sup>1</sup> It consists largely of subsidized exports of oil and other materials. Planned precrisis support to Poland in 1980 (mostly in the form of price subsidies, especially for oil) amounted to roughly \$3 billion. Following the emergence of worker unrest at midyear, Warsaw was unable to live up to its export commitments, especially for coal, and the trade deficit quickly climbed to \$1.2 billion for the year. Moscow granted Poland about \$300 million in hard currency assistance, largely in the form of a rollover of earlier Soviet hard currency credits, to help mitigate the effects of the unrest. On balance, total assistance for 1980 hit an estimated \$4 billion, roughly twice the previous year's level.

**The Situation in 1982**

A promise of substantial ruble credits for Poland in 1982 comes at a time when the USSR is trying to lessen the burden of providing economic support to Eastern Europe.<sup>2</sup> The military takeover last December, however, forced the USSR to modify its policy regarding economic support for Poland. While Moscow probably has not decided on the actual amounts of aid that will be required, Warsaw hopes the USSR will provide more rather than less support. In a protocol signed in early January, Moscow agreed to allow Poland to run a deficit of 1.2 billion rubles in their mutual trade in 1982. Although the amount is less than the 1.4-billion-ruble deficit the Soviets allowed in 1981, the agreement represents a major reversal from the negotiating stance that was being taken before martial law was imposed—that trade would be balanced.

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Soviet assistance to Poland rose to an estimated \$6 billion in 1981. The growing gap between the price Moscow charges Poland for oil and world market prices accounted for a major portion of the increase.

<sup>2</sup> Soviet-East European trade growth had slowed markedly in real terms by the mid-1970s as Moscow curbed exports of oil and industrial materials. Not only did the USSR want to husband its resources, but it presumably also wished to limit assistance provided through subsidized export prices. Trade agreements for 1981-85 signed with East European countries in early 1981 called for a leveling-off of Soviet oil deliveries and little or no increase in exports of other industrial materials. Later in the year, Moscow reportedly informed the Czechoslovaks, East Germans, and Hungarians that their purchases of Soviet oil on concessionary terms would be reduced.

<sup>1</sup> The costs calculated in this article include (a) conventional economic aid in the form of ruble credits to cover trade imbalances, (b) opportunity costs involved in charging "bargain prices" for exports and paying "premium prices" for imports, and (c) direct hard currency assistance in the form of credits and/or the rolling over of Polish hard currency debt to the USSR.

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Moscow has not yet indicated a willingness to provide Poland new direct hard currency assistance this year, but the need to prop up the new government may force its hand on the issue. Poland desperately needs Soviet funding for foodstuffs and essential industrial materials such as steel and chemicals—goods the USSR would be hard pressed to supply from domestic production. If Moscow were to completely fill these immediate needs, the hard currency could total \$2-3 billion in 1982 alone. Such expenditures on behalf of Poland could add as much as 10 percent to Moscow's hard currency outlays this year. The USSR would probably be less willing to cover a portion of the \$3 billion in interest and \$7 billion in principal payments due this year on Poland's hard currency debt to the West out of concern that such aid would not help provide goods for the Polish economy. The USSR's own emerging hard currency problems provide strong incentives for Moscow to hold down its assistance as much as possible. [redacted]

[redacted] during Jaruzelski's early March visit to Moscow the Soviets agreed to provide Poland with more aid than called for in the January protocol. [redacted] did not, however, indicate how much additional aid would be provided or what form it would take. We believe the Soviets will allow the Poles to run a 1982 trade deficit larger than called for in the January accord. Along with some likely hard currency assistance, the USSR could accelerate deliveries of Soviet goods. In any event, the offer probably falls well short of what the Poles were asking. The Soviets may attempt to make further aid contingent on Warsaw's continuing to pursue policies that Moscow approves and, thus, may dole out additional aid piecemeal. [redacted]

**Economic Interdependencies**

Although the Soviets will want to minimize future support to Poland, providing too little could cause Poland's economy to collapse. Even without concessionary aid, Warsaw is heavily dependent on Moscow for critical industrial materials, which it has purchased for the most part in exchange for goods not readily marketable in the West. Overall, roughly 40 percent of Poland's imports come from the USSR. [redacted]

For several products, (notably oil, iron ore, and cotton), Soviet deliveries have become indispensable because Poland lacks the hard currency to buy Western substitutes. Without any foreign exchange in its coffers, Warsaw has ceased buying OPEC oil. Soviet crude oil now accounts for nearly all Polish consumption. In contrast, Poland was purchasing 25 percent of its oil in the West as recently as two years ago. Without Soviet oil, insurmountable transportation bottlenecks would occur. Petroleum accounts for over four-fifths of the energy used in the transportation sector. Since only a fraction of the railroad system is electrified, a cutoff of oil would halt the movement of most products within Poland. Given the small stocks of almost all vital raw materials, the impact on the economy would be instantaneous, far reaching, and paralyzing. [redacted]

Warsaw, on the other hand, is not without leverage over Moscow. Poland's rail network and pipelines are critical to both the USSR and the CEMA economies. A breakdown in the transportation network between the USSR and Poland would place particular and immediate pressure on East Germany. It would, for instance, pose a logistical threat to the security of the Group of Soviet Forces, Germany. Alternate overland routes from the USSR simply are inadequate to transport the supplies normally shipped through Poland. The rail network in Czechoslovakia is already overburdened, regional road systems are poor, and there are shortages of trucks. [redacted]

Moscow also would be hurt—albeit temporarily—by the cutoff of Polish deliveries that would result from a cessation of Soviet trade. Although Soviet dependence on imports from Poland is small, this trade can be helpful at the margin given the USSR's resource pinch. Of greatest importance to the USSR are Polish deliveries of sulphur, coking coal, and some transportation equipment. If Moscow were no longer to receive Polish sulphur—which accounts for about 7 percent of Soviet consumption—the USSR would have to turn to the West or do without. Doing without could jeopardize Soviet output of sulphuric acid and its derivatives, including nitrogenous fertilizers. [redacted]

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Only 5 percent of the coking coal consumed in the USSR came from Poland prior to the cutbacks in deliveries in 1980-81, but Soviet steel mills located close to the border rely heavily on Polish coal. Current coal production difficulties in the Ukraine have compounded the problem for the Soviets. Moscow could mitigate the effects of disruptions from Polish deliveries by arranging to purchase coal and sulphur from the West in return for oil and other raw materials previously sent to Poland, but only over time.

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Moscow can exert strong economic pressure on Warsaw without cutting off aid. It could, for example, hold out the promise of sizable hard currency support for political good behavior. It could—and probably will—also make the granting of future ruble credits contingent on Polish good behavior. Moscow will have to balance its perception of what is necessary to keep Poland on the right track against the USSR's own deteriorating hard currency position in making decisions on assistance to Poland.

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**The Polish Dilemma  
in Soviet-West  
European Relations** [redacted]

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The Soviets have so far been reasonably successful in using propaganda, diplomacy, and economic pressure to minimize the damage from events in Poland to their interests in Western Europe. If the situation remains relatively calm, they will continue their attempts to divert Western attention from Poland and refocus it on issues such as arms control negotiations and the Peace Movement. In the event of a serious upheaval, they will seek to moderate the European response by blaming US interference and economic sanctions for pushing Poland over the brink. [redacted]

NATO Council communique of 11 January by "sympathetically" conceding that the NATO Alliance is "used as a mechanism for imposing on West Europeans the will of their overseas partner." [redacted]

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Central to Soviet responses to European expressions of concern over Poland has been the allegation that Washington is dramatizing the situation in Poland to "worsen the East-West dialogue" and block talks on "the most important issues," namely, arms limitations. [redacted]

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**Propaganda Campaign**

Although the Soviets appear to have contained the European reaction, they seem to have been caught off guard by the outpouring of Western criticism over Poland. They must have expected a negative reaction to the imposition of martial law, but they do not appear to have anticipated the degree to which they would be charged with responsibility for the actions of the Polish generals. The widespread condemnation of the Soviet role has caused some damage to Soviet interests, for example, by robbing the European peace and antinuclear movement of some of its momentum. Still more worrisome, however, is the prospect that future events in Poland may result in wider sanctions and credit restrictions, thus adding to the strain on the already hard-pressed Soviet economy. [redacted]

In a 20 January *Pravda* article two senior foreign affairs spokesmen cautioned European signatories of the 11 January NATO communique that siding with the United States on political and economic measures against the USSR and Poland could lead to a "second, expanded, and enlarged Cold War." Other Soviet commentaries sounded the theme that the Yalta agreement had sanctioned the division of Europe into capitalist and socialist spheres and that US criticism of Polish developments was really aimed at overturning the postwar order in Europe. The latter argument had particular resonance in West Germany, where some influential opinion makers have argued the same case. [redacted]

