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DIRECTORATE OF INTELLIGENCE

3 May 1982

THE BROADER IMPLICATIONS OF THE POLISH CRISIS

Summary

The circumstances under which Poland's General Jaruzelski came to power and imposed a martial law regime differed substantially from those attendant to previous upheavals in Eastern Europe and reinforce expectations that the military in Poland will remain in power for the foreseeable future. Although the military regime is a first for a Warsaw Pact state, it is not out of keeping with Poland's historical experience, a fact that may provide some clues as to what else to expect politically in Poland's future.

(S)

EO 13526 3.5(c)

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The Solidarity movement sparked little sympathy elsewhere in Eastern Europe, largely because of the reborn strength of national peculiarities in the region. Most of the East European states are, nevertheless, paying a price for the Polish regime's actions, especially because they sensitized Western lenders to poor economic performances and political risks elsewhere in the area and reduced access to Western credits. The question thus is not where the Polish disease may next break out, but rather if economic hardship engendered elsewhere in part by the Polish crisis may produce comparably dramatic results. Three of the Balkan states appear to offer the greatest potential. (C)

The East Europeans' need to look more to their own resources to cope with economic and political problems, reinforced by Soviet unwillingness to maintain past levels of assistance, will likely give new impetus to the trend toward separate roads to socialism. The East European regimes will not look to Soviet practice for ways to improve their performances, but rather to each state's own historical experience and national traditions. As the East Europeans seek to focus economic activity on hard currency exports and satisfaction of domestic consumers, such other resource

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claimants as capital investment, military budgets, and aid to Third World movements will come under added pressure. ~~(S)~~

Particularly those East European states which attempt revitalization will find tensions rising within their regimes, between the regimes and their publics, and between domestic ethnic groups. The regimes will give added attention to, among others, the efficiency of their security services and the reliability of their military establishments. Their problems in maintaining control, however, will be compounded by the unfolding succession process in the USSR, which is destroying established relationships and creating uncertainty as to future Soviet policies. Successions could occur also in one or more East European state, further complicating the picture. ~~(S)~~

Eastern Europe, as a consequence of the many forces at work, is apt to be an area of increasing instability in the next several years. With Poland already beyond all post-war precedent, equally unprecedented developments may occur elsewhere and could build on one another. New dangers and opportunities, thus, will likely present themselves to both Western and Soviet policymakers, with the possibility that one or both could see vital security

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interests at stake. ~~(S)~~

Introduction

The emergence of a General in the late months of 1981 as the Polish Communist party's first secretary and his subsequent imposition of a martial law regime were unprecedented in a Warsaw Pact state. Such firsts were testimony to the seriousness of the crisis that gripped Poland, but they were also the culmination of longer term trends in Eastern Europe's post-war development. ~~(S)~~

What follows is an examination of how these trends manifested themselves in Poland, presented in the hope that it may provide insights into the country's likely future and the possible impact on the rest of Eastern Europe. This paper's conclusions are necessarily general; omissions are unavoidable, and exceptions will leap to mind on many points. ~~(U)~~

Only in Poland

One weakness most East European regimes share is an inability to come up with economic strategies that support orderly, sustained growth over the long term; as a result, three waves of economic crisis have swept over the area in the post-war period. This weakness is an inherent consequence of the felt pressure to employ economic management systems that resemble the inefficient Soviet model, of bad management by economic officials who in many cases hold their posts by virtue of their political credentials, and of a reluctance to adjust to changing economic circumstances lest change imply leadership malfeasance

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or--worse--less than total control. As Poland's economic problems began building toward another crisis in the second half of the 1970s, the Gierek regime was unable to agree on ideas, much less programs, for heading it off. It was hunker down and, hopefully, muddle through. ~~(S)~~

One of the reasons why promptly addressing economic problems proves so difficult in Eastern Europe is that change, to be successful economically, must include both a large dose of austerity and systemic reform. Austerity is a problem because regimes are usually unwilling to seek popular cooperation by making off-setting concessions in non-economic areas or to negotiate its acceptance with representatives of the people--e.g., Solidarity. Yet attempts simply to impose austerity risk popular unrest. Systemic reform is both economically disruptive and politically destabilizing; it threatens the parties' monopoly on decisionmaking, undermines the entrenched bureaucracies, and fractures already faction-ridden Communist parties. The New Courses of the early 1950s and the New Economic Mechanisms of the mid-1960s were eventually all abandoned or put on hold for a time after the Hungarian Revolution and the Prague Spring because of irresolution or conservative backlashes. Because in 1980 Polish party factions were arguing only about the need for change--not over serious reform programs--when the crisis broke, the party did not splinter along major factional faultlines; it simply collapsed. ~~(S)~~

