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Contents

Situation Reports

[REDACTED]	1
Poland	4

Briefs and Comments

[REDACTED]	6
[REDACTED]	7
[REDACTED]	8
[REDACTED]	9
[REDACTED]	10
[REDACTED]	11
[REDACTED]	11
[REDACTED]	12
[REDACTED]	12

Special Analysis

Poland: <i>Crisis at Another Peak.</i>	13
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SPECIAL ANALYSIS

POLAND: Crisis at Another Peak

The meeting scheduled today between Premier Pinkowski and leaders of the free trade union Solidarity--perhaps the first of several--marks a critical juncture in the development of Poland's internal crisis. [REDACTED]

The leaders of both the regime and the union are publicly committed to opposing positions on matters of principle, particularly union acknowledgment of the leading role of the party and regime acknowledgment of the union's right to strike. Finding a compromise that would save face for both sides will be extremely difficult. If they fail, strikes are likely, and the regime may use the police against strikers. [REDACTED]

Use of the police would entail serious risks. The strikers and public might resist them, and clashes could lead to a nationwide breakdown of public order. At that point the regime would be forced to call on the military, which has been loath to act against the public it is pledged to defend. Part or all of the military might refuse orders in such an instance. [REDACTED]

We do not know exactly why Pinkowski and party leader Kania rushed to Moscow or what guidance they received. There is no doubt that the two reviewed strategy with Brezhnev or that Moscow used the visit to underscore to the Polish public that it considers the situation serious, and we believe it likely that Moscow has urged the Polish Government to stand firm against worker demands. [REDACTED]

Both Kania and Solidarity leader Walesa are aware of the dire consequences that could result from a failure today to begin defusing the current crisis. Neither wishes to set in train a course of events that both recognize could lead to Soviet intervention. While some leaders of Solidarity may not wish to back down, they are limited in their flexibility by more militant elements in their organization over which they could lose control.

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Soviet intervention is not inevitable, but the chances for it are high enough that we should be prepared for the eventuality. [REDACTED]

The Soviet Perspective

Soviet press treatment of the Kania-Pinkowski visit carefully avoided committing Moscow to the present Polish leadership. Moscow could eventually decide to back yet another new regime in Warsaw. The current leadership seems to be doing everything in its power, however, to accommodate Moscow's desires, and the fundamental problems-- union militancy and the questionable reliability of the Polish military--would not be alleviated by another shuffle of top personnel. [REDACTED]

A Soviet decision to change the Polish leadership, therefore, probably would be part of a broader decision to force a military solution to the crisis. The Soviets would prefer that Polish security and military forces be used, but we would also expect to see a Soviet invasion force readied. While this was occurring, Moscow would hope that military demonstrations and sharply increased political pressures would cow the Polish public. Only the unlikely event of a complete capitulation of the union movement would seem sufficient to stay the Soviet hand. [REDACTED]

Soviet Options

We believe the Soviets would still prefer to allow the Polish Government to solve its problem without military force of any kind and to see Polish forces used if force is necessary. Nonetheless, we have no doubt that Moscow has plans on hand for any of several ways to use its military forces to influence events in Poland. [REDACTED]

One option would be to dispatch a few divisions, ostensibly at the request of the Polish leadership, to back Polish police or military forces in controlling the situation. This force could be drawn from high-strength divisions in Eastern Europe and used to supplement the two Soviet divisions already in Poland. A small commitment of this sort could be accomplished quickly and with

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little or no warning. It could also be done under the guise of an exercise, which would provide some advance notice. [REDACTED]

If the Soviets felt that the Polish Government or the Polish military were not willing or able to take effective action, they would probably decide to prepare a force large enough to overwhelm any Polish military opposition and to discourage or subdue civil resistance quickly. We believe that the assembly of such a force--perhaps on the order of 30 divisions or more--would take a week. The necessary mobilization and logistics support activity should become apparent to us within 48 hours after they begin. The Soviets would be able to commit most of the force at that point, but the resulting operation would not be well prepared or fully coordinated. We believe it is more likely that at least an additional week would be used to exercise the troops, rehearse the operations plans, and build up logistics support. [REDACTED]

Rapidly deteriorating conditions in Poland could, however, cause the Soviets to commit up to 10 ready divisions early while continuing to prepare the remaining forces. The Soviets have 26 ready divisions in Central Europe that are within a day's march of western Poland. If a decision to send in a partial force were made, our warning would be reduced to less than a week. [REDACTED]

Polish Economic Conditions

Should they manage to restore political stability, the Poles will still face economic problems of staggering proportions that could well rekindle political tensions in the new year. [REDACTED]

Poland's economic outlook has become steadily gloomier in the four months since unrest broke out in July. The recent meetings of the party Central Committee and parliament conveyed an unmistakable sense of drift and helplessness on the regime's part in handling the economy, largely reflecting how little room for maneuvering the leadership has. [REDACTED]

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Before July, Warsaw was striving to improve Poland's external financial position by squeezing capital investment and by readying measures to bring consumer demand into better balance with supply. The strikes and the concessions that ended them have effectively killed the consumer austerity element of the regime's pre-July economic strategy. The policy of favoring the balance of payments at the expense of the consumer has been reversed.

Despite the regime's reordered priorities, the output required to bring about a perceptible improvement in Poland's standard of living is not likely to be forthcoming. Industrial production continues to lag, running 7 percent lower in September than the level in the same month last year. The fall in the production of coal and copper--key export commodities--is particularly disturbing. A revival in industrial output will be hindered by the reduced workweek soon to be introduced and by the abandonment of around-the-clock work in the mines.

Consumer well-being also is jeopardized by poor agricultural results in 1980. Meat production will be particularly hard hit by a 25-percent drop in the harvest of potatoes--an important fodder crop.

Poland's basic economic problem remains how to reduce an unacceptably large balance-of-payments deficit while providing enough consumer goods to prevent unrest. With the shift in priorities toward consumption, Poland's external financing needs have increased. The support needed from abroad, however, is not yet in sight. Warsaw will have to find several billion dollars of new credits in 1981-82. Western bankers are willing to do little more than roll over existing debt, and other East European countries have been miserly in their support.

Poland has been conducting a concerted drive to gain financial relief, appealing to numerous Western governments for several billion dollars in aid through bilateral rescheduling and new credits. Western governments seem unwilling to grant all of Poland's requests, but will make their decisions only after close consultations with the US and other creditors.

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Large-scale aid will be necessary to avoid an economic squeeze that could have calamitous political consequences. Lacking the requisite financing, Poland might be forced to pare its current account deficit sharply, a development that would severely cut production and consumption. Without Western aid Poland will be hard pressed to put its economy on a viable footing. Massive infusions of aid, on the other hand, might lead the Polish leadership to delay or avoid the drastic economic changes that it ultimately must make.

Because the economic outlook is so dismal, the potential--on economic grounds alone--for more serious unrest than we have seen so far is building. Unless the Polish people are willing to accept little or no growth in consumption, a renewal of strikes and perhaps civil disturbances seem inevitable--not immediately but in six to 12 months--if the workers conclude that their struggle for material gains through political change has failed.