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**Diplomatic Reaction**

The effort to distinguish between US and European actions and interests has been even more evident on the diplomatic level. Soviet President Brezhnev's replies to letters sent him in late December by President Reagan and Chancellor Schmidt reportedly differed significantly in tone, the letter to Reagan being negative and uncompromising, and the one to Schmidt, moderate. [redacted]

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The Soviets have relied heavily on propaganda to counter the negative effects of Polish events. The main thrust of their effort has been to differentiate between the United States and its European allies, denouncing the former for its "dangerous" words and actions, and warning the latter against permitting themselves to be used—or misused—to serve US interests. Moscow publicly expressed approval of the moderate response of West German leaders following the imposition of martial law. It also assessed as positive the EC countries' failure to join in the economic sanctions adopted by the United States on 29 December. Similarly, it absolved the West European member states of primary responsibility for the

Foreign Minister Gromyko's January meeting with Secretary Haig in Geneva was also shaped with an eye to the European reaction. Although Gromyko was publicly contemptuous of Haig's announced intention

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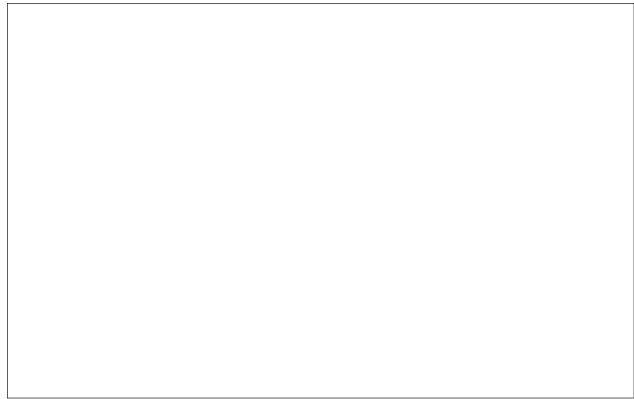
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to focus on Poland, the Soviets apparently determined that it was in their interest to participate. Gromyko's efforts to refocus the talks on questions of disarmament in Europe were primarily intended for a European audience. [redacted]

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The thrust of Moscow's diplomatic strategy emerged in Gromyko's talks with East German Government and party officials immediately after the Geneva meeting. Gromyko was concerned with coordinating the Eastern response to Western criticism of Polish events, particularly at the CSCE talks which resumed in Madrid in early February, and with preventing the inclusion of West Germany in a united Western front on Poland. Soviet strategy has been to counter West Germany's uneasiness about being isolated in NATO because of its relatively low-key response to Poland with hints of improvements in intra-German relations. [redacted]

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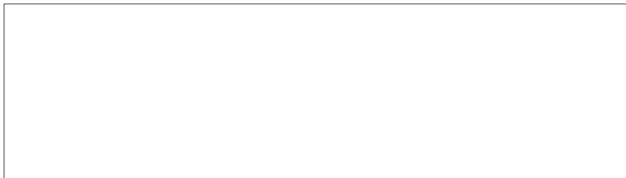
*Economic Relations*

A primary Soviet concern has been to prevent the Western reaction from spilling over into effective economic sanctions. Although resigned to US sanctions, the Soviets have sought to prevent the emergence of a united front which could be much more damaging than US sanctions alone. [redacted]

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The Soviets have used disarmament meetings to charge the United States with pursuing a confrontational course and for being the main impediment to progress in arms control and peace in Europe:

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The Soviets believe that West Germany is central to any unified Western action. They have sought to take advantage of the priority the Federal Republic's governing coalition, as well as the opposition, assigns to insulating East-West economic relations from other international developments. The Soviets have publicly argued that adoption of a policy of sanctions against the USSR would inflict the worst damage on the FRG—the USSR's biggest trading partner in Western Europe [redacted]

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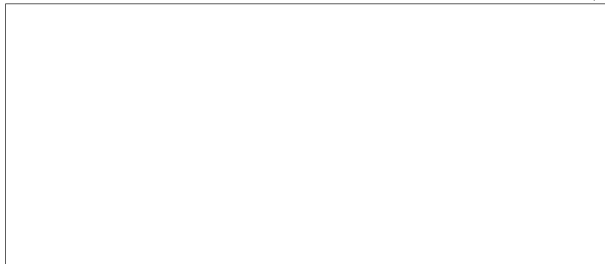
- While US and Soviet INF negotiators pondered in Geneva, the Soviets suddenly went public. On 2 February, Brezhnev intoned that diplomacy requires "denouements," not "linkages"—an obvious allusion to US attempts to link arms control talks to Soviet restraint in Poland and elsewhere. Eight days later TASS disclosed the Soviet proposals at the INF talks. [redacted]

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The Soviets have played heavily on the theme that sanctions could result in further economic dislocations in a West European economy already in the throes of a recession. In a major article in *Pravda* in early January, Soviet Minister of Foreign Trade Nikolay Patolichev warned that countries yielding to pressure "from across the ocean" could pay for it with the loss of their trade with socialist states. [redacted]

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The Soviets have been most concerned with protecting the giant Yamal pipeline, which is crucial to Moscow's hard currency earnings over the next decade. They now appear confident that the West Europeans will resist US pressure to scuttle the gas pipeline,

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since the French ignored US protests and proceeded to sign a framework long-term gas purchase contract after the imposition of martial law, and the Germans have held to the agreement signed in November. The decision by a consortium of French banks in early February to grant the USSR low-interest credits of \$140 million for the pipeline was probably viewed in Moscow as a psychological victory in its efforts to discourage further NATO trade sanctions. Other Allies have competed with each other to provide financing at rates as much as 5 percent below the cost of money to Western governments, although some German banks recently deferred to NATO and EC declarations on Poland and denied the Soviets additional credits. [redacted]

The Soviets are concerned about the adverse effects that military intervention could have on their economic interests in the West, particularly as they are already witnessing an erosion of their creditworthiness with Western banks. If intervention does become necessary, however, the Soviets will not be deterred by Western threats of further economic sanctions, but will calculate—on the basis of Czechoslovakia in 1968 and Afghanistan in 1979—that West European memories are short. [redacted]

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***Assessments and Prospects***

Soviet officials publicly exude confidence that West European countries will not go too far in exerting political or economic pressure on Poland or the USSR. Events so far have reassured them that the Europeans do not want Poland to take precedence over economic interests and are not prepared to see East-West relations deteriorate seriously because of martial law there. [redacted]

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Nevertheless, Soviet officials remain uneasy because of their inability to guarantee the future course of events in Poland. Demonstrations there which resulted in serious casualties could heighten the Western reaction and raise the prospect of agreed and damaging sanctions. Moscow knows that the likelihood of damage to Soviet interests in the West would increase if Soviet troops were to become directly involved. [redacted]

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If the situation remains relatively calm, the Soviets will attempt to make Poland recede from the minds of the West Europeans by focusing attention instead on the INF talks and Soviet willingness to begin START negotiations. In the event of a serious upheaval, the Soviets will probably support further repressive measures by the Polish military regime, while attempting to attribute their necessity to US economic sanctions and interference. [redacted]

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**East European Response to Polish Crisis** [redacted]

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The East European regimes generally are relieved that the Polish Government has been able to check Solidarity and restore order without Soviet intervention. Many of them, however, are concerned about the predominant role of the Polish military and the decline of the party. They fear that the regime will not be able to maintain control and that Soviet troops will yet be required. They are also worried about providing economic assistance at a time when they are suffering economic problems of their own and their creditworthiness is being questioned by Western bankers [redacted]

- Bulgaria, while criticizing activities that would foster liberalism in culture and the arts, also took special measures to increase food supplies and continued modest economic reforms.
- The Hungarian Government ordered local officials to be more sensitive of citizen complaints, postpone scheduled retail price rises, and start dialogues with unions and students.
- East Germany became slightly more attentive to worker complaints. [redacted]

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**Before Martial Law**

The other East European Warsaw Pact governments generally disagreed with the compromises the Polish regime made with Solidarity. Czechoslovakia and East Germany felt most immediately threatened and often were ahead of the Soviets in publicly criticizing Solidarity and the Polish Government's willingness to bend to the union's demands. Similarly, Romania viewed many of the Solidarity gains as excessive and feared that the Soviets might see intervention as the only solution in Poland and as a necessary reassertion of the Brezhnev doctrine in Eastern Europe. Even Hungary, which at first gave the organization cautious praise, retreated when it sensed that its own liberalization program might be threatened if Solidarity achieved too much and the Soviets decided that a return to more orthodox political behavior was in order. [redacted]

In contrast, Romania and Yugoslavia, which have shown increasing signs of unrest over the past year, have taken a much harder line. Romanian President Ceausescu, who always has feared that reform will lead to pressures for additional compromises, has chosen instead to use repressive measures to curb unrest, although he did postpone price rises until early this year. Yugoslav leaders likewise slowed their plans to introduce major economic reforms because of domestic unrest. No one in the Yugoslav hierarchy has assumed Tito's decisive leadership, and those in power fear that Albanian and Croat nationalism may get out of hand if controls are relaxed. [redacted]

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**Since Martial Law**

East European regimes view the imposition of martial law as a mixed blessing. Most approve of Jaruzelski's move but fear that his approach will not work and that Soviet intervention may still occur. Many are concerned that the power of the Polish military will spell trouble for the future of the Polish party and could set a dangerous precedent for their own countries. [redacted]

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Most regimes recognized that Solidarity's achievements had little to do with the level of dissident activity in their own countries. Nonetheless, several took steps to improve conditions seemingly in response to events in Poland.

