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Intelligence Memorandum

Poland: What Next?

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Poland: What Next?

Summary

The Polish people's forceful rejection of price increases in June continues to dominate the political atmosphere in Warsaw. Party and government leaders are still suffering from the trauma of the riots and are postponing decisions on critical economic problems.

In increasingly frank terms they have warned the sullen and distrustful Poles that a long period of belt-tightening is ahead. Basic foods are still in short supply, and popular dissatisfaction has by no means decreased. Tensions will remain high and could explode again into public disorders and rioting as the badly shaken and obviously weakened regime tries to decide how:

–To regain public confidence.

–To manage the politically explosive and economically pressing problem of raising prices.

–To overcome shortages of consumer goods, especially meat.

–To proceed with economic development as the burden of hard-currency debt looms even larger.

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Background

Contentiousness of the kind that sparked the rioting is deeply ingrained in the Polish character. Particularly since the partitions of the country 200 years ago, Poles have regarded civil disobedience and opposition to foreign occupiers as patriotic virtues essential to the re-emergence of the Polish state. The period between the World Wars was too brief to alter these beliefs, and opposition to authority again became standard after the communists took power.

Although communist rule is accepted as a fact of life, the party has never enjoyed general acceptance. Most Poles believe that the party rules ultimately because of the proximity of the Soviet Union. This is particularly galling because they see themselves essentially as a people tied by history and by social and cultural values to Western Europe. The Soviet Union, as the successor to Tsarist Russia, is widely regarded as a backward, boorish monolith, but one that has a lot of clout. Under these circumstances, the party under Gierek has concentrated on providing the Poles with a higher standard of living as the primary way of winning popular acceptance.

Gierek came to power in December 1970 in the wake of bloody rioting over food price hikes and eventually restored the old prices. Basic food prices have not risen since, despite burgeoning subsidies, which between 1970 and 1975 rose from less than 6 percent to 14 percent of budget outlays.

In addition, the new leadership set the goal of rapid modernization and expansion of the Polish economy. Gierek realized that he could do this only through massive imports of Western technology. Gomulka had shied away from this course, primarily because of his fear of going heavily into debt to the West. Gierek, who had spent twenty years of his early life in France and Belgium, did not share his fears.

Indeed, Gierek's earlier career in the party foreshadowed such a course. While party boss in Poland's key industrial province of Katowice, he surrounded himself with young, relatively nationalistic party functionaries and educated and discontented technocrats who were seeking remedies for Poland's mounting economic and social problems. This younger generation wanted a more dynamic alternative to the slow pace of modernization of the Gomulka era. They were convinced that such policies would only add fuel to growing popular dissatisfaction.

With Gierek's accession, these younger technocrats were placed in responsible positions in those sectors of the Polish bureaucracy responsible

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for contacts with the West. Thus, an institutional bias toward increased trade with the West has been built up in Polish administrative structures.

As a consequence of Gierek's policies, investment boomed, and Poland achieved a high economic growth gate. Additionally, frequent wage increases and controlled prices enabled the average Pole's real personal income to grow by 9 percent a year.

The import of Western capital goods has been used to expand and modernize basic industries, and much of the output has been earmarked for export to pay off foreign credits. In addition, many of the projects have been slow to come on stream. For these reasons, Western imports have often provided only indirect or delayed benefits to the consumer.

Consumption has increased sharply, but a large share of the growth went into food because Warsaw was unable to provide enough attractive consumer durables. Consumption of meat, supported by the growth of the domestic fodder base, increased about 32 percent between 1970 and 1975.

The population has thus become accustomed to food consumption increases at rates that are no longer sustainable. The problem has been compounded since 1974 by bad weather, which resulted in a decline in grain and fodder output—not fully made up by imports—to support meat production. The increasing pressures on supply have led to the present situation.

The imbalance had to be corrected by raising food prices, and the Poles would probably have accepted small price rises over the past few years with minimal grumbling. But party leaders, fearful that price increases, especially on meat, would create political instability, postponed any decision until last June. Then they compounded their earlier mistake by announcing unacceptably sharp increases.