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When the two previous crisis waves broke over Poland, the Party possessed alternative leaders--the first a purged nationalist, the second a well-regarded party chief of an industrial province. These men were able to step in, depart from the ossified policies of their predecessors, and for a short while restore the credibility of the failed party in the public's eye. By 1980, Poland had run out of alternative leaders who could perform this magic. It then turned first to the party leader responsible for the internal security and, when he failed to prove his commitment to the renewal demanded by Solidarity, to the leader of the party's military wing. There is now no alternative to Jaruzelski's leadership, and it will be some time before one can emerge. ~~(S)~~

When Gomulka and Gierek acquired the party first secretaryship, they had sufficient personal credibility and support for new approaches to be allowed a chance to make their programs work. These new approaches did not include reducing Poland's standard of living nearer to what the country could afford, but did feature some decentralization or industrial modernization on credit. In the event, the pervasive Polish bureaucracy was able to stifle such Gomulka innovations as factory workers' councils and democratically elected neighborhood councils, and deteriorating economic conditions in the mid-1970s gave Gierek little choice but to recentralize. Jaruzelski, because he imposed martial law, does not have the initial credibility of his

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forerunners. Although he speaks of reform, he does not appear to have a thought-out plan that goes beyond austerity and worker discipline. ~~(S)~~

Previous waves of demand for change in Eastern Europe have usually been initiated by intellectuals, within and outside the Communist parties, with only occasional support from workers and students. In Poland in 1980, the workers were the major force for change, and they were only belatedly supported by the mass of intellectuals and students. These workers' leaders, having been bamboozled twice before and educated by intellectual dissidents, were not looking for reform-minded Communists to support; they were determined themselves to negotiate desired changes with the regime. They saw in provocations and the regime's unwillingness to make concessions without strikes the same old dead hand of the Polish bureaucracy. This is why Solidarity became radicalized in its final months and why all major Solidarity leaders are unwilling even after four months of martial law to seek a compromise with Jaruzelski. ~~(S)~~

In previous East Europe crises, the military played little political role in the developing stages. In Hungary in 1956, the armed forces essentially disintegrated in the face of the Soviet intervention, although individual officers and men played key roles in the ensuing resistance. More typically, in Yugoslavia in 1948, Albania in 1961, Romania in 1962-1964, and Poland in 1956 and 1970, the military supported the local party

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leaderships. In the Polish case, this meant in 1956 taking up positions that gave the Soviets pause about intervening to prevent Gomulka's comeback and in 1970 firing on demonstrators to keep him in power. Poland 1981 marks the first time the military have had matters placed in their own hands. ~~(S)~~

When Communist parties in Eastern Europe previously appeared to have lost control--or themselves to be opposing Soviet interests--the Soviets intervened militarily. Long periods of repression and reestablishment of the standard instruments of Communist control ensued. During these periods, substantial economic assistance was provided to ease the process. And the East Europeans ultimately profited, in the sense that after 1956 they no longer felt required to copy slavishly Soviet domestic practices. After 1968 they were allowed to borrow in the West to modernize their industries and agriculture, to attempt to participate more fully in the international economy, and to devote more attention and resources to raising living standards. Only in Poland 1981 did the USSR call on the local military to restore control, and only in Poland 1982 does it appear that the Soviets will be unable or unwilling to come up with the greater amounts of aid that might allow an East European regime to put its economic house in order. ~~(S)~~

In sum, then, the crisis in Poland developed with quite a different dynamic than previous crises in post-war Eastern Europe and has produced quite different consequences.

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- Because no major party leaders or factions can claim popular credit for having been on the leading edge of the renewal movement, and because the party was nonetheless disabled by the strains of the renewal period, it has become a discredited but undiscardable institution whose mere existence serves as a brake on the "normalization" process.
- Because the main force for renewal came almost totally from without the official political system and enjoyed broad popular support, it cannot be eliminated by such a relatively simple act as a purge; continuing opposition to the regime will accordingly be more resolute and resilient than its Hungarian and Czechoslovak forerunners.
- Because the economic problems Poland faced by 1980 were more severe than those previously faced by East European regimes--and because these are only being partially addressed by the martial law regime--the Polish economy is not likely to snap back to previous levels of output and growth for many years, if then. Tensions between the regime and the public will, accordingly, remain relatively high.
- Because the military lacks a credible civilian institution to turn power back to and will face continuing popular opposition, it will likely remain

in power for an extended period, filling more and more of the the bureaucracy with its own people. Although it is conceivable that civilian immersion could make these military bureaucrats into a knowledgeable force for systemic reform, they will more likely sink into the traditional stultifying ways of Polish bureaucracies. At some point, the military might become unwilling to relinquish power, even if it could.