- Although Czechoslovakia cracked down on dissident groups, it delayed scheduled consumer price hikes until early this year.

The regimes already following the Soviet line have had the easiest time dealing with martial law. Prague was relieved that the Polish public did not resist and pleased that the Church did not call for massive

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popular resistance. The Balkans are somewhat uneasy with the "banana republic" solution in Poland, but only Yugoslavia has expressed its fundamental disagreement with the military regime. [redacted]

Since the imposition of martial law, official comment from Budapest has become closer to that of the Soviets while private comments show growing sympathy for the plight of the Poles. The regime continues to reassure the Soviets that liberalization in Hungary does not threaten party control. [redacted]

#### *Economic Impact*

The East European countries have been bearing part of the costs of the Polish experiment. Between September 1980 and the imposition of martial law in December 1981, they probably shipped at least \$750 million in grain, food, and other consumer goods to Poland; since then they have sent amounts worth another \$250 million. We do not know whether these deliveries were grants, loans, above-plan sales, or advance deliveries, but such amounts were above earlier levels and are high for countries that are themselves short of consumer goods. Apparently the only outright hard currency aid has been East Germany's grant of \$100 million in late 1980. [redacted]

The East Europeans also have provided indirect aid by agreeing to accept reduced deliveries from Poland, to pay more for Polish goods, and to send raw materials to Poland for processing in idle factories. Some increased shipments to the USSR may have been to compensate the Soviets for larger deliveries to Poland. [redacted]

The tightening of access to Western credit markets in recent months, but particularly since the imposition of martial law, has been the most troubling economic problem for many of the East European regimes. Poland's continuing financial troubles, Romania's growing arrearages, and a general downturn in East-West relations have made Western bankers increasingly leary of lending to East European countries, including Yugoslavia. Intermediate and long-term financing have now all but disappeared. In combination with generally poor current account positions—Czechoslovakia and Bulgaria are exceptions—the

deepening shadow of Poland's crisis threatens forced reductions in badly needed Western imports and still slower industrial growth rates. A further deterioration in the Polish situation could force still greater austerity measures elsewhere in Eastern Europe and possibly rescheduling or default on debt to the West. [redacted]

Along with these economic burdens, the decline in the Polish economy and the disruptions in various Polish industries hurt other East European countries. East Germany and Czechoslovakia, heavily dependent on imports of Polish raw materials such as coal and sulfur, were especially hard hit when Poland failed to deliver because of production declines or because it chose to sell in the West. These countries were forced to seek alternative sources of supply, primarily in the West and Yugoslavia, where they had to use scarce hard currency for payment. [redacted]

Finally, the loss of Polish imports and the general economic uncertainty in Poland have complicated economic planning throughout Eastern Europe. Announcements of the new national five-year plans have been delayed, and bilateral trade protocols with Poland through 1985 are meaningless in light of the uncertainty about Poland's economic future. As a result, leaders of the CEMA countries last June were unable to agree on a five-year plan. [redacted]

#### *Foreign Policy Implications*

Thus far, changes in Poland have not altered relations between the USSR and the other East European countries, even though the Soviets have privately protested the stands of the more independent ones, primarily Yugoslavia. [redacted]

Within the Soviet camp, Hungary probably feels the most vulnerable to Soviet pressure because of Kadar's internal liberalization, and if Moscow demanded more orthodox behavior, the Kadar regime would acquiesce despite the potential for internal unrest. The Soviets apparently have tapped the East Germans to try to drive a wedge between the West Germans and the United States. East German party leader Honecker and West German Chancellor Schmidt were meeting

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when martial law was imposed, and Schmidt did not break off their talks. Since then the East Germans seem to be weighing how their actions will play in Bonn, and media treatment, especially of Western "interference" in Poland, seems to be muted in an effort to avoid poisoning intra-German relations. [redacted]

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For many of the regimes, heightened East-West tensions and worsening relations with the West have been the most difficult problems to tackle. In addition to the decline in Western financial help, countries such as Romania and Yugoslavia are finding it hard to assert their independent foreign policy views. Even Bulgaria, which privately has been trying to improve economic relations with the United States, has publicly joined in the Warsaw Pact's propaganda campaign against US policies. [redacted]

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**Outlook**

Poland will continue to be an economic drain on the rest of Eastern Europe, where the regimes in any case had little hope of getting their economies back on track soon. Indeed, the decline in or loss of Polish deliveries increases the likelihood that they will face lower economic growth and a need to spend scarce foreign exchange to find alternative sources of supply. Their economic links with the West, which several saw as ways to assert their independence from the Soviets and to boost their economies, will be severely curtailed or even broken. [redacted]

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The immediate spillover from Poland, however, is unlikely to convince the various East European regimes to alter their basic strategies for coping with the political and economic challenges of the 1980s. Those states that take refuge in orthodox practices will stick to them, while those that seek progress through innovation will go on experimenting—if a bit more cautiously. All will continue to be sensitive to Soviet guidance. [redacted]

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**The Impact of the Polish Crisis on West European Communist Parties** [redacted]

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The imposition of martial law on Poland has frayed the relations between many West European Communists and the Communist Party of the Soviet Union (CPSU). It has also brought into question differences in approach to international Communism and intensified internal problems already plaguing most parties in the region. [redacted]

The West European Communist parties have not, however, made the same sort of specific recriminations against Soviet pressure on Poland that the non-Communist parties and the West European governments have. Italian and Spanish Communists have treated the Polish issue as a focus of a deeper ideological and political question: the importance and viability of the Soviet model in contemporary Communist thought and practice. [redacted]

Polish repression has done nothing to ease the West European Communists' opposition to US reactions to Polish developments or to US security policy in general. They reject what they feel are US interference in Polish affairs and US efforts to use Poland's problems as an excuse to destroy detente and chain the Allies to US policies. West European Communists remind their audiences of alleged US sins in Turkey and Latin America, which many of them see as analogous to the Polish situation. [redacted]

The rhetorical response of the various West European Communist parties to the Polish crisis follows from their attitude toward Polish developments before martial law. By moving away from the Soviet model, the creators of Polish renewal lent credibility to a major thread of "Eurocommunism": the search for a road to socialism based on indigenous European Marxist tradition and on the premise that Communist parties in developed capitalist states—rather than the Soviet or Third World parties—are the cutting edge of historical development. [redacted]

To West European Communists, the Polish renewal was evolving into a practical example of the difference between themselves and social democrats, on the one hand, and Soviet-style Communists on the other. Polish renewal promised to provide an atmosphere of democracy and trade union independence in a political structure still dominated by a party with revolutionary rather than reformist traditions. West European Communists were fond of pointing out that many of the strikes and political actions in Poland after August 1980 would have been just as illegal in the Western countries that praised them as in the Warsaw Pact States that condemned them. [redacted]

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**The Italians**

*Approach to International Communism.* The Italian Communist Party (PCI) is the largest and most influential West European Communist Party and a major political actor both in Italy and throughout Western Europe. Its ideological challenge to Soviet leadership of the international Communist movement is the most serious intra-Communist dispute since the Sino-Soviet split. [redacted]

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In a sense, Poland is only the latest in a series of international crises that have moved the challenge from the theoretical to the practical plane. It is specifically European, however, and more important to the PCI. [redacted]

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The PCI leadership forthrightly condemned the imposition of martial law. The problem was central to European security and to the major differences between Soviet and Italian Communists. The PCI has been successful in gaining media support for its condemnation. In addition, the imposition of martial law revived memories of the 1968 invasion of Czechoslovakia. PCI leaders used both events to attack Soviet repression and to underscore their belief that their brother Communists in Eastern Europe would take a democratic direction if permitted to do so. [redacted]

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The Communist slippage and Socialist advance in Western Europe have encouraged PCI leaders to move from Eurocommunism to a "Third Way"—a search for common ground with non-Communist left-ist parties to help their climb to domestic legitimacy and international respectability. The PCI needs to be all things to all people—it must continue:

- To oppose Polish repression.
- To stress the doctrinal and political failures of the Soviet system.
- To attack US foreign and security policy.
- To show that its Third Way is not a mere retreat to social-democratic reformism, but a revolutionary strategy based on the necessity of class struggle in developed capitalist states.