This decision clearly caught the public off guard and was almost certainly taken without close consultation either with grass-roots party members or with the population. The ensuing riots forced Prime Minister Jaroszewicz into a hasty withdrawal of the proposals one day later.

Tensions have since remained high. The Polish people, anticipating price hikes, have been hoarding many consumer items and thus creating additional shortages. The situation is so serious that the regime was forced to introduce sugar rationing.

In an effort to cool the popular temper, the regime has decided to delay price increases on food for at least a year or possibly until mid-1978 and has

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promised to "consult" extensively with workers before any changes are made.

Problems in the Party

Gierek's status within the leadership is clearly weaker than it was before June, and a certain amount of jockeying for position is under way. Some efforts to find a scapegoat are reportedly being made in the Politburo, and there is no agreement on how best to proceed on sensitive economic problems.

Decision-making in the Politburo under Gierek has been based on consensus and not on *diktat*. During less troubled times, hammering out a consensus presented no serious problems. Over the past few years, however, policy differences have apparently been generating some friction. Although we lack specific evidence on the nature and depth of the disputes, the pace of economic development must have been a central issue. There have been hints that some members of the Politburo felt that the regime was pushing modernization too fast and that this was creating both a restive population and too much dependence on the West. The majority of the leaders, including Gierek, have pushed for continued rapid development.

The relationship between Gierek and Prime Minister Jaroszewicz is clearly strained. 25X1

Since June, Gierek and Jaroszewicz have not appeared together as frequently as in the past. In addition, Jaroszewicz was out of sight from September 23 until October 11. The embassy has heard rumors that he was sick, but his absence may also have been related to wrangling over policy issues. On October 11, Jaroszewicz reappeared with Gierek at a ceremony in Czestochowa. Since then he has resumed a full and active schedule, including a one-day visit to Moscow. In discussing that visit, the Politburo said that the agreements adopted would be of "fundamental importance" for the successful implementation of Poland's current social and economic tasks. This is a relatively strong endorsement of Jaroszewicz's efforts and also a recognition of the standing that the premier enjoys in Moscow.

Since the June crisis, party politicians have reportedly decided that they need to reassert their supremacy over the economic experts in the government. Gierek's unusual presence at a session of the Council of Ministers in September may have been a move in this direction. The party also

created five special party-government teams to tackle the most sensitive economic problems. They will apparently bypass, to some extent, the existing government bureaucracy.

We do not believe that Gierek is about to resign or be removed:

–His resignation would publicly underscore the party's internal weakness, something neither the party nor Moscow wants.

–There has been no public outcry for Gierek's removal. He came to power in the wake of public revulsion against the bloody suppression of striking workers in Gdansk. During the demonstrations and riots in June, the police were held in check.

–Before the June riots, Gierek had opposed price increases. Although he gave in on the issue, his position was proven correct.

–No one is standing in the wings ready to take over. Gierek has no heir-apparent, and the leadership realizes that a change at the top will not by itself satisfy the public, which is concerned about solutions to serious economic problems. Any replacement would come from the current Politburo, and no one in that body could inspire more public confidence than Gierek himself.

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Edward Babiuch, Jan Szydlak, and Stanislaw Kania appear to be the most influential after Gierek. Only these four are party secretaries as well as full Politburo members.

Babiuch (48) is responsible for intra-party affairs and for contacts with foreign communist parties. He has been an organizational apparatchik his entire career and has not involved himself deeply in economic matters. We believe that he works closely with Gierek.

Szydlak (51) is responsible for ideology and general economic matters. He is known as a tough party type and a good administrator. His chances for becoming first secretary would be hurt by rumors circulating in Poland that he served in the German Army during World War II.

Kania (49) is responsible for party oversight of the military and the internal security apparatus. He is a relatively unknown figure.

The US ambassador was recently told that middle-level Polish officials described Babiuch, Szydlak, and Jaroszewicz as "hard liners" who had

opposed Gierek in recent Politburo decisions. The ambassador had never heard Babiuch referred to in this way. We cannot confirm this but, if true, it suggests significant maneuvering within the leadership.

