

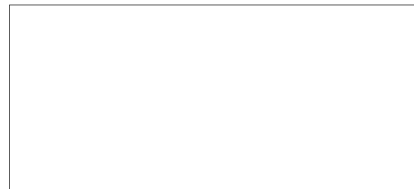
20 September 1988

LAST-MINUTE ITEMS FOR PFIAB MEETING

Wednesday, 21 September 1988, 10:30-12:00

- TAB A Poland: What's Next? Attached are talking points that discuss what could happen next in Poland regarding the historic "round table" meetings involving regime, independent, solidarity and church participants. Also attached are several graphics that provide additional information on the situation in Poland.
- TAB B Afghanistan: Status of the Soviet Withdrawal. Attached is a graphic you may wish to use with the talking points on this subject that I provided you over the weekend.
- TAB C Nicaragua: Current Situation. Attached are graphics that go with the talking points I provided you last weekend on this subject.
- TAB D Libya: CW Program. Attached in the envelope are recent photos of the Libyan chemical production facility in Rabta. These photos compliment the talking points I gave you last weekend on this subject.

[Multiple copies of the graphics are available if you wish to hand any of these out to the PFIAB members; only one copy of the photography is available.]



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DDI/EURA  
20 September 1988

**Talking Points for DCI  
Situation in Poland**

The stage is set for historic "round table" meetings, reportedly beginning in mid-October, to involve regime, independent, and Solidarity participants, and church mediators. Terms were hammered out in difficult, direct talks last week between Solidarity leader Walesa and Interior Minister Kiszczak.

- Walesa failed to get Solidarity relegalized as a precondition to the round table, but the regime agreed the future of Poland's trade union movement, along with industrial reform, will top the agenda. Although opposed to Solidarity's relegalization, Poland's official union, will join discussions with Walesa and his lieutenants.
- Walesa apparently compromised on relegalization because Kiszczak convinced him that recognition of Solidarity at this tense juncture would spark a conservative backlash that could sweep party moderates from office.
- Walesa was successful in resolving grievances over punishment of striking workers. [redacted]

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During the coming month both sides will have to strengthen their bargaining positions by imposing more internal unity and defining their strategies. The situation is very fragile, and the movement towards national reconciliation could be easily derailed. [redacted]

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The party is in turmoil and has no clear vision of how to deal with Poland's massive economic and political problems. Its overriding objective remains preserving Communist Party supremacy over the economy and public life.

- Kiszczak may have overstated the power of party hardliners, but they have criticized the meetings with Walesa and bitterly oppose the regime's trial balloons such as a liberal associations law, free factory-level trade union elections, and free elections, open to the opposition, for a large block of parliamentary deputies. Moreover, hardliners could still provoke an "incident" to torpedo the talks.
- The party's privileged apparatus and the state's planning bureaucracy constrain the latitude for reformers to liberalize economic policies; one party liberal estimated it might take the politically unthinkable elimination of 50,000 planning positions to free the economy from Stalinist centralization. [redacted]

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Walesa, trying to consolidate his gains, has already moved to strengthen his control over the fractious union opposition by including young strike leaders in his Solidarity delegation but he continues to face daunting challenges.

- He must put together, from a welter of suggestions, a reform program to negotiate with the regime.

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- He must hope the young militants come prepared to follow his lead in bargaining rather than to table radical demands that will polarize the talks.
- He must extract some early concessions from the regime in order to convince skeptical workers to give the round table time, to accept some hardships, and to forestall disruptive new strikes that could sabotage the talks. [REDACTED]

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Both sides look to the church to restrain hardliners and to formulate a "middle way" acceptable to all parties. Neither side probably has considered carefully the compromises it might eventually accept; the church's evenhandedness and persuasiveness may therefore be the decisive catalyst if imaginative new political and economic solutions are to evolve.

- Cardinal Glemp and his former seminary mate Bishop Dabrowski have personally intervened to bring Walesa and Kiszczak together; both have castigated the regime and Solidarity in the past for taking extreme positions.
- Glemp has reportedly assigned a priest close to the Pope as the regular church mediator, apparently reserving the right to reintroduce Dabrowski if the talks are at a stalemate.
- If discussions reach an impasse, Glemp will have to take new risks to try to force a settlement. [REDACTED]

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Both the regime and Solidarity agree that the immediate priority must be given to economic reform and reversing the deterioration of living standards.