The PCI will need more Polands or Czechoslovakias to illustrate the practical vitality of the Third Way in comparison to the Soviet System. [redacted]

*Frayed PCI-CPSU Relations.* [redacted]

[redacted] Polish events brought the PCI and CPSU closer than ever to an actual rupture in relations. The PCI's response to Polish repression has led it another step toward legitimacy in Italy as a loyal opposition and potential governing party. [redacted]

It is unlikely that a formal break will occur, but the PCI will probably try to intensify its substantive debate with Moscow. The tone of this debate will reflect the PCI view that Soviet-style socialism is as obsolete as the Socialist International (with which the PCI is also willing to work). [redacted]

*The French*

The French Communist Party (PCF) has been the major West European political loser in the Polish crisis. It took a position rationalizing the imposition of martial law as necessary because of Solidarity's excesses, a position which has run against the grain of West European feeling and clearly destroyed what little remained of PCF claims to ideological and political independence. [redacted]

A belated and tentative effort to modify the position hurt the party further. A letter from PCF leader Marchais to Jaruzelski expressing concern over martial law was generally scorned as a hypocritical attempt to regain public favor. The damage increased when Soviet Politburo member Chernenko praised the

PCF's Polish policy in his speech to the party's congress in February 1982. It is difficult to imagine how the PCF could have managed matters worse. [redacted]

The French Communist leaders' dealing with Polish problems has caused significant tension within the party. Earlier crises did not have this effect; the party's support for the Soviet invasion of Afghanistan caused considerable damage to its public image but did not lead to major soul-searching among the members, and Pol Pot's excesses made it relatively easy for the PCF to support Vietnam's overthrow of his Democratic Kampuchea. [redacted]

The Polish crisis has caused public demonstrations of rank-and-file dissatisfaction as well as internal policy debates. The powerful French trade union movement has been a particular source of restlessness. Communist trade union leaders reluctantly followed the party line and stayed away from mass demonstrations protesting martial law. Individual groups of Communist unionists attended, however, and voiced as much displeasure at PCF policy as at Polish repression. [redacted]

The blow to PCF credibility does not immediately threaten Marchais' position, however. He was re-elected at the congress, and no clear alternative is in sight. [redacted]

Nevertheless, unless French Communists can find a new focus for party unity, the Polish crisis will continue to weigh them down. The PCF's stock is the lowest it has been since World War II, and if the crisis moves to increased repression and bloodshed or to Soviet intervention, it may sink even lower. The party probably would condemn a Soviet invasion, but few in France would take its line seriously. [redacted]

*The Spaniards*

Spanish Communist leaders initially hesitated to comment on martial law, perhaps fearing that strong criticism might jeopardize their financial support from Cuba, North Korea, and other Communist states. More recently, however, they have denounced it, in an effort to refurbish their international image as the most independent West European Communists.

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While the Italians have been careful to avoid an open break with Moscow, Carrillo declared a formal rupture between the Spanish Communist Party (PCE) and the CPSU. [redacted]

The PCE, weaker than its French and Italian counterparts, has long sought to establish a reputation on international issues, and it hoped that Poland would be a good vehicle for enhancing the party's doctrinal and political independence. Unfortunately, the PCI-CPSU polemic has overshadowed PCE statements, and Carrillo's break with Moscow seemed like a shallow effort to regain public attention. The Soviets hardly noticed—a fact that probably infuriated Carrillo and embarrassed his followers. Rather than dignifying Carrillo by a rebuttal, Moscow may plan to work around him with pro-Soviet elements in Spain. [redacted]

Most importantly, Spanish Communists are deeply divided, and this prevents them from developing either an effective domestic strategy or an effective line on Poland. The "Renovators" (PCE leaders interested in greater internal party democracy) were, to a large extent, the ideological fathers of PCE Eurocommunism. Since Carrillo ousted them, he seems unable to generate sophisticated ideological and political arguments to support his policies. [redacted]

The weak PCE risks being overshadowed permanently by the strong Spanish Socialist Party, and Carrillo does not need a PCI-style Third Way to increase Socialist domination of the Spanish left. The PCE thus continues to stress its Eurocommunist credentials and hopes to stave off a proliferation of Socialist-Communist united fronts in Europe. The Italians' interest in such fronts could become a cause of future differences between Spanish and Italian Communists—although the PCE cannot afford to differ too sharply from a party whose attention and support it needs. [redacted]

It is likely that Carrillo will fail in his efforts to win the PCE international prominence and that the Third Way will replace Eurocommunism as a vibrant leftist movement. Until Carrillo can settle his internal problems—or is replaced by someone who can—the Spanish Communist Party seems destined to lose international stature and domestic strength. [redacted]

**Other Parties**

The Polish issue has seriously affected other parties as well. The Portuguese Communist Party, largest pro-Soviet West European party except for the French, has been hurt domestically by public reaction against Polish repression. Party members seem to be ignoring the Polish issue as much as possible and trying to concentrate public attention on opposition to NATO security policy. [redacted]

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The Belgian and British parties are badly divided over Polish developments, and the former may even suffer a formal split over the issue. Dutch Communists, more Eurocommunist in outlook, are relatively unified in opposition to martial law but have suffered domestically from the anti-Communist fallout from Polish repression. Pro-Soviet parties, such as the West German and Austrian, have suffered even more. [redacted]

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The Dutch, British, and similar Eurocommunist parties have so far refrained from joining the ideological offensive against Moscow led by the Italians and, to a lesser extent, the Spaniards. The smaller parties do not have a significant electoral base on which to rely in lieu of international Communist support. So far, the PCI has been slow to offer international political, polemical, and organizational help to other parties claiming independence from Moscow. All of these Communists probably want to avoid the impression at this stage of creating a new organization, or of cutting themselves off irrevocably from existing Communist forums. [redacted]

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## The Impact of the Polish Crisis on Soviet Domestic Policy [ ]

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Events in Poland have heightened the sensitivity of Soviet leaders to dissatisfactions among their own population. Several high party officials have stated publicly that the shortcomings of official trade unions, unfulfilled consumer expectations, and the leadership's misreading of public opinion were the principal factors leading to the breakdown of authority in Poland, and have suggested that similar problems are a cause for concern in the Soviet Union. To prevent such mistakes, some leaders have stressed the need for greater responsiveness to the concerns of workers and consumers, while others have called for a reaffirmation of traditional values to strengthen public morale. Soviet leadership concern over the USSR's own economic problems, including recent shortages of food and other consumer goods, has been increased by the problems in Poland. [ ]

showed new concern for improving their living and working conditions. At the same time, however, they stressed that unions must not challenge the leading role of the party. These rhetorical gestures to improve the credibility of the unions were soon followed by measures to demonstrate the leadership's new solicitude for workers. [ ]

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The first public assessment of the implications of the Polish situation for the Soviet Union was made by President Brezhnev at the 26th Party Congress in February 1981. Brezhnev attributed Poland's problems to the leadership's lack of understanding of the public mood, the country's economic problems, and the influence of Western views on society. He suggested that party leaders in the Soviet Union should learn a lesson from the Polish experience, and he urged them to pay more attention to the "voice of the masses." [ ]

In January, for example, the CPSU issued a decree to help improve vacation facilities for trade union members. Last July, the organization charged with protecting workers' safety was upgraded to state committee status, and a former trade union official was appointed as its head. There has also been a broad effort to strengthen the hand of trade unions in factory production conferences—the principal forum for union officials and administrators to resolve disputes. Managers who try to bypass its authority have been sharply criticized in the press. [ ]

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During Jaruzelski's visit to Moscow in March 1982, Brezhnev also indicated that the Soviet leadership was rethinking some domestic policies in the light of Polish events. He stated that the "bitter lessons" of Poland are something to learn from and that Communists "know how to learn." [ ]