The Church

Gierek must also take care to maintain good relations with the other seat of power in Poland, the Roman Catholic church. For most of their history, Poles have equated being Catholic with being Polish, and today about 90 percent of the population is Catholic—with 80 percent practicing. Stefan Cardinal Wyszynski, the crusty Primate, embodies the concept of the church as a prime repository of Polish patriotism. Throughout Gierek's tenure, a delicate truce has existed between church and state. Although the current leaders have not given up their opposition to the church—and indeed cannot—they feel they can afford a long-term battle and want to concentrate popular attention and efforts on economic development.

The Cardinal strongly asserts the church's status but has not challenged the regime during difficult economic times. Party leaders generally regard him as a patriot and took the unusual step of asking the Vatican not to accept Wyszynski's resignation when he reached age 75 last August. Over recent weeks, he has more aggressively criticized current regime policies.

The Intellectuals

The re-emergence of active intellectual dissent will also limit the leadership's ability to act. Beginning in late 1974, some of the long-established dissidents who had been quiescent since 1968 began circulating petitions and sending critical letters to the authorities in Warsaw. These efforts were redoubled in late 1975 when the regime proposed constitutional amendments that would have symbolically tied Poland even closer to the Soviet Union and incontrovertibly anchored the party's role in the constitution. The amendments were subsequently watered down significantly.

The June fiasco over price increases was another stimulus to dissident activity and has created at least a temporary bond between intellectuals—including some students—and the working class. Only rarely in postwar Polish history have the workers and intellectuals been active *at the same time* in criticizing regime policies.

The creation in September of the Workers' Defense League is the best illustration of the strength of the dissidents and of Warsaw's cautious approach toward them. The League was created by 14 intellectuals who openly signed a petition criticizing the regime for its persecution of workers

who participated in the June strikes. The League has circulated several appeals and has openly solicited funds to aid workers' families.

According to the US embassy, this organization was founded at Warsaw University, where the leadership is reportedly worried about the possibility of an outbreak of violence. Out of fear of stimulating violence, the security organs have kept a low profile at the university and have taken no repressive measures against student dissidents.

Although intellectuals are also concerned about economic problems and use day-to-day problems as a vehicle for voicing criticism, they are primarily concerned about the broader aspects of Poland's domestic system and its foreign relations. Their demands are thus much less easily met, and the regime will try to ignore them. The first priority will be to find solutions to the economic problems which have raised the ire of the consumers.

Economic Prospects

The need for dramatic corrective measures in the economy comes at a time when Poland's options are limited. Because of severe problems in its hard-currency balance of payments, Poland has little flexibility in foreign trade.

Warsaw's decision to freeze food prices for at least another year will aggravate the supply problem. On the other hand, wages cannot be frozen without causing adverse worker reaction. Neither can the regime force the farmer to increase agricultural deliveries without irritating yet another segment of the population.

The pressure on meat supplies is not likely to ease soon. Livestock inventories are down because farmers—faced with fodder shortages for several months—could not maintain them, resulting in some distress slaughtering. Herds cannot be rebuilt quickly. It will be impossible at current prices to satisfy the demand for meat and meat products for at least a year.

Warsaw could introduce meat rationing as a short-term measure to achieve equitable distribution and reduce queues. Rationing, however, would not increase available supplies. In any case, a recent press article indicates that the government may have decided against this course.

Poland's only option is to increase supply by importing large amounts of grain and fodder. Imports are projected at 7 million tons—about the same as last year—in the marketing year ending June 30, 1977. Most will come from the West, requiring over $1 billion in hard-currency expenditures. The

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Poles hope to obtain some 4 million tons from the US alone. Warsaw is also stepping up meat imports—mostly from the West—and making further cuts in meat exports, an important source of hard currency.

Poland's heavy hard-currency debt burden and the need for large imports of grain and fodder for at least another year will force Warsaw to cut back even more severely on imports of industrial materials. Another large deficit on the order of the $3 billion incurred last year is expected in 1976, and the debt is expected to rise to $10 billion, up from $6.9 billion at the end of 1975.