- Prices and wages spiral upwards -- inflation is running over 60 percent this year -- but real incomes are still more than 10 percent below 1980 levels, and supplies of consumer goods have deteriorated.
- Poland's hard currency debt rose to \$39.2 billion last year; Warsaw's ability to meet even its rescheduled debt payments will be hurt by efforts to reduce unrest by importing more consumer goods, and by cutting exports to keep up domestic supplies.
- Poland needs hard currency loans to modernize industry and expand exports but access depends on demonstrating to Western countries and the International Monetary Fund progress on economic reforms.

The regime has made the government the scapegoat for mismanaging the economy and Premier Messner resigned on Monday.

- A government shake-up will not convince Solidarity that more rational policies will emerge but the regime could set the tone for cooperation on reform by naming a well-respected economist or Catholic independent as Premier. Alternatively, Jaruzelski might tap a regime moderate -- such as Kiszczak -- with whom Solidarity will deal and who is able to overcome hardline resistance in both the government and party bureaucracies.

For now, there appears to be little agreement among senior regime officials on how to tackle Poland's economic crisis. [REDACTED]

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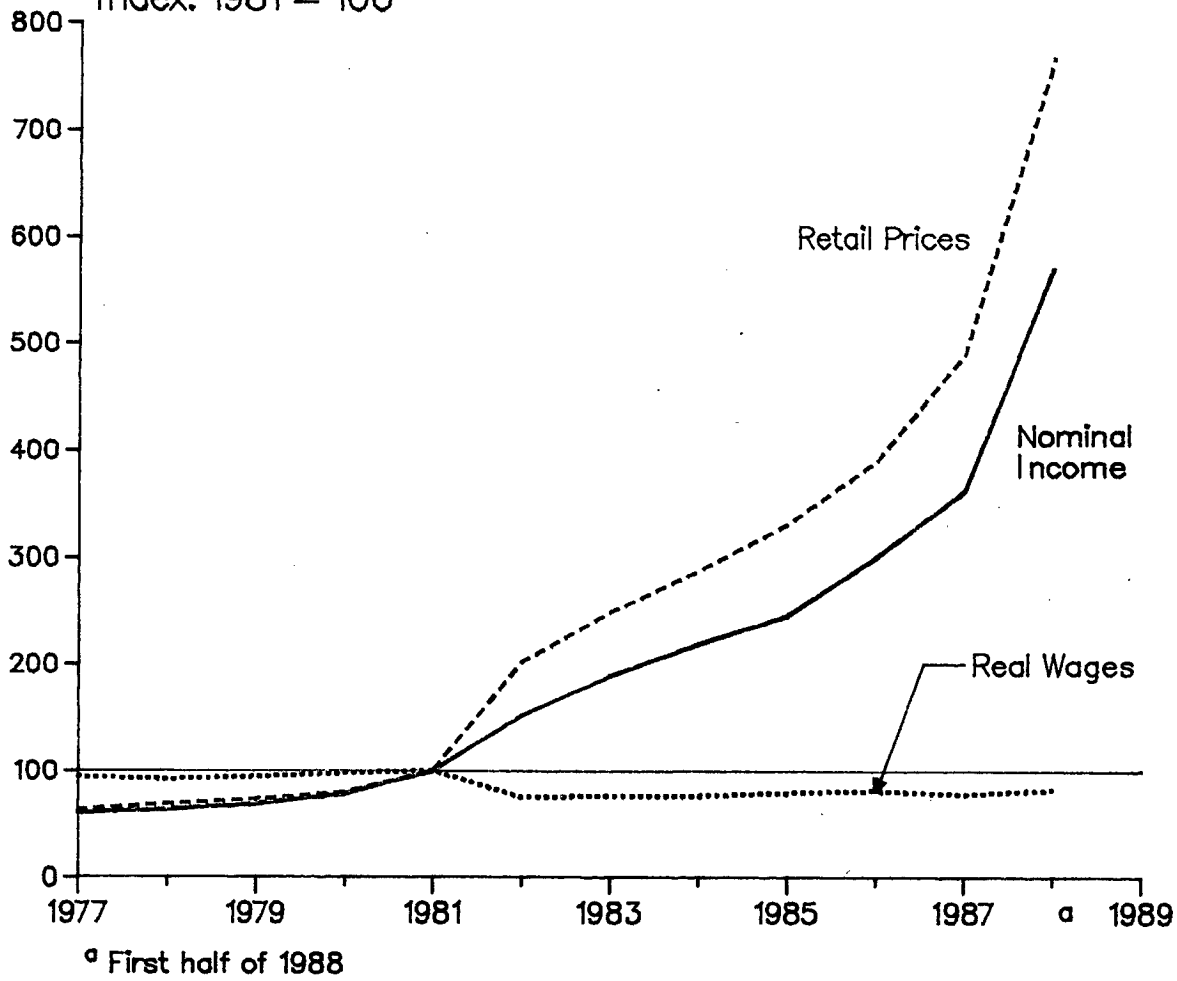
## Poland: Chronology of Strikes and Roundtable Talks August–September 1988