-- Jaruzelski and many of his advisers say they recognize the need for political and economic reform and have pledged to preserve some of the changes of the Solidarity period. In fact, they have no program beyond austerity and, in any case, apparently see little opportunity to attempt reform until public order and economic activity have been stabilized. Military Communism, in its initial stage at least, is apt to look to traditional military values for its inspiration. It is thus likely procedurally to place emphasis on discipline and routine, delegation of authority to competent subordinates, regular inspections and critiques, and summary punishment for incompetence and insubordination.

-- The Soviets and the Polish military have had a long working relationship, though Jaruzelski has

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demonstrated on occasion that he can resist Soviet advice. As this relationship develops under new conditions, the Soviets will find that they are dealing not with the remnant of a failed Communist party, but with an institution and leader that take pride in their recent efficiency in imposing martial law and austerity. There is thus the potential for a more equal relationship--and a more fractious one should differences crop up. Poland's considerable economic dependence on the USSR has been increased by its diminished ability to borrow in the West, but this does not translate automatically into political leverage. If and when it does, this leverage will be most effective in the negative sense of discouraging Polish actions of which Moscow does not approve. ~~(S)~~

The Broader Polish Perspective

The martial law regime in Poland may be a first for a Warsaw Pact state, but it is hardly a first for Poland. Although the majority of Poles have no direct recollection of their country's last experience with a military regime (1926-1939), the Poles are a historically conscious people whose perceptions and attitudes are admittedly conditioned by their past. ~~(U)~~

The Poles, like most of the peoples of Eastern Europe, flourished in middle ages, establishing with the Lithuanians a kingdom that stretched at one point from the Baltic to the Black

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Seas. Weakened by a succession of costly foreign and civil wars, Poland was partitioned three times by the Russians, Germans, and Austrians until it ceased to exist in 1795. Modern Poles may consider Jaruzelski something of a traitor for having imposed martial law at Soviet urging, but his claim that a strong central authority is necessary to preserve the Polish state will ultimately strike a historically responsive chord, especially among intellectuals. The first Warsaw Pact exercise in Poland after the imposition martial law involved--with the Poles--only Soviet and East German troops, and Jaruzelski's first trips abroad after martial law were to Moscow and East Berlin--testimony to the Russo-German context of much of Poland's history. ~~(S)~~

During their long subjugation by the three empires, the Poles against considerable odds maintained their national identification through the institution of the Catholic Church, which explains in part the large influence the Church exercises to this day. Each of the three parts of Poland, however, developed politically and economically in quite different directions. Resultant regionalism is one reason why Poles, whether in the Communist party or Solidarity, have such difficulty making common cause. ~~(S)~~

During the long occupations, some Poles served foreign masters as soldiers, diplomats, and administrators. Others became flaming Polish nationalists, considering officials of any

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nationality oppressors and mastering the skills of clandestine organization and resistance that have been perpetuated in Solidarity. It was during the latter part of this period that the bitter division developed among Poles over whether their nationhood was better served by close alliance with the backward, but ethnically-akin, Russians or with the value-sharing, but occasionally indifferent, West. ~~(U)~~

Marshal Pilsudski, who led the coup d'etat in 1926, embodied a blend of these influences. A product of Russian Poland where he was several times imprisoned for revolutionary socialist activities, he escaped to Austrian Poland where under Hapsburg protection he helped raise embryo Polish military units to fight during World War I for the liberation of Russian Poland. When Poland regained its statehood in 1918, he became the first president, presided over the installation of the first government--socialist--and, in 1920, led the Poles in a war with the new Russian Bolshevik regime to push their border eastward. When Poland's myriad and fractious political parties subsequently proved unable to govern or to stabilize the chaotic economy, he returned to public life to install a conservative military regime which, led by various generals and colonels selected by him, survived his death in 1935 and indeed governed Poland until its fourth partition between the Germans and the Russians in 1939.

