DCI
10 Dec 81

POLAND

OK
[illegible]

Poland muddled through year 1981. 1982 will be harder - deeper in whole currency worthless - reduced to barter arrangements.

- Have not undertaken drastic reforms required. No signs that either government or workers are ready to face up to required discipline.

- Any Polish stabilization program will require at least $6 billion and we believe $10 billion is a more realistic figure.

- Would require:

  -- The coordinated response not only of a number of governments but of many private banks and financial institutions, and Poland's acceptance of tough-to-swallow conditional tranches of assistance and stiff politico-economic terms. The prospect for agreement on joint action of this scope on the part of so many different parties with divergent interests is very dim.

  -- "Optimistic" scenario for Poland is a continuation of the kind of political and economic muddling through that has characterized the last year: a series of tactical compromises by both sides, often at the brink of crisis, which forestall major military action but which make it all the more difficult for either the Party or Solidarity to make the kind of significant concessions required to get the economy back on its feet.

  -- However, credits and assistance could buy some time for Solidarity and the Party to work out a more lasting modus vivendi and see if they can get the country back to work. Thus, the NSC should recognize that further U.S. economic assistance is money put up at high risk primarily for political reasons: to prolong the Polish experiment.

  -- The only justification for assistance is that our national security interests are well served by gambling $740 million (or other sums) in credits in the hope that it will allow the Polish experiment to continue and in the knowledge that the experiment's very survival will contribute to the long-term unraveling of the Soviet position in Eastern Europe.

- in 1981 Soviets provided $1 B - hard currency - allowed $2 B trade deficit
oil & oil products sold Poland at Comcom price could have earned $4 B hard curre
- 1982, Soviet hard currency position will mean they do a lot less
rejected proposal by U S bankers that Comcom bank lend Poland $500
[illegible] western debt - but still [illegible] likely to continue

7