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POLAND: ANNUAL REVIEW FOR 1987

HER MAJESTY'S AMBASSADOR AT WARSAW TO THE
SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS.

POLAND: ANNUAL REVIEW FOR 1987

SUMMARY

1. Poland more internationally respectable; but little progress internally (para 1).
2. Internal: Pope's visit dismays authorities and boosts opposition morale. Fast option of economic reform fails to win majority support in referendum. Unreformed economy performs not too badly. Hard currency debt rises to \$37.6 billion. Continued social pressures for political reform; very modest measures offered by the authorities. Solidarity activity continues, sometimes faltering (paras 2-6).
3. External: Minister of State's visit opens gates to more western ministerial visits. Thaw in US-Polish relations. Jaruzelski's relationship with Gorbachev (paras 7-9).
4. Anglo-Polish relations: accelerated upgrading of bilateral relations. Series of senior British visitors to Poland. Long-postponed visit to London by Polish Foreign Minister. Polish delight at prospect of visit to Warsaw by the Prime Minister in 1988. Trade steady (paras 7-12).
5. Prospects: importance of Prime Minister's forthcoming visit. Poland's relations with the west depend on domestic policies and progress in economic reform. But the authorities lack the legitimacy and popular mandate to carry through painful and unpopular policies. They exaggerate the west's role. Caution, weakness and dogma may again prevent radical solutions. (paras 13-14).



British Embassy
WARSAW

20 January 1988

The Rt Hon Sir Geoffrey Howe QC MP
LONDON

Sir,

POLAND: ANNUAL REVIEW FOR 1987

1. In 1987 Poland sought respectability abroad, and stability and economic reform at home. The authorities made some progress with the first; less with the second.

Internal

2. Early 1987 saw little political activity. Popular interest focused on preparations for the Pope's visit in June. When it came, the authorities were taken by surprise by the toughness of the Papal message and dismayed by the Pope's refusal to acknowledge any progress towards normalisation since martial law. In wide-ranging sermons to carefully chosen social groups and to huge crowds at outdoor Masses the Pope preached traditional western values of respect for the individual, and for individual human rights. This implicitly anti-communist message was music to most Polish ears and provided a much-needed boost to opposition morale.

3. After the summer break the authorities moved into action, concluding a period of "social consultation" on proposals for radical economic reform, and unveiling in October a detailed programme of implementation. The political establishment urged the electorate to vote in a referendum for a quick, sharp reform, including major price rises rather than for a slower-paced option. Opponents and sceptics were kept off-stage. The referendum seemed designed to demonstrate wide support for the authorities' policies and thus to discourage a sharp reaction to price rises. But those voting 'yes' for rapid reform fell short of a majority of the total electorate as required for the result to be binding. The authorities accordingly decided (with ill-disguise relief in some quarters) to spread the price increases over 3 years instead of 1 and to slow down other elements of the programme. 1988 will show how this affects Poland's chances of an early IMF stand-by agreement, the key to more forthcoming western attitudes on credit and debt.

4. It was too early for the reform proposals to produce effects, but the unreformed economy performed not too badly in 1987. There was a 21% increase in the hard-currency trade surplus (January to November). Public sector production rose by a respectable 3%, average wages by 20%: hard-currency exports by 7%, imports by 4%. Inflation, at 27%,

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remained a serious and growing problem. Partly because of the dollar's depreciation, partly because of arrears in payments, Poland's hard-currency debts rose by 12% to \$37.6 billion. An agreement with the Paris Club promised some interim relief of the debt servicing burden. The IMF gave its general blessing to the economic reform programme, while urging faster and even harsher implementation. But despite this moderately satisfactory performance, the underlying economic malaise remained intact.

5. Meanwhile opposition groups and the church pressed for political reforms in their own right - freedom of association including independent trade unions, more democratic electoral laws, freedom of expression. The authorities promised some limited liberalisation (not including independent trade unions), seeing it as the price of public acquiescence in economic austerity measures. They established an ombudsman, and relaxed some of the (anyway not very onerous) restrictions on travel. Harassment and sometimes imprisonment of Solidarity and other activists, including especially objectors to military service, persisted but without a return to the level of repression during and after martial law. The authorities continued to try to exclude Solidarity from political life while wooing moderate independent and church opinion. Prominent western visitors however mostly insisted on meeting Solidarity (as well as Church) leaders while in Poland, following the example of your own visit in 1985. Solidarity as a banned trade union and defender of fundamental democratic values continued its activity, sometimes falteringly, across the country. From the authorities' point of view, Solidarity shows a depressing reluctance to die.

External

6. In February Mr Renton, FCO Minister of State, visited Warsaw for talks with party and government leaders, and met independent, Church and Solidarity leaders. Polish government acquiescence in these contacts opened the sluice-gates to many more western ministerial visits, including the Japanese and Austrian Heads of Government and the Foreign Ministers of Spain, France, Canada, Belgium, the Netherlands, Denmark and Australia. General Jaruzelski visited Rome (effectively forced on the Italians by his appointment with the Pope), Tokyo (mainly to discuss Japanese investment) and Athens.