~~(U)~~

General Jaruzelski, had he and Pilsudki been contemporaries,

would have been on opposite sides. Deported to the USSR with his family after Poland's fourth partition in 1939, he came of age while fighting in Polish units of the Red Army in World War II, participated in the defeat of Western-oriented and nationalist Poles in the reestablished post-war Poland, and served his early career in a Polish Army commanded by a Russian officer. His career only really took off, however, after the Polish crisis of 1956 and during the re-Polonization of the armed forces. Moving thereafter rapidly up the military and party hierarchies, he was available in the wings, like Pilsudski, to step in at a moment of political and economic crisis. It remains to be seen whether what he is creating lasts as long and also grows more repressive, and whether, like Pilsudski, he changes his political stripes once in power. ~~(S)~~

It may also be significant that during the inter-war period the natural affinities were between the Church and agrarian interests and between the socialists and democrats. The deepest antagonisms were between the military on the one hand and the socialists and democrats on the other, with the Church and the agrarians closer to the regime. There is reason to doubt, therefore, whether even in modern Poland the Church and Solidarity, the embodiments of divergent historical traditions, will ever be able to construct the sort of alliance that might produce lasting political results. One must also wonder whether an assault by the regime on the interests of either the Church or

the private farmers might not be the stroke that would electrify all Poles in opposition to Jaruzelski and drive Poland over the brink. ~~(U)~~

The Broader Regional Impact

Poland's Solidarity movement elicited little sympathy in the other states of Eastern Europe. Jaruzelski's suppression of it, accordingly, caused few ripples. Nor is there an inclination now to aid the prodigal Poles more than Moscow requires, lest this contribute to the lowering of other East European living standards that are already under severe pressure. For Solidarity to have had a positive impact in Eastern Europe, it would have had to succeed in Poland. ~~(S)~~

Much of this lack of sympathy for the Poles has its origins in history. As the Poles were succumbing to their more powerful Germanic and Russian neighbors, the Hungarians were successfully striving for equal status with the Austrians under the Hapsburgs. In the Balkans, Slavs and Romanians were finally casting off centuries of Ottoman rule. Nor have the Poles been a consistent force for regional amity, having participated in the dismemberment of Czechoslovakia in 1938 and the military suppression of the Prague Spring in 1968. Coming from this historical perspective, one can understand that Poland's crisis of 1980-1981 was viewed by most East Europeans as a problem the "ethnically inferior" and "priest-ridden" Poles had created for themselves out of their own inbred romanticism, stupidity, and

indolence. Local, mutually exclusive nationalisms in Eastern Europe help explain why no wave of revolution against the Soviet Empire has occurred, despite comparable stimuli in several states. For the same reason, among others, the Polish disease* per se is not possible elsewhere in Eastern Europe. ~~(S)~~

Most other East Europeans are, however, paying dearly for the Polish regime's repression of Solidarity, which ended the willingness of Western governments to help Poland work its way out of severe financial difficulties. Private bankers especially, reacting to the cooler East-West climate and to the poor economic performances of several states, are not making medium or long term loans to any East European government.

*The Polish disease embodies five essential qualities:

- A general perception that those in power are too incompetent or corrupt to exercise sole leadership of the nation.
- The existence of pluralistic groups, including the working class, which have sufficient political power at a minimum to prevent the regime from realizing its goals and on occasion to force the authorities to negotiate.
- A general perception that the Soviet Union will not use its military power to enforce total control because of countervailing costs.
- The existence of a national institution outside the regime's control which can lend dissent moral support and an intellectual dimension.
- Martyrs whose sacrifice for the nation remains to be redeemed.

Romania has already been forced into a rescheduling, and only Bulgaria and Albania--which rejects by law any foreign credits-- seem absolutely safe from having to do likewise. To the extent that access to Western credits is restricted and export performance is poor, imports of Western technologies, spare parts, raw materials, and consumer goods will have to be cut back. This will lead to still further reductions in domestic economic activity and standards of living. ~~(S)~~

A price is being paid also in economic relations within CEMA. Because the Soviets face worsening economic conditions themselves and need to focus their aid on Poland, the other East European countries are having to accept reductions in Soviet oil deliveries and in Soviet subsidies. In addition, most East Europeans have to give some aid, and the coordination of their five-year economic plans has been disrupted. To the extent that Soviet subsidization is lessening, additional hard currency has to be spent on purchases from alternative sources, placing growth rates and living standards under additional pressure. ~~(S)~~

The East Europeans' problems are compounded by the recession in the West. Their share of Western markets has been falling at the very time they needed to maximize hard currency earnings to handle their debt problems. ~~(S)~~

The East Europeans are thus economically between a rock and a hard place, and dissatisfaction with economic conditions in some states is fueling public discontent and ethnonational

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antagonisms. Popular unrest has been rising in Romania, the most independent of the Warsaw Pact states, and there has been turmoil for the past year in the Albanian minority region of Yugoslavia, which became the first East European state to break with the USSR over 30 years ago. ~~(S)~~

The question thus is not where the Polish disease may next break out, but rather where economic hardship--aggravated by the Polish crisis--may produce comparably dramatic political consequences. Because the countries of Eastern Europe are so diverse, only a country-by-country review can shed much light.

