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CIACO NID 81 [REDACTED]

April 01, 1981

POLAND: Divisions Within Solidarity

Although the Solidarity leadership yesterday ratified the decision to cancel the general strike, the union is deeply divided over whether to accept the agreement Walesa concluded with the government, and debate is slated to resume this morning. The Soviet media have implicitly criticized the compromises made by the government and will find the possibility of new government concessions even more repugnant. Meanwhile, Poland has requested a deferral of substantial debt repayments that Western bankers probably will accept. [REDACTED]

Union militants are dissatisfied with the regime's vague promises on such issues as the registration of an independent farmers' union and ending legal proceedings against political dissidents. Moderates, including Walesa, have retorted that they got the best possible deal. [REDACTED]

Events of the last week may have temporarily damaged Walesa's standing within the union. Militant members sharply criticized him for not getting enough concessions and for failing to consult with the entire union leadership before suspending the strike. Some members in one regional chapter even demanded Walesa's resignation. We believe, however, that Walesa can weather such criticism. [REDACTED]

The government partially implemented one of its concessions yesterday by dismissing two deputy governors in Bydgoszcz. Solidarity blamed them for calling in the police in the incident there last month. Such evidence that the regime will keep its promises may help union moderates in today's discussions. [REDACTED]

Moscow Sticks to Its Guns

The ouster of the two officials will increase Soviet displeasure over the government-Solidarity agreement. The ability of Solidarity militants to hold up ratification and perhaps force renegotiation of the agreement will only reinforce the views of the Soviets--and Polish hardliners--that compromise creates pressure for more concessions. [REDACTED]

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The Kremlin is not backing off from its strong propaganda stance:

--A Moscow television commentator yesterday repeated the Soviet position that the police in Bydgoszcz acted "in accordance with the law" and that Solidarity's demand for the dismissal of the officials was an "open challenge" to the government.

--*Pravda* Monday carried the TASS allegations, refuted earlier by Solidarity and Polish television, that Solidarity had taken over a television transmitter and blocked a major highway. In December, the Soviets quickly withdrew a similar TASS story when the Poles challenged it. [REDACTED]

Poles Seek Debt Rescheduling

[REDACTED] representatives of Poland's Foreign Trade Bank asked for rescheduling of unguaranteed loans in a meeting in London yesterday with 40 banks from 12 countries. The request came one day after the banks formally "requested" all Western banks with claims on Poland of more than \$1 million to allow suspension of principal payments of unguaranteed March-June maturities for six months. [REDACTED]

In their appeal to the banks on Monday, the Poles said they would continue to pay interest. Most banks--including those that have provided the bulk of Western loans to Poland--are likely to grant Warsaw's request. Their alternative is to declare Poland in default. This move, however, would leave the banks with even less chance of being repaid, and--because default raises serious legal complications--would restrict Poland's trade. Western governments, which have provided mainly guarantees on bank credits, also appear disposed to avoid a formal Polish default. [REDACTED]

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In theory, default remains a possibility unless all banks consent to postpone debt service payments. Under lending agreements, a debtor country declared in default by one bank is placed in default to all other banks. [REDACTED]

Poland's chronically precarious external financial position has become even more desperate in recent weeks. There have been numerous reports of late or missed debt service payments. [REDACTED]

[REDACTED]

Poland's debt service obligations in the second quarter of 1981 are approximately \$1.7 billion in principal and \$500 million in interest. For the second half, the principal due is about \$4 billion, and interest due is about \$1 billion. [REDACTED]

Military Situation

There is little additional information on the status of forces in and around Poland. [REDACTED]

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