Difficulties in obtaining the financing needed to cover continued large deficits and to meet debt obligations are likely, and Poland may well be forced to allow little if any import growth over the next few years. Without a vast improvement in agricultural production, the Poles will have to continue to hold down imports of industrial materials. Thus, Warsaw may be forced to reduce its economic growth plans. Before doing so, however, it is likely to seek help from the West in refinancing or rescheduling part of its debt.

Soviet Response

Moscow is obviously worried about the situation and is primarily interested in seeing that political stability is maintained. On the other hand, the Soviet leaders are not willing to dip too deeply into their own resources to bail out Poland if they can avoid it. They see Poland's problems as stemming largely from Warsaw's questionable policies.

Under Gomulka, Polish-Soviet relations developed to the point that the Poles exercised a high level of autonomy in internal matters in exchange for consistent loyalty to Soviet foreign policy objectives. Moscow fairly quickly threw its support behind Gierek in the troubled times of early 1971, and even provided him with a $100-million hard-currency loan to purchase meat. Although the Soviets were reportedly skeptical about some of Gierek's early personnel moves, he was able to bring a new and younger team to the top, but one that was less familiar to the Soviets.

Soviet leaders have, however, become increasingly concerned about Poland's growing indebtedness to the West and its policy of rapid wage increases. In August 1975, Soviet Premier Kosygin visited Warsaw and reportedly berated the Polish leadership for its policies. Gierek must have won at least grudging approval for his course, since he soon thereafter appointed a man to head the planning commission whom the US embassy considers Poland's leading proponent of increased trade with the West.

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Actually neither the USSR nor the other East European countries can provide all the modern machinery and financial aid which Poland needs, thus in effect forcing Warsaw to turn to the West. The Poles have undoubtedly used this argument in countering Moscow's complaints.

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The current Soviet attitude toward supporting Poland should become clearer after Gierek's visit to Moscow, which began November 9. He led a party and state delegation that included Prime Minister Jaroszewicz. This is the first such visit to Moscow by the Polish leadership since Gomulka was in power.

We expect that the Soviet leaders, despite the misgivings they might have, will display their full support for the current Polish leadership. To do otherwise would be to risk further political instability within Poland. Polish leaders will have to come away from Moscow with some tangible economic help as confirmation of that support. There will probably be an announcement on the resumption of grain deliveries.

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A Delaying Game

Grappling with these thorny and frustrating economic problems and with the after-effects of the June riots will put the leadership to a very severe test. Gierek and his cohorts know that without demonstrable improvement in the economy, they cannot regain the public confidence they have lost. They also realize that it may take several years to solve the problems of shortages. Painfully aware that the party has been forced to bow to the popular will twice in six years and that the people are increasingly conscious of their own power, the leaders will take no action that would send their unruly subjects into the streets again.

In this atmosphere, the leadership has decided to retreat from many of its previously announced positions.

–Price increases on basic food items will be postponed, probably until mid-1978.

–The Polish Supreme Court has released seven workers sentenced to jail terms of 3 to 10 years for participating in the Ursus tractor factory

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disturbances. The leadership realized that pursuing their case against the rioters could only deepen public disaffection.

–The regime has withdrawn from the Sejm a proposed law on agriculture that would have allowed the confiscation of inefficiently cultivated land. This law had raised the ire of the Catholic Church and the specter of forced collectivization.

In a positive direction the regime announced in mid-October that a broad range of consumer goods will be imported during the fourth quarter of this year. Warsaw obviously hopes that this will help placate restive Polish consumers who are watching to see how many of these goods actually reach the market.

At the top of the list is a $38-million purchase of 32,000 metric tons of meat and 10,000 tons of lard. Even with additional imports and sharply curtailed exports, meat supplies will not improve significantly. In fact there will be less meat available in the stores during the next two months than was available in the comparable period last year. The regime hopes that imports of luxury goods will siphon off some of the excess demand for meat. The quantities are probably not sufficient, however, to have the desired impact.

The government and party are also openly discussing the need for greater popular involvement in the decision-making process. Gierek has prided himself on maintaining close contacts with workers, and he often travels around the country visiting factories and farms. At the party congress last December, he promised that the regime would conduct close "consultations" with the public before introducing price increases.