~~(S)~~

East Germany as a state has no particular historical antecedence other than the USSR's zone of post World War II occupation, although it lays claim to some Prussian heroes. Soviet suppression of the riots of 1953 brought home early in the post-war period that Moscow will use force to prevent any developments in East Germany that do not coincide with the USSR's interests; the Soviets maintain adequate military forces in East Germany to handle any contingency. The East German regime, at the same time, is the inheritor of a long and proud German Communist tradition and has managed to carry off an economic miracle of sorts that has placed East Germany among the more highly industrialized states--West or East. ~~(U)~~

Despite these forces working for stability--not to mention the people's north German characteristics--the East German state

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remains a fragile edifice. As the erection of the Berlin Wall recognized in 1961, Bonn--not Berlin--is the metropole of the East German public, which is among Eastern Europe's best informed thanks to West German television. The regime, accordingly, places a high premium on its instruments of control and moves quickly against dissent. ~~(S)~~

The major threat, ironically, to the maintenance of strict internal and external controls comes not from the West, but from the East. This results from the triangular relationship between the two Germanies and the USSR, the dynamic of which requires that East Germany pay the bill for Soviet attempts to draw West Germany away from the United States. This was most clearly evident in the early 1970s when West German negotiation of reconciliation treaties with the USSR, Poland, and Czechoslovakia became politically palatable in West Germany only after East Germany agreed to open its borders to substantially increased visits by West Germans. The East Germans had no choice; the haughty party leader Ulbricht, who used to lecture Soviet leaders on his personal acquaintance with Lenin, found himself retired as a consequence of his resistance. Another payment occurred when East Berlin signed the CSCE accords at Soviet behest and hundreds of thousands of East Germans applied for permission to emigrate. Even disruptive Soviet activities directed at West Germany can cause problems in East Germany. The Soviet-supported West German peace movement, for example, has engendered a similar

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movement across the border which East Berlin is having difficulty containing. ~~(S)~~

The Polish crisis was thus both a threat and an opportunity for the East German regime. The threat was that the Solidarity spirit might spread, perhaps through Polish guest workers, among Germans. In the event, ethnic antagonism proved more than an adequate prophylactic. The opportunity was to use the threat of contagion as an excuse to curtail intercourse with West Germany and to tighten internal controls. ~~(S)~~

As for the economic consequences of the Polish crisis, East Germany has taken a heavier blow than any other East European state. But because its economy was in relatively good shape, the ultimate effect may not be as severe as elsewhere. Even so, energy shortages in particular are causing industrial disruptions, and the public will ultimately feel the pain. ~~(S)~~

East German leaders apparently plan to weather the storm by continuing repression and improving their peculiar brand of economic management--which groups economic activities by end products, rather than by type of industry--in the hope of achieving productivity increases and improved efficiency. They have shown no willingness thus far in negotiations with the West Germans to make political or humanitarian concessions in return for maintaining the flow of hard currency loans. Given the size and effectiveness of East German and Soviet security forces, the East German strategy may well work--pending additional

developments in the USSR and elsewhere in Eastern Europe. ~~(S)~~

Czechoslovakia: The Czechoslovak regime was, along with the East German, the most vociferous in urging a decisive quashing of Solidarity. Its position probably reflected the lessons it drew from the Prague Spring and Soviet intervention of 1968. The Czechoslovaks may now be urging Warsaw to follow their example by thoroughly purging liberal elements of the regime and clamping down on all forms of dissent. ~~(S)~~

Unlike East German leaders, the Czechoslovak regime saw no opportunities, only threats, stemming from the Solidarity movement. Dominated by the conservative wing of the pre-1968 party, the regime rules a work force with strong social democratic aspirations dating from the Austro-Hungarian Empire and a public which probably made democracy work better than any other in Eastern Europe in the inter-war period. Plus, the regime rules a state with no particular popular raison d'etre; no Czechoslovak army has ever defended it--not in 1938 or 1968. ~~(S)~~

Particularly insecure because it is led by ethnic-minority Slovaks and because a purged, residual leadership still exists outside the halls of power, the Czechoslovak regime has kept its country's political life in a deep freeze since 1968. Like the Polish regime, it has been unwilling seriously to attempt systemic economic reform, though its basic economic problems may be nearly as severe. Had Solidarity succeeded in making political and economic reform stick in Poland, the example might

have stimulated Czechoslovakia's intellectuals and workers to think in terms of a new thaw. ~~(S)~~