- 15–18 Aug 88      Strikes spread at Polish coal fields; miners make economic and political demands.
- 22 Aug 88        Gdansk shipyards and port join strikers; Walesa joins strikers, calls for relegalization of Solidarity.
- 26 Aug 88        Minister Kiszczak announces government willingness to hold roundtable talks with opposition, including Solidarity leader Walesa, after earlier attempts to intimidate strikers failed.
- 31 Aug 88        Kiszczak and Walesa meet, on anniversary of Gdansk accords, to discuss preparations for future roundtable talks.
- 01 Sep 88        Walesa calls for suspension of strikes.
- 04 Sep 88        All strikes end.
- 10 Sep 88        Solidarity activists in Gdansk demand Solidarity's legalization before roundtable talks begin; regime rejects such "preconditions".
- 15–16 Sep 88    Preliminary meetings between Kiszczak and Walesa; both agree to round table talks set to begin in mid–October.
- 19 Sep 88        Government resigns because of mismanaged economic reforms, strikes. New government to form in October. New economic programs due in November.

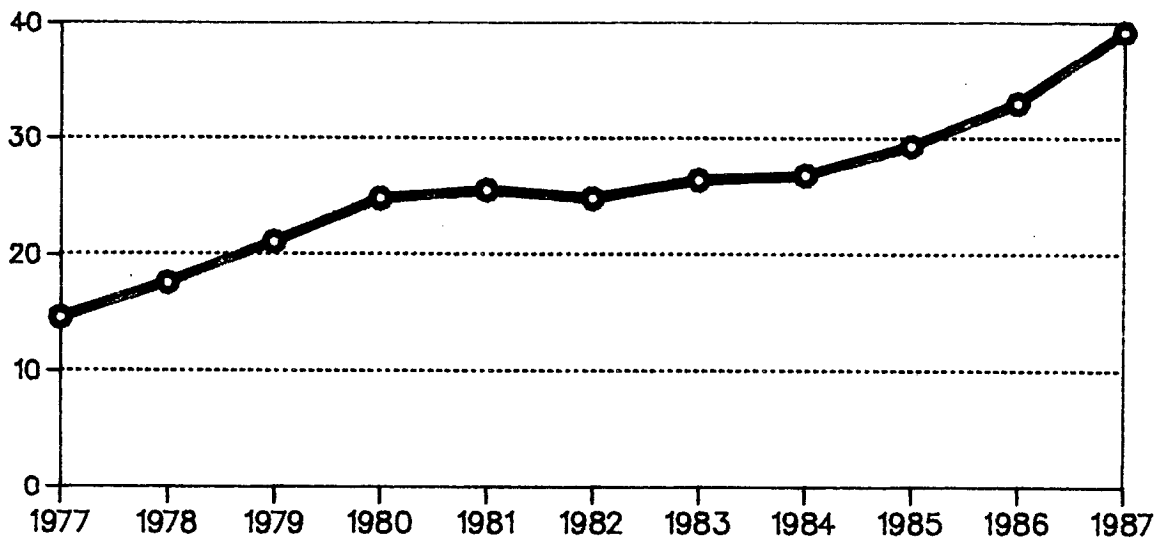
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Poland: Income and Cost of Living, 1977-88  
Index: 1981 = 100