Party leaders and the press have repeatedly urged party organizations to provide greater support for the unions, particularly in their dealings with management, and several party organizations have been reprimanded for failing to give such support. In addition, unions have been encouraged to take a bolder stance, and numerous press reports of negligent administrators being dismissed at the initiative of local unions have appeared. [ ]

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### *Trade Unions*

Soviet leadership concern over the domestic impact of events in Poland has been reflected in efforts to make Soviet trade unions appear more responsive to workers. Shortly after the start of the Polish crisis, Soviet leaders publicly began to encourage trade unions to be more assertive in defending workers' interests and

Apparently displeased with the way trade unions have been run, Soviet leaders removed trade union chief Aleksey Shibayev on 5 March. Although his replacement, Stepan Shalayev, has a trade union background, he was not a part of the current union leadership. This change follows repeated criticism of the trade unions from Brezhnev and other party leaders, who have stressed the need for the unions to more actively defend workers' interests. [ ]

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**April Ideology Conference**

The themes raised by Brezhnev at the 26th Party Congress were discussed in greater detail at a major national ideology conference organized by Suslov last April. One Soviet journalist privately described the conference as an effort to "tighten the ideological screws" in the wake of Poland. At the session, party leaders assessed the impact of the Polish situation on the Soviet population and outlined measures to combat its effects. Although most of the speakers did not specifically mention Poland, many did, and the speeches from the conference provide a comprehensive overview of the Soviet leadership's assessment of the domestic implications of the Polish crisis. [redacted]

Central Committee Secretary Rusakov pointed to Poland's economic problems as a key factor leading to the unrest. Other speakers at the conference reported that, as in Poland, Western ideas are having a negative impact on the Soviet population. Central Committee Secretary Zimyanin, for example, reported that it was "no secret" that Western propaganda is having a negative impact on certain people, and he called on ideology workers to make new efforts to demonstrate to the Soviet people the advantages of socialism over capitalism. Party secretary Suslov stated it would be "wrong" to ignore the effects of alien ideologies on the population, strongly condemned "consumerist" attitudes, and indicated that it would be necessary to lower the expectations of Soviet consumers. Deputy Premier Makeyev attributed the need for belt-tightening to the arms race, and in an appeal to Soviet patriotism stated that the "heavy burden of defense expenditures is preventing us from achieving our goals for improving social welfare." [redacted]

**Campaign Against Consumerism**

The concerns of the ideology conference were further elaborated in a ringing editorial in *Kommunist*, which lashed out against "bourgeois-consumerist cosmopolitan" values within Soviet society. The editorial strongly condemned Western stress on individual and material comforts and referred scornfully to the notion that the West is a "land flowing with milk and honey." The editorial made a strong appeal to traditional, patriotic values and particularly stressed the importance of historical traditions. [redacted]

More recent expressions of concern over consumerism have drawn sharper parallels between the situations in Poland and the USSR. The economic factors leading to the Polish unrest, along with their implications for the Soviet Union and other "socialist" countries, were discussed in a November *Pravda* article by Petr Fedoseyev, a member of the Central Committee and a vice president of the Academy of Science. Fedoseyev asserted that Poland's "complicated economic situation" and the deteriorated ideological climate were major factors contributing to the crisis. He indicated that other Bloc countries should draw a lesson from this experience, warning that unchecked "private property habits" and other bourgeois sentiments can corrupt any socialist system from within. [redacted]

In September, Central Committee member Richard Kosolapov confirmed that Soviet leaders were reassessing some domestic policies in the wake of Polish events. [redacted]

Kosolapov stated that the CPSU was now conducting a "high priority" analysis of Polish unrest and that economic problems were a key factor leading to the crisis. He said that one lesson for other socialist countries was the danger of incurring large debts to the West. Kosolapov stressed similar themes in a July *Pravda* article and stated that Poland shows the danger of pursuing unrealistic, "utopian" economic programs. [redacted]

These expressions of concern have been accompanied by a well-coordinated media campaign to dampen rising expectations among Soviet consumers. A sharply worded article in *Pravda* on 9 November by Feliks Kuznetsov, the head of the Moscow Writers Union, touched on many of the themes that have since become common. Kuznetsov strongly condemned the "consumerist mentality" of Soviet citizens, who he charged had become "slaves" of money and material possessions. To evoke a sense of sacrifice, he suggested that people should pursue nobler goals "sacred to the human soul." He attributed the growth of consumerist tendencies among Soviet citizens to their increasing exposure to Western material values, warning that in an era of mass communications it would be "naive" to assume that the "consumerist myth" of Western

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propaganda would "float over us like an innocent cloud without making any mark on human hearts." While these themes have been raised before by Soviet writers, they have gained currency over the past year.

[redacted]

Other officials have also tried to placate consumer demand by appealing to traditional patriotic values and evoking a sense of sacrifice. This tactic was evident in a question and answer session by Aleksandr Chakovskiy, the editor of *Literaturnaya Gazeta* and a Central Committee candidate member, broadcast on Soviet television in February. Chakovskiy stressed the past "sufferings" and "hardships" of the country and expressed concern that Soviet youth today would find it difficult to make the types of sacrifices made during World War II. Chakovskiy continued to play upon these patriotic themes when he stated that current shortages of food and consumer goods bore a "direct relation" to the costs of the arms race.

Current shortages of food and consumer goods in the Soviet Union and the specter of Polish unrest over similar shortages appear to be key factors behind this campaign to dampen consumer expectations. Over the past year the food situation has deteriorated throughout the country and rationing has been introduced in many regions.

**Attention to Public Opinion**

Against the background of this attack on consumerism, other leaders have been warning of the need to pay more attention to public opinion. They have stressed the Polish leadership's misreading of the public mood as a key factor leading to the unrest and have called for increased monitoring of public opinion in the Soviet Union. Brezhnev first linked this issue to Poland in his speech to the party congress, stating that events there show the need to follow the views of the masses more closely. Although some leaders had previously called for greater attention to public opinion, this theme has been pressed with new vigor since the party congress. Several months later,

[redacted] acknowledged in a private conversation that pressures for reforms similar to those in Poland were slowly building in the Soviet Union.

Politburo member Konstantin Chernenko has offered the strongest warning of the danger of ignoring public opinion in the light of events in Poland. Writing in the February 1982 issue of *Voprosy Istorii KPSS*, Chernenko cited Brezhnev's remarks to the party congress and reminded readers that the "harsh lessons" of recent years underscore the danger of political crisis. To forestall such a crisis he strongly urged party leaders to pay more attention to public opinion, to broaden public discussion within the party, and to be more receptive to new methods of resolving problems.

[redacted]

Chernenko gave a similar warning in *Kommunist* in September 1981. He wrote that the experience of "other socialist countries" shows that Communist parties must constantly stay in close touch with the "vital interests" of the people. He cautioned that the party is powerless without popular support and quoted Lenin as saying that if the party does not "correctly express what the people feel . . . the whole machine will break down." Chernenko further warned that unless the interests of all elements of society are taken into account by the leadership, there is a "danger of social tension and political and socioeconomic crisis."

[redacted]

Over the past year the themes raised by Chernenko have received increased attention in the press. In a major *Pravda* article in September, for example, R. Safarov, referring to Poland, stressed the importance of understanding the public mood in reaching "correct political decisions." Safarov stated that public opinion provides a "sensitive barometer" to the "hidden processes of social life" that are otherwise scarcely perceptible, and can provide leaders with "advanced warning" of potential "conflict situations."

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**Poland's Economic Strategy** [redacted]

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Premier Jaruzelski's economic strategy is to coerce 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 recovery. To achieve these goals, Warsaw is reducing living standards, considering forced agricultural deliveries, and seeking aid from its allies. Austerity, however, risks intensifying discontent and jeopardizes Jaruzelski's hopes of reaching an accommodation with the people.

[redacted]

After earlier periods of unrest, Polish leaders rapidly increased wages and food supplies to reduce political tension. Jaruzelski does not have this option, however, because of Poland's huge hard currency debt and limited access to new credits. He also has to contend with widespread shortages of food and consumer goods, excess money in circulation, and the reluctance of farmers to sell to the state.

Western sanctions compound these problems by reducing imports and production and by complicating Poland's financial situation. Sanctions prevent Warsaw from importing on credit and using export earnings to pay interest to banks. This reduces the amounts of vital materials and food that can be purchased from the West.

Jaruzelski seeks to increase output to a maximum by requiring a six-day workweek in key industries and by slashing Western imports. The regime plans to run a \$530 million trade surplus with the West in the first half of 1982 in order to pay some debt service and reassure Western creditors.