The Czechoslovak regime, thus, felt a particular sense of relief at the imposition of martial law. It is not, moreover, feeling the subsequent Western credit restrictions as severely as most East Europeans because it had not borrowed as heavily. That aside, the country is under pressure because it has one of Eastern Europe's poorest resource bases, its plant and equipment are antiquated, and it has cooperated as broadly as any in CEMA specialization programs that have now been disrupted. ~~(S)~~

Given the seriousness of Czechoslovakia's economic problems, economic reform--some timid experimentation has already been taking place--may yet get a boost from Polish events. Because of the weakness and sterility of the current leadership, however, reform probably will not go far. To the contrary, the regime is apt to continue to rely primarily on repression and count on the public to accommodate to greater privation by moving more heavily into the second economy, which it is legitimizing to some extent. ~~(S)~~

Hungary: The Kadar regime has insisted throughout the Polish crisis that the Poles should be left to work out matters among themselves. This position no doubt reflects Hungarian perceptions that the worst outcome would be a Warsaw Pact military intervention with Hungarian participation. Had that occurred, a decade of effort by Hungary to reform its economy

systemically and to join the international economy would have been severely jeopardized. ~~(S)~~

The ethnically unique Magyars consider themselves the sophisticates of Eastern Europe, but they found themselves the losers in two world wars that left large numbers of their countrymen living as minorities in three neighboring East European states. They were the second of the East Europeans to attempt to throw off Soviet domination but, unlike the Yugoslavs, failed and had to pay a high price in blood and emigration. ~~(U)~~

The Quisling the Soviets chose to rule Hungary after 1956 proved, albeit after a long period of repression, to be more a Hungarian than a loyal satrap. Beginning in the early 1960s, Kadar undertook a gradual reform of the Hungarian economic and political system, preparing the public for each step well in advance and placing the reform on hold at the least sign of major concern domestically or in Moscow. As a consequence, the Hungarians today have an economic system that functions reasonably efficiently because market forces play a substantial role and a political environment that, even before the imposition of martial law in Poland, was among the most relaxed in Eastern Europe. ~~(U)~~

While exercising a relatively free hand at home, Kadar has seldom strayed far from Soviet foreign-political or national-security policies. Any differences have been of timing and nuance, not of substance. The Hungarians are now advising

Poland's military rulers on how to proceed next, while at the same time courting Western governments and banks and seeking membership in the International Monetary Fund. ~~(S)~~

The Hungarians have not avoided paying a price for the imposition of martial law in Poland. The most serious cost is the restriction of access to Western credits, without which Budapest could be forced into a debt rescheduling, a major retrenchment of economic policies, and a further sharp reduction in economic growth. Hungary's skillful bankers hope they can still elude such a fate, and Hungary's politicians--including Kadar--have launched a massive public relations campaign to convince the people that their views are taken into account and that they are the best-off materially in Eastern Europe. Even private moneymaking has recently been sanctioned. ~~(S)~~

As matters now stand, Kadar enjoys substantial domestic respect, and the Hungarian economic system is considered in some East European states to be a model worth studying. If Hungary survives its external liquidity problems, its example could strengthen the forces for reform elsewhere and lead to unsettling political consequences. If Hungary does not, Kadarism might not survive, to the relief of conservative Communist bureaucrats throughout the area. ~~(S)~~

Romania: Party leader and President Nicolae Ceausescu has been as pleased as the Hungarians that the Poles have avoided a Soviet military intervention. Unlike potential interventionist

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Kadar, however, Ceausescu takes pleasure from not having to face down the Soviets by refusing a second time to participate in a Pact invasion of a member state. ~~(S)~~

Romania's defiance of the Soviets over the 1968 invasion of Czechoslovakia was but one in a long series of disruptive acts that have earned Romania the title of the France of the Warsaw Pact. Such behavior is less characteristic of the Romanian people than it is of their megalomaniac leader. The Romanians have, rather, a reputation in Eastern Europe for unreliability and fecklessness; Bucharest switched sides in both world wars--twice, actually, during World War II. ~~(U)~~

The Romanians, for their part, consider themselves an island of Latin culture in a sea of Slavs. In the process of establishing statehood, they have developed two mortal enemies: the Russians, whether Tsarist or Soviet, with whom they have periodically fought over Bessarabia (currently the Moldavian SSR), and the Hungarians, who covet Romanian Transylvania. Romania's shifting alliances have usually reflected the pursuit of its narrow territorial ambitions. ~~(U)~~

The introduction of Communist rule into Romania did not eliminate the basic motive forces of foreign meddling and resistance to it in Romanian political life. The great domestic political battles of the early 1950s were between ethnic Romanian Communists who had spent the war years in Romania and Communists who had spent those years in the USSR, many of whom were