This was not done, however, and it is still too soon to determine how–if at all–the regime intends to pursue public participation. Whatever it does, the party must follow a fine line. It must promote the appearance of popular input to decision-making without weakening the "leading role of the party."

The immediate result of the search for better relations with the public is more frankness in discussing Poland's economic problems and prospects. This was most noticeable in Jaroszewicz's speech on September 22. The leadership is telling the population that current difficulties are serious but transitory. The leaders are counting on better harvests in the future, which would improve the domestic supply situation and lessen the outflow of hard currency for grain and fodder. They also are banking on an increase of exports from major new industrial complexes to ease the balance-of-payments problems.

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What the regime cannot assess is whether the population is willing to wait.

The most dangerous times for the regime, in the near term, will come in the weeks before Christmas and Easter. During these periods the Polish people go on a shopping binge. Normally the government stockpiles sufficient quantities of meat for these occasions, and we presume that this is the case this year also. There could, however, be other irritants this winter that would add to popular discontent. The regime is already cautioning the public to use coal and electricity sparingly. Domestic consumption is expected to reach record levels, and Polish administrators are not certain they have adequate supplies. A severe winter, in contrast to recent relatively warm ones, would severely strain current supplies.

If it hopes to retain any rapport with the population, the regime will have to be judicious in applying police power and must avoid the use of excessive force in future outbreaks. Gierek is well aware that it was the overreaction by the militarized security forces in 1970 that helped bring down Gomulka. On the practical side, the leaders probably have some concerns about how the police and/or army would react if called upon to put down serious disturbances.

According to the US ambassador, there would have been a nationwide general strike on June 26 if the regime had not withdrawn the price proposals the day before. One reason for the hasty retreat may have been concern about the reliability of the police forces. The army may have gone on record as refusing to participate in massive repressions. The ambassador had been told that Defense Minister Jaruzelski simply said "don't ask us" when the subject of possible use of troops was raised

There have been no indications of massive reprisals since the riots. Several individuals lost their jobs, and some were imprisoned. There have undoubtedly been some reprisals initiated by local authorities. Gierek realizes, however, that to get through these difficult times, he must somehow get the workers to produce more, and he is astute enough to avoid anything that smacks of terror.

From an organizational point of view, there seems little more that Gierek can do to stimulate the population to harder work. The party, trade unions, and social groups in general have long been used to control the population, but the average Pole ignores these organizations. For this reason, Gierek has little recourse other than to invoke Polish patriotism as a motivating force.

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That Gierek intends to do just this was foreshadowed in his attack on "opponents" who close their eyes to Poland's achievements and parade as "spokesmen of democracy, protectors of national sovereignty, and even of the economic and social rights of the working people."

This kind of appeal to patriotism has worked in the past, but there are no guarantees that it will work this time. However much they are willing to sacrifice for the fatherland, the people are clearly in no mood to accept everything the regime says. They could decide to play their own waiting game and put the onus on Gierek to prove that his policies are better than those of his unnamed "opponents"—or those of the scapegoats he may select.

If he is to survive in office, Gierek will have to demonstrate considerably more political acumen and organizational skill than he has during the past three months. In relatively short order, he must regain the public's confidence—which is still on the wane—heal the wounds in the top leadership, reassure Moscow that political stability will be maintained, and produce some tangible signs of improvement in the domestic economy. The complexity of the tasks that face him, the uncertainty that is so clearly evident in Warsaw, and the volatility of the public make it virtually impossible to predict the outcome.

Each time the regime has made a substantial concession to the people, it has reduced its room for maneuver and its political credibility. This pattern of weakness suggests that sooner or later the leadership will decide that it can no longer make concessions and stay in power. It has yet to show that it has the political acumen needed to arrive at the necessary blend of decisive action, firmness, and conciliation. Should the regime miscalculate, the stage could be set for a repetition of the events of December 1970, when Gierek replaced Gomulka. Moreover, unless substantial Soviet economic aid is promptly delivered, Warsaw will find it difficult to gain the breathing space it needs to cope with dissatisfied workers, intellectuals, and youth.

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