**Enforced Austerity**

The Premier is relying primarily on massive retail price increases to force down living standards, absorb excess money, and correct market disorder. The price hikes on food and utilities enacted on 1 February raised the overall cost of living by more than 30 percent, while wages were increased by only an

estimated 20 percent. The regime also has reduced the real value of private savings by adjusting savings accounts upward by only 20 percent and by crediting the adjustment only after February 1985.

Almost one-fifth of the population—including private and collective farmers, craftsmen, many service employees, and clergymen—has not received any compensation under these measures. Private farmers, moreover, have to contend with price hikes on equipment, fertilizer, and other supplies that outweigh the increases in prices they receive for their products.

Consumers also face more retail price increases on manufactured goods this year, although the government will monitor price changes by enterprises and consider further wage compensation. The impact of the additional burden may be just as severe as the food price increases.

Jaruzelski clearly hopes that higher retail prices will reduce hoarding, shorten lines, and leave more goods available for sale. This might help to mollify consumers and give farmers more incentive to sell to the state. The price increases on 1 February apparently have helped keep more goods available, although some of the improvement probably reflects government efforts to put more goods on the market to cushion the blow.

**CEMA Assistance**

Warsaw is seeking help from its CEMA allies to compensate for reduced supplies of Western materials. The Poles have asked for large trade deficits, a grain "loan," additional raw materials, and accelerated deliveries in order to reduce idle production capacity. In addition, they almost certainly want hard currency assistance.

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The USSR has been more responsive than East European countries in allowing a 1.2-billion-ruble deficit this year. This is less than the deficit of 1.5 billion rubles in 1981 but double what the Poles sought last fall.

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The Soviets also have agreed to reduce machinery exports in favor of more useful goods and to provide some above-plan shipments. These concessions do not cover Poland's needs, however, and Jaruzelski will keep pushing for more help.

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One concession by CEMA will help only temporarily. The CEMA countries agreed—apparently to help soften the impact of martial law—to ship a larger share of planned deliveries of a wide variety of goods for 1982 in the first three months of the year and to let Poland defer temporarily some exports. Warsaw is required, however, to increase exports substantially from April through June and to make do with fewer imports.

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**Outlook**

Jaruzelski is aware that his economic policy is a gamble, requiring patience by the Polish people and Western creditors as well as generous aid from other members of CEMA. At best, Poland probably will only be able to pay less than half of the \$2.5 billion interest obligations due this year to private bankers, thereby keeping default an ever-present possibility.

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Polish consumers may well react to further reductions in their living standards by increasing resistance. The likely failure of Poland's allies to grant enough assistance will generate tensions within the Bloc. It also may undercut the arguments of Polish hardliners that Poland should rely completely on the East and push Warsaw back toward the West.

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The combination of martial law restrictions under declining living standards reduces the chance that any accommodation with the populace will be reached or significant economic reform be made. Compulsory agricultural deliveries would bring the regime into conflict with private farmers and the Church. Jaruzelski's economic policy, thus, will favor perpetuating a strong martial law apparatus.

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## Other Topics

### Implications of the Soviet Reduction of Oil Deliveries to Eastern Europe

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The Soviets will reduce oil exports to some East European countries in 1982 and possibly through 1985 to roughly 10 percent below 1981 levels. Moscow probably is motivated primarily by the need for hard currency and apparently calculates that the political risks are acceptable. Nonetheless, the likely weakening of the East European economies could damage Soviet political, economic, and military interests in the region.

#### *Dimensions of the Cutback*

The reduction could exceed 95,000 barrels per day, roughly 6 percent of planned shipments to Eastern Europe. The burden will not be evenly distributed:

- Czechoslovakia, Hungary, and East Germany, which in 1981 received more than 90 percent of their combined oil imports from the USSR, will probably absorb nearly all of the reduction. They can each expect cutbacks of at least 10 percent in 1982: 38,000 b/d for Czechoslovakia and the GDR and 19,000 b/d for Hungary (see table).
- Bulgaria, which also receives more than 90 percent of its oil imports from the USSR, has at least been denied increases; there have been no reports of cuts thus far.
- Romania pays hard currency (or hard goods) for the Soviet oil it buys (roughly 20 percent of oil imports in 1981) and probably will not be included in the cutback.

#### Eastern Europe: Crude Oil Consumption in 1981

Thousand Barrels Per Day

	Consumption	Imports	Imports From USSR
<b>Total</b>	<b>1,995</b>	<b>1,965</b>	<b>1,620</b>
Bulgaria	320	340	300
Czechoslovakia	390	405	385
GDR	395	435	380
Hungary	220	185	185
Poland	330	340	320
Romania	340	260	50

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- Soviet interest in propping up the Polish regime probably precludes any cutback in deliveries to Warsaw.

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#### *Soviet Motivations*

Moscow's substantial economic support of Eastern Europe—in great part through exports of oil at subsidized prices—has aggravated the Soviet Union's own economic difficulties. In the coming years, the drain will be accentuated because Moscow's ability to draw on imports for its needs will diminish. Oil exports—the Soviets' largest source of hard currency earnings—will gradually fall, and natural gas exports, the only alternative major earner of hard currency,

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cannot be increased substantially until after 1985. The Soviets now apparently want to transfer some of the resources previously committed to Eastern Europe—particularly oil—to bolster their own sluggish economy [redacted]

**Impact of Oil Export Cutbacks on Soviet Economic Problems**

Cutting oil deliveries to Eastern Europe will ease temporarily the Soviets' growing economic difficulties. The largest benefit will come not from using the oil domestically, but from selling it for hard currency. Even in today's soft oil market, the potential sales could earn more than \$1 billion in hard currency. These revenues appear increasingly important in view of Moscow's rapidly deteriorating hard currency position and the need to provide economic assistance to Poland. The poor 1981 harvest forced the Soviets to spend some \$4 billion more in hard currency for agricultural imports in 1981 than in 1980. We expect the agricultural import bill to climb even higher in 1982. The Soviet deficit in hard currency merchandise trade more than doubled in 1981, to some \$6 billion, and a similar or larger deficit is likely for 1982. [redacted]

Sales of oil diverted from Eastern Europe will not prevent the deficit from increasing. It will, however, help the Soviet leaders for the time being to increase food imports, avoid a substantial decline in current living standards, and assuage popular grumbling over consumer goods shortages and diversion of Soviet goods to Poland. Recent press attention to the need to remain sensitive to public opinion and needs indicates leadership sensitivity to the political implications of shortages. [redacted]

The longer term economic benefits of reductions in aid to the East Europeans will be slight unless deliveries are scaled back much further. The currently projected cutbacks will not measurably help to accelerate Soviet GNP growth through 1985, and rising domestic oil consumption will still reduce substantially the oil available for hard currency exports. The Soviets would have to reduce annual oil shipments to Eastern Europe by half between now and 1985 to satisfy most domestic needs and still maintain substantial oil exports to the West. The risk of serious

economic and political problems in Eastern Europe in the event of such a cut, however, makes that option unlikely. [redacted]

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**Impact on Eastern Europe**

The reduced Soviet oil deliveries are a serious blow to the already stagnant economies of the East European countries affected. Virtually stagnant per capita GNP would have been likely in those countries in the 1980s even if Soviet oil supplies had remained constant; a decline in per capita GNP is now a real possibility. [redacted]

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The East Europeans have little prospect for buying oil on the world market or for buying Soviet oil for hard currency. Czechoslovakia, East Germany, and Hungary have already made painful cuts in Western imports because of hard currency debt problems. Czechoslovakia and East Germany would each have to spend an extra \$500 million and Hungary \$250 million to maintain their 1981 levels of oil supply. They cannot substantially boost hard currency earnings, and the reluctance of Western banks to increase their lending in the region will preclude their borrowing the amounts needed. [redacted]

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The East Europeans intend to deal with the oil reduction primarily by increasing energy conservation. To date, however, many energy-saving programs have been ineffective, and industrial energy use has generally increased in step with industrial output. Cutbacks in investment are hindering conservation by slowing the replacement of older equipment that uses more energy than newer machinery. [redacted]

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At least in the short run, therefore, all three of the East European economies targeted for cutbacks will suffer:

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- In Czechoslovakia, national income will stagnate at best, and a decline in living standards is likely. Substantial reductions in heating oil and motor fuel supplies are already part of an austere 1982 plan.
- In East Germany, the reduction in Soviet oil supplies could hamper growth in 1982. Recent conservation measures such as a 12.5-percent decrease in diesel fuel allocations will slow the growth of industrial output.