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ethnically Hungarian, Jewish, or German. And in the early 1960s, when under CEMA specialization plans Romania was allotted--in ideological terms--a secondary role as raw material and agricultural supplier to the rest of the Bloc, the Romanian party took up battle with Moscow. ~~(U)~~

Economically, Romania might be better off today had it accepted the role the Soviets assigned it in the 1950s. Instead, like Warsaw, Ceausescu launched a program of rapid industrialization based on available raw material resources--in the case of Romania, a well established petrochemical industry. Also like the Poles, Ceausescu has never done anything serious about reforming an inefficient economic system. As a consequence of bad management, dwindling oil reserves, and recession in the West, Romania today finds itself with industries that cannot compete, a massive hard currency debt it cannot pay, and the lowest standard of living in Eastern Europe--save Albania. ~~(U)~~

Unlike the Poles, on the other hand, Romanians did not enjoy Soviet subsidization during their industrialization period, nor can they now call on the Soviets in their time of need. Also unlike the Polish leaders, Ceausescu never relaxed a Stalinist political system that has kept his people tightly repressed and the party in a constant state of purge. And again unlike the Polish Communists, Ceausescu is free to appeal to the anti-Russian sentiments of the Romanian people to win passive acceptance of his rule. ~~(U)~~

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Romania, on balance, seems headed into a period of economic and political instability. When Romania was last in comparable circumstances in the inter-war period, it found its finances under the supervision of the League of Nations, suffered peasant revolts and political assassinations, and for a period lived under martial law. As Ceausescu assesses the Polish crisis from his domestically weakened position, he should be as worried about the emergence of a Romanian Jaruzelski as a Romanian Solidarity. ~~(S)~~

Yugoslavia: Belgrade has declined to take an official position on Solidarity or the martial law regime in Poland. Unofficially, opinions run the gamut; in some parts of Yugoslavia, student pro-Solidarity demonstrations have been permitted, while in others forbidden. Having established an unconventional, independent Communist state poised between East and West, Yugoslav Communists in fact have mixed emotions. On the one hand, they probably regret that Solidarity was unable to force a more pluralistic system on the Polish regime, making it more akin to the Yugoslav. On the other hand, they must be relieved that the Soviets did not intervene, which would only have made their balancing act more difficult, and that Solidarity did not succeed in wresting a share of power from the party. ~~(U)~~

That the Yugoslavs should speak with many voices on Poland is hardly surprising. There are in fact few true Yugoslavs; there are, instead, Slovenes, Croats, Serbs, Magyars, Bulgarians,

Macedonians, Albanians, Montenegrins, and the Muslim Slavs of Bosnia. Divided for centuries between the Ottoman and Austro-Hungarian empires, Yugoslavia emerged as a state only at the end of World War I under control of the Serbs, who had been the only Yugoslav nationality to reestablish an independent state in the 19th century. (U)

wrong

The peoples of Yugoslavia have not lived happily with one another since. Their state was shattered during World War II-- for them as much a civil war as a defense against foreign aggression. The only multiethnic sustainable resistance group was Tito's Communist partisan army, and it was this group which, with the marginal assistance of the Red Army, won power after the war. (U)

Tito's ambitions for the South Slavs in the immediate post-war period were considerably more ambitious than mere reestablishment of the former Yugoslav state. Territory was seized from the Italians in the northwest, a proxy war was fought to establish influence over Greece, and the incorporation of Bulgaria and Albania was attempted through negotiation. With the West aroused by 1948 and the Soviets by then content to consolidate control over their new East European client states, Stalin tried first to reign Tito in. Failing, he attempted to bring Tito down through severe political, economic, and military pressures. But the Yugoslavs rallied behind Tito, who turned to the West for aid. The consequences were containment of Yugoslav expansionism and reduction of the USSR's European sphere of

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influence. ~~(U)~~

For most of the post-war period, Yugoslavia has been held together by what was essentially a military regime--i.e., the partisan fraternity which assumed the bulk of the key positions in the restored Yugoslav state. Ethnonational antagonisms have bubbled to the surface on three occasions: among the Albanians in 1968 and 1981-1982 and among the Croats in 1971-1972. The Yugoslav army--largely commanded by Serbs--was used against the Albanians and is currently stationed in force in the Albanian region. The Croats, when threatened with use of the army, cleaned up their own act and purged the more radical of their kin. ~~(S)~~