7. Poland's relations with the United States thawed rapidly. In February President Reagan lifted the remaining economic sanctions against Poland. There were visits by Mr Whitehead, the Deputy Secretary of State: to Washington by the Party's International Secretary (Czyrek): by Senator Kennedy and Mr Brzezinski: and, in September, by Vice-President Bush, who engagingly acknowledged some electioneering motivation but also restored warmth and substance to Polish-American relations. The authorities winced at Mr Bush's national television address and at his public appearances with Lech Wałesa, but clearly thought the price worth paying.

8. General Jaruzelski cemented his friendship with Mr Gorbachev during 2 Moscow trips, securing continued Soviet endorsement of the

Polish reform programme. Eltsin's fall alarmed the Polish reform lobby. The Soviet and Polish leaders agreed to apply glasnost' to their difficult, often unpalatable, common history, although this will evidently take time.

9. The Poles busily propagated the "Jaruzelski Plan" for disarmament in central Europe, but got little mileage from it - or from Jaruzelski's proposal for a meeting of CSCE heads of government in Poland to mark the 50th anniversary of the start of WWII; or from the proposal by the Speaker of the Sejm (Parliament) that all CSCE Speakers should meet in Poland. These initiatives were meant to re-establish Poland as an active and respected participant in international councils.

Anglo-Polish relations

10. The gradual upgrading of our bilateral relations, initiated in 1985-86, accelerated perceptibly. Mr Renton's visit provided opportunities for frank speaking on (e.g.) Polish restrictions on travel by opposition figures, the harassment and imprisonment of opposition supporters, continuing censorship, problems experienced by British journalists, and jamming of the BBC's Polish Services (terminated, after sustained British pressures, on 31 December). Other visitors included the Speaker of the House of Commons (received with conspicuous warmth), the Head of the Diplomatic Service, the AUS (Europe), and Lord Bonham-Carter as British co-Chairman of the Round Table. The Polish Finance Minister and Vice-Minister (separately), Government Press Spokesman, and Minister and Vice-Minister of Foreign Trade (also separately) visited Britain. After a long interval, the Polish authorities nominated a respected former Vice-Premier as their new Ambassador in London, and a leading trade unionist and member of the Council of State as Polish co-Chairman of the Round Table. Polish fishing organisations, alone of the communist countries, again applied for Falkland Islands Government authority to fish around the Falklands, thus tacitly acknowledging British sovereignty. Performances in Poland by the Hallé Orchestra, Sadlers Wells Ballet and the cast of "The Emperor", and a major exhibition of British contemporary art and sculpture, drew large, enthusiastic audiences.

11. The climax was the long-postponed official visit to Britain in December by the Polish Foreign Minister, who accepted your invitation only when assured of a call on the Prime Minister. You had told Professor Orzechowski earlier in New York that the Prime Minister might accept the Poles' long-standing invitation to her to visit Poland, subject to certain conditions principally concerning the visit's status and opportunities for meeting Mr Walesa and Cardinal Glemp. Polish acceptance of these conditions enabled the Prime Minister to confirm to Orzechowski in London that she planned to visit Poland during 1988. The Polish leadership, from Jaruzelski downwards, is delighted with this gesture: the Prime Minister, widely admired and respected in Poland, is much the most senior western leader to agree since martial law to visit Poland. Orzechowski returned cock-a-hoop from London, declaring relations with Britain fully normalised and of high importance to Poland.

12. Britain probably kept its place as Poland's second largest western trade partner (after the Federal Republic) with a small increase in our

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exports over the 1986 figure (£167 million): Poland's (much larger) exports will probably prove to have remained static. But efforts to land one major contract for a British company failed.

Prospects

13. The Prime Minister's visit will be the major event in our bilateral relations, and a milestone for Poland. The government will struggle on with its economic reforms, but probably too cautiously to retain their coherence, impetus and purpose. They will bend over backwards to avoid any widespread social protest. If things remain quiet internally, the steady upgrading of Poland's contacts with western governments should continue. The Prime Minister can expect to be followed by other heads of government, and General Jaruzelski may secure invitations to more western capitals.

14. Poland's relations with the west will still depend on its domestic social and political policies, and on progress in reforming the economy. Whether or not they grasp these nettles the Polish leadership will not be able to escape from their main dilemma: most Poles feel alienated from an externally imposed and undemocratic political system, and from a régime which is not of their own choosing. Poles, with long memories do not believe their leaders' promises, nor trust them to deliver the benefits for which they are invited to make immediate sacrifices. The Polish authorities lack the legitimacy, political strength or popular mandate to carry through painful and unpopular policies: they are unnerved by the history of economic hardship, social unrest and the overthrow of party leaderships (1956, 1970, 1980). It is uncertain whether those in the leadership (probably including General Jaruzelski) who genuinely want radical changes will prove strong enough to overcome party and bureaucratic opposition, vested interests and inertia. The Poles will continue to look to the west for economic support, including especially new credits, arguing that the fate of the economic reform may depend on these. This exaggerates the west's role. The west has a part to play in acknowledging the progress made here politically, and being hard-nosed but imaginative in looking at concrete proposals for selective, targeted financial support. But the decisive factor in Poland's fate will remain the political will and realism of those in office. Caution, weakness and dogma may again prevent the radical solutions which might capture the people's imagination and support. If so, a significant opportunity, with implications for the evolution of communism in Europe, will be lost.

15. I am sending copies of this despatch to HM Representatives in other Warsaw Pact posts, Belgrade and Washington; and at NATO.

I am, Sir,

Yours faithfully

Brian Barder

B L Barder