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- In Hungary, the prospect is for continued stagnation if Soviet deliveries are reduced by 10 to 15 percent. The Hungarians have already imposed three straight years of economic austerity in an effort to balance their foreign trade accounts. [redacted]

provide an incentive for them to seek other sources of economic support. Over the long term, this could weaken Soviet influence. [redacted]

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**Soviet Calculations**

Moscow recognizes that reduced oil deliveries could damage its interests in Eastern Europe, but it apparently does not expect serious problems. The Soviets may reason—or hope—that, even if economic performance is hurt, consumer dissatisfaction will not lead to open unrest, or that if it does, the East Europeans themselves will be able to contain it. They probably believe, moreover, that most East European countries will be able to adapt eventually to the cuts.

More immediately, any setback to the East European economies would affect regional economic and military planning. The economic burden of effecting Warsaw Pact force improvements and sustaining current levels of training activity would be increased. East European resistance to Soviet pressure for accelerated force modernization would increase. [redacted]

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Reduced Soviet oil deliveries may lead to increased political problems for some East European regimes. If tighter oil supplies cause more severe shortages of fuel and consumer goods, consumer dissatisfaction will almost certainly hamper efforts to increase worker productivity and may cause more serious popular unrest and anti-Soviet feeling. [redacted]

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Nevertheless, the Soviet decision to make the oil cutbacks selective and to show greater tolerance on some other issues suggests awareness of the political hazards involved.

Although for economic reasons Moscow might prefer to reduce oil exports to Eastern Europe much further, it realizes that there are political limits to its freedom of action. If the present cutback should prove to be based on a miscalculation, the USSR will probably restore some of the cuts. It can only do this, however, at the expense of its own economy. Moreover, even a reversal of course would not repair all the damage done to the confidence of East European leaders in Soviet economic support. [redacted]

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- Poland has apparently been exempted thus far, undoubtedly because of the high potential for further unrest. It may even receive some of the oil diverted from the other CEMA countries, even though Moscow also may continue to use the threat of reductions in food and fuel deliveries as levers against the Jaruzelski regime.

[redacted]

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- Similarly, Moscow has not openly protested Hungary's application to join the International Monetary Fund. In addition to expressing confidence in Kadar, this may signal that it has recognized the need to loosen some traditional controls in partial compensation for a tighter Soviet aid policy. [redacted]

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**Prospects**

Nonetheless, the oil reductions are likely to work against long-term Soviet interests. Most important, a more conservative Soviet aid policy will diminish the political leverage that Moscow has derived from its role as the major supplier of energy and raw materials to its allies. The problems the oil cutbacks will cause the East Europeans, and their concern that there may be more cutbacks in this and in other areas, will

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### The Polish Aircraft Industry: Soviet Influence in Design and Production

Poland's aircraft industry ranks among the world's leaders in the number of aircraft produced, with production focused primarily on transport and agricultural aircraft, helicopters, light sport aircraft, and gliders. Over the period 1975-80, production was fairly stable at about 900 aircraft annually. Most of the output consists of Soviet-designed aircraft and components manufactured under license, although the Poles have established a few production agreements with Western aircraft firms and have tried to develop a non-Warsaw Pact export market. The current political situation may result in a temporary decline in production, but overall output over the next five years is expected to remain at roughly the 1975-80 level. The Soviet MI-2 helicopter and AN-2 and AN-28 transports will be the primary products.

#### Background

The Poles began producing foreign-designed aircraft under license in the 1920s and indigenous aircraft shortly before World War II. Immediately after the war, they attempted to develop a number of domestically designed sport and trainer aircraft and light transports, but the lack of a market within the Soviet bloc limited production. Consequently, since the early 1950s the Polish aircraft industry has largely concentrated on the production of Soviet-designed aircraft, engines, and components.

In the 1970s the Polish Government, seeking to lessen its dependence on production agreements with the Soviet Union, authorized expanded contacts with Western aircraft producers. As a result, the Polish aircraft industry now:

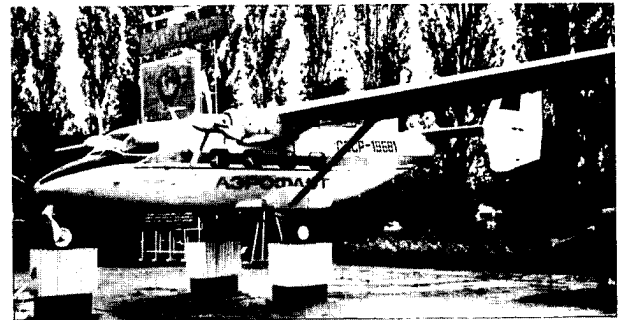
- Produces under license aircraft engine components for Pratt & Whitney of Canada.
- Has purchased the manufacturing and marketing rights for the entire range of air-cooled piston engines produced by the US Franklin Engine Company (a now-defunct manufacturer of engines for light aircraft).

#### Principal Products of Polish Aircraft Industry in 1980s

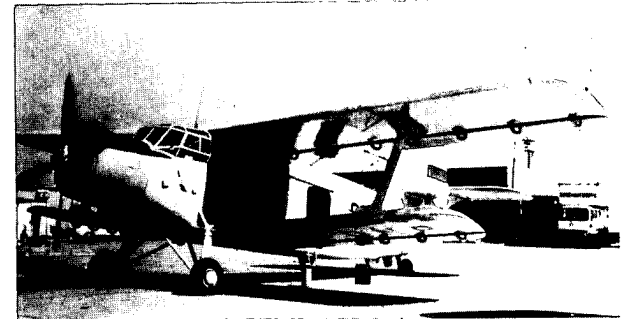
MI-2



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Table 1

## Major Polish Airframe Plants

Plant	Product	Comment
WSK-PZL Mielec	AN-2 Colt	Over 9,000 Colts produced through 1981; production expected to continue until 1983.
	AN-28 Cash	Production expected to begin in 1983.
	TS-11 Iskra	Polish-designed jet trainer, produced in small numbers; currently believed out of production.
	M-15 Belphegor	Soviet-Polish-designed agricultural jet, total production not expected to exceed 270.
	M-20 Mewa	Piper Seneca.
	M-18 Dromader	Composite of the Rockwell International Thrush and the AN-2.
WSK Okecie	PZL-104 Wilga	Polish-designed general-purpose monoplane.
	PZL-106 Kruk	Small Polish agricultural aircraft.
	PZL-110 Koliber	French Rallye Socata produced under license; production is not expected to exceed 40 per year.
Swidnik/Lublin	MI-2 Hoplite	Over 3,500 helicopters produced through 1981 in military and civilian configurations; production expected to continue to 1985.
	Kania, Taurus, and Super Kania	Three variants of the MI-2 incorporating engine changes and cosmetic changes to the airframe for export to the West.
	W-3 Sokol	Possible replacement for the MI-2; production is not expected until 1985.

- Produces the French Rallye Socata sport aircraft (given the Polish designator PZL-110 Koliber) and the US Piper Seneca light aircraft (M-20 Mewa).
- Has purchased production rights for portions of the Rockwell International Thrush Commander S-2R executive aircraft (designated M-18 Dromader). Poland has not yet developed a significant export market for these non-Soviet products, and Western-related activities remain a minor segment of the aircraft industry. [redacted]

**Airframe Plants**

The Polish aircraft industry is concentrated in three airframe plants and two engine-production facilities, plus assorted component suppliers. The airframe plants are at Mielec, Warsaw/Okecie, and Swidnik/Lublin and primarily produce transports, agricultural aircraft, and helicopters (see table 1). [redacted]

**Mielec.** The largest airframe plant is WSK-PZL Mielec.<sup>1</sup> It is best known for licensed production of the Soviet AN-2 Colt light transport, of which it built over 9,000 between 1958 and the end of 1981. AN-2 production is expected to range between 200 and 250 aircraft per year through 1983; then it is to end and licensed production of the AN-28 Cash light transport is to begin. The AN-28 will not be manufactured anywhere except in Poland, where it probably will be produced at the same rate as was the AN-2. [redacted]

Mielec also produced the TS-11 Iskra jet trainer, the Polish candidate for the Warsaw Pact common trainer. The Czechoslovak L-29 was chosen, and only a few Iskra trainers were produced (for domestic use and export to the Third World). We believe the Iskra

<sup>1</sup> WSK-PZL are initials standing for transportation equipment plant-Polish aviation industry. [redacted]

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is no longer in production, but the Poles have recently discussed a new engine for it and may still be building it. [redacted]

In addition, Mielec has produced the M-15 Belphegor, an agricultural jet of joint Soviet-Polish design, which has not lived up to advertised expectations. The program will probably be completely scrapped after only limited production. Other light aircraft produced at Mielec are the Piper Seneca (M-20 Mewa) and the M-18 Dromader, which combines parts of the Rockwell International Thrush Commander S-2R with the AN-2. Production of these two systems is approximately 75 aircraft per year. Mielec also supplies components for the Soviet IL-86 Camber wide-body transport; these include wing flaps, ailerons, and vertical tail sections. [redacted]