Poland: Hard Currency Debt, 1977-87  
Billion US \$



## Factors Influencing Instability in Eastern Europe Over the Next Two Years

	Leadership			Societal			Economic		External Influences		Net <sup>1</sup> Judgment
	Factionalism	Succession	Regime Policies	Intellectual Dissent	Worker Dissent	Ethnic Unrest	Growth and Living Standards	Debt Problems	Soviet	Western	
Bulgaria	○	◐	◐	○	◐	○	◐	○	○	○	○
Czecho slovakia	◐	○	◐	◐	○	◐	◐	○	◐	○	◐
East Germany	◐	◐	◐	○	○	○	◐	○	◐	◐	◐
Hungary	◐	○	◐	◐	◐	◐ <sup>3</sup>	◐	◐	◐	◐	◐
Poland	◐	○	◐	◐	◐	○	◐	◐	◐	◐	◐
Romania	◐	◐	◐	○	◐	◐	◐	○ <sup>2</sup>	◐	○	◐
Yugoslavia	◐	○	◐	○	◐	◐	◐	◐	○	◐	◐

○ Little to None   ◐ Low   ◑ Moderate   ◒ High   ◓ Very High

<sup>1</sup>In this column we assess the likelihood of serious, system shaking unrest.

<sup>2</sup>Although Romania's debt is relatively low, Ceausescu's policy of rapid repayment has drastically reduced living standards.

<sup>3</sup>Although Hungary does not have a significant domestic ethnic minority, political activity on behalf of the Hungarian minority living in Transylvania (Romania) is on the rise.

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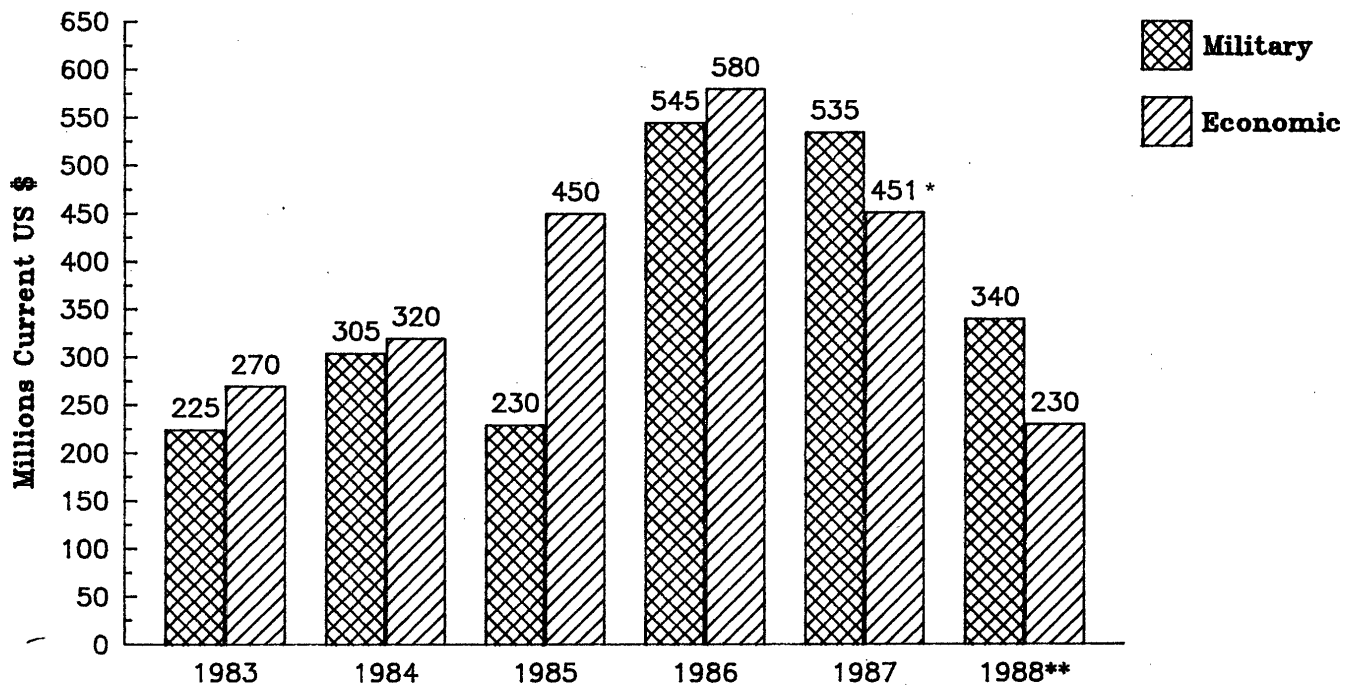


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## NICARAGUA: Soviet Bloc and Cuban Assistance, 1983 - 1988



\*Doesn't include possible hard currency assist., which averaged \$85 mil per year, 1985 and 1986.

\*\* Estimates through 30 June.

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