**Warsaw/Okecie.** The Light Aircraft Science and Production Center PZL Warszawa (commonly referred to as WSK Okecie) has been a leader in the design and development of light sport aircraft. It is the primary production center for Polish-designed aircraft of this type, including the PZL-104 Wilga and the PZL-106 Kruk. WSK Okecie produces the PZL-110 Koliber, but because the export market is limited, production is not expected to exceed 40 per year. [redacted]

**Swidnik/Lublin.** The Swidnik/Lublin complex (also called WSK-PZL Swidnik) has concentrated on the production of Soviet-designed helicopters. Since 1966, the plant has produced more than 3,500 MI-2 Hoplite helicopters in both military and civilian configurations for customers in the Warsaw Pact and the Third World. In a desire to expand exports to the West, Swidnik has developed three new variants of the MI-2, incorporating only cosmetic changes. Sales have not been as successful as hoped. In addition, the facility has developed a Polish-designed helicopter, which reportedly has been accepted by the Soviet Union for use (throughout the Warsaw Pact forces) as a replacement for the aging MI-2. This helicopter, designated the W-3 Sokol, is not expected to enter series production until the mid-1980s. [redacted]

**Table 2****Major Polish Aircraft Engine Plants**

Plant	Engine	End Item
PZL-Engine Factory Number 2 at Rzeszow	GTD-350	MI-2/Hoplite
	PZL-3S	PZL-106
	LIT-3	Unspecified Polish-designed helicopters
	SO-3	TS-11
	PZL-Franklin series	PZL-110 and powered gliders
WSK-PZL Kalisz	PZL-10	W-3 Sokol
	AI-14R	PZL-104
	ASZ-621R	AN-2 Colt
[redacted]	VK-1A	MIG-15

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**Engine Plants**

Poland's two major engine plants are at Rzeszow and Kalisz (table 2). PZL-Engine Factory Number 2 at Rzeszow supplies turboshaft engines to the Swidnik/Lublin airframe plant for the MI-2 helicopters; turbojet engines to the Mielec plant for the TS-11 trainer; and piston engines for the PZL-110 Koliber and for powered gliders. Rzeszow is also the production facility for the piston engines purchased from the Franklin Engine Company. [redacted]

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The WSK-PZL Kalisz engine plant has been involved primarily in the production of piston engines for Polish light sport aircraft and for the AN-2 transport assembled at Mielec. Since 1971 it has also been producing a copy of the Soviet VK-1A turbojet engine that is used on the MIG-15 fighter. We believe the Soviet Union has stopped producing this engine and that Kalisz provides replacement engines for the MIG-15 aircraft still in use in the Warsaw Pact and the Third World. [redacted]

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**Outlook**

Production rates for most aircraft systems probably have declined somewhat during the crisis in Poland, but we expect overall production during the next few years to remain at approximately the same level as during 1975-80. Emphasis will remain on the two major systems—the AN-2 light transport (until the AN-28 light transport comes on line) and the MI-2 helicopter. [redacted]

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The Poles have marketed the MI-2 throughout the world and, [redacted]

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[redacted] the Warsaw Pact has no immediate plans to curtail production in favor of the newer Polish variants currently under development. [redacted]

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We believe the Soviets will continue giving the Polish aircraft industry enough contracts to keep its employment and production levels up. There is no developed market that would support a growing demand for Polish-produced light aircraft, however, and prospects for Polish trade with the West are currently poor. Thus, production under license to Western aircraft companies will probably constitute only a small percentage of the total output of the industry for some time.<sup>2</sup> [redacted]

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## Briefs

### Decline in Soviet Industrial Output

Civilian industrial production fell an estimated 3.5 percent in January compared with January 1981—output declined in every major sector except electric power and gas. Production of machinery for civilian applications, which fell more than 6 percent, was the chief casualty. The drop was caused by interruptions in electric power generation in some regions and an 8-percent decline in finished rolled steel production. Shortages of fuels hindered production and transportation. Coal production dropped, and deliveries were slowed by intermittent failures in the rail system. Although sufficient gas supplies may have been available, the inadequate distribution system and storage capacity prevented gas from offsetting the coal and oil shortages.

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### Rail Transportation Problems

An acute shortage in railroad rolling stock has led to major bottlenecks in freight traffic and contributed to a poor industrial performance during January. Some industrial enterprises have reduced production or shut down temporarily because of a lack of raw material or fuel deliveries. Deficiencies in rail transport also have delayed the unloading of imported grain.

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Agricultural, military, and trade requirements for rail transport remain high, while road and inland-waterway transport still is unable to relieve railroads of excessive short-haul tonnages. A cumbersome railroad administrative structure, complicated by mismanagement, hoarding of railcars, and inefficient hauling practices, further aggravates the situation. The railcar shortage cannot be alleviated in the near term, because production of locomotives and railcars continues to decrease. The output of freight cars has declined by about 3 percent per year since 1976. While net imports of rolling stock—mostly from Eastern Europe—offset some of this decline, they too have been falling since 1978.

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### Completion of BAM Railroad Delayed

The Soviets are now admitting that they will not be able to complete the Baikal-Amur (BAM) railroad by 1985, as called for last November by Nikolay Baybakov, Deputy Chairman of the Council of Ministers. This past December, Radio Moscow noted that the punctual opening of traffic along the entire BAM depends on the completion of the Severomuyskiy tunnel and is planned for 1986. The Soviet Government recently negotiated a contract with a West German firm for two large tunnel-boring machines for use on the Severomuyskiy and Kodarsk tunnels (15.3 and 2 kilometers long, respectively). The manufacturer does not expect to deliver

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the machines until July and October 1983. Considering boring progress on the tunnels to date, it is unlikely that drilling, lining, and track-laying operations along the unfinished BAM sections will be completed before 1988. [redacted]

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**Subway Expansion  
Enhances Civil  
Defense (s)**

The cities of Alma-Ata, L'vov, and Perm' were recently added to a list of 21 Soviet cities where subway systems are either in operation, under construction, being expanded, or planned. Subway tunnels and underground station platforms in operation in 1981 could provide blast and fallout protection for slightly over 3 million people, approximately 14 percent of the January 1981 population of the cities they serve. Those currently under construction in 16 Soviet cities probably could shelter an additional 1,200,000 people, or roughly 3.7 percent of their total urban population. Subway expansion planned for the 1980s could accommodate 2 million more city dwellers. By 1990, the total urban population that could be sheltered in tunnels and underground stations listed for 19 cities is estimated at some 6.2 million people. Subways for five other cities are to be completed after 1990. [redacted]

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Continued development of efficient subway and underground streetcar transportation in the USSR's largest cities increases Soviet ability to provide civilian shelter and to use subways in conjunction with helicopters and high-speed commuter trains to evacuate key government, military, and highly skilled technical personnel. Evacuation from Moscow, for example, could take from 15 to 45 minutes, depending on the distance to nearby control and command bunkers or other relocation sites. [redacted]

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**Propaganda Foul-Up (u)**

Ever since the Soviet publication *Whence the Threat to Peace?* was heralded at a Moscow press conference on 25 January, we have been expecting it to appear in large numbers in Western capitals as part of a propaganda campaign to rebut the US publication *Soviet Military Power*. This has not happened. Throughout Western Europe the situation is uniformly the same—the publication, one of the best pieces of propaganda the Soviets have produced, is available only in small numbers, has been given scant media attention, and has had no discernible impact on public opinion. The reason, [redacted] is a foul-up in the original printing order. A foreign-language press run of 50,000 was intended, but only 500 were produced. [redacted]

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**Central Asian Officials  
Censured (u)**

Numerous Soviet officials are being censured as the countrywide anticorruption drive launched last summer gains momentum. Two recent cases were reported in Soviet Central Asia. In the Kirghiz Republic, about a half dozen senior law enforcement officials were either dismissed or reprimanded for laxity in the prosecution of cases of large-scale embezzlement, bribe-taking, and speculation.

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Local officials were given until 1 March to improve the state of affairs. In the second case, reported in the Kazakh Party newspaper, the director of the Alma-Ata Polytechnicum was fired and officials in the Kazakh Ministry of Higher and Secondary Education were indicted for falsifying the results of Russian language exams. Their actions indirectly impugned the party's own propaganda on the success of Soviet language programs. The publication of these improprieties follows similar crackdowns elsewhere in the USSR and serves as a warning to local officials to curb abuses of power.

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