Even during times of non-crisis, ethnonational tensions lie near the surface and tend to be argued in two different contexts. The first is distribution of economic authority between Belgrade and the ethnically diverse republics. As periodically in US history, Yugoslavia's "states" adamantly oppose federal power over spending, taxes, and trade controls, but seek advantage in special interest subsidies. In the face of such pressures, Tito in the end came to allow the republics broad autonomy in economic development and foreign borrowing. At the same time, he tried to reduce the inequities of history by mandating investments designed to make living standards in the various parts of Yugoslavia more equal. (The inequities, not surprisingly, date from the Ottoman and Hapsburg Empires. Those

Yugoslavs who lived under the Austrians inherited an economic infrastructure, some social discipline, and work skills; those who lived under the Ottomans brought little more than the clothes on their backs.) Greater equality, therefore, in practice means taking particularly from the Slovenes and Croats and giving to the Albanians, Macedonians, Bosnians, and Montenegrins. ~~(S)~~

The second context for ethnonational rivalry is the distribution of political authority between federal and republican power centers. The Yugoslavs have been through several cycles of decentralization and recentralization, depending on the perceived problem of the time. Devolution of power even applies to the Communist party, which is often admitted to be a "confederal" party, rather than a "unified," Yugoslav institution. ~~(S)~~

Yugoslavia is thus trapped between the needs for broad power sharing and for sufficiently strong federal mechanisms to ensure policy consistency. In ethnonational terms, a strong leadership in Belgrade translates into domination by the Serbs, the most numerous of the Yugoslav minorities. Devolution of powers to the republics and autonomous regions is to the non-Serb majority ethnationally the most satisfying, but republican officials have tended toward autarky. As matters have ended up, the republics' successful insistence on consensual decisionmaking has undermined Belgrade's powers, and the republics' profligacy has brought the larger Yugoslav economy on hard times. ~~(S)~~

Tito and his key lieutenants had the ability to intervyene at key points in the Yugoslavs' ethnonational quarrels to prevent matters from getting out of hand and to redirect policies to serve greater Yugoslav interests. These men are now gone, succeeded by collective party and state leaderships made up of representatives from each of the Yugoslav peoples. These leaderships, the chairmanships of which rotate annually among their members, are proving cumbersome and progressively less able to make and enforce decisions. ~~(S)~~

The most important impact of the Polish crisis on Yugoslavia, therefore, has been the restriction of Belgrade's access to longer term Western credits. To the extent that Yugoslavia's economy is damaged and central control strengthened in response, ethnonational tensions will be further inflamed.

~~(S)~~

During the inter-war period, when these tensions degenerated into political assassination and Croatian and Macedonian terrorism, it was the Serbian-Montenegrin officer corps that propped up Yugoslavia's ruler and could even throw out a Prince Regent. Since the war, a Communist officer corps--increasingly more diverse ethnically, but united by loyalty to Tito and to Yugoslavia--has twice been called upon to assure the integrity of the state against internal threats. If such actions come to be required more frequently, the military may by default become the only major force with a "Yugoslav" mission. If the party

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leadership in Yugoslavia comes to be viewed as incompetent, like that in Poland, would the military throw the rascals out? ~~(S)~~

Bulgaria: The Zhivkov regime has followed the Soviet line on Poland with such precision that one can understand why the Bulgarians are still known in many quarters as the Prussians of the Balkans. The fact is that recent Polish developments do not seem relevant to current-day Bulgaria. Its people are relatively well fed, the regime has an economic management reform program under way that contains features of both the East German and Hungarian models, the country's debt is manageable, and the party faces no challenge to its control. ~~(S)~~

Losers in three successive wars--the Second Balkan and First and Second World Wars--the Bulgarians have grown stronger and more self-confident in the three-and-a-half decades of peace and stability under the protection of their Slavic big brothers in Russia. Bulgarian nationalism is thus not like the Polish, which is anti-Soviet at bedrock. Rather it tends toward romantic expansionism primarily directed at Yugoslavia's Macedonian Republic, to which the Bulgarians still lay historical claim. The Polish crisis worried the Bulgarians only to the extent that the Soviets appeared to show a lack of resolve. ~~(S)~~

Albania: To the extent that the Hoxha regime has commented on the Polish crisis at all, its position has been to condemn all parties to the struggle. A totally bloody-minded position is in character for the country that still openly reveres Stalin. ~~(S)~~

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Descendents of the ancient Illyrians forced back into their mountainous Balkan stronghold by the Slavic migrations of the 7th century, this people supplied at least three emperors to Rome, some of the best fighting units to the Byzantines, innumerable grand viziers to the Ottomans, and the last King of Egypt. Dragged kicking and screaming into statehood at French insistence after World War I, the Albanians have since been the object of the ambitions of Italy, Greece, and Yugoslavia. ~~(S)~~

With their land occupied in part during World War II by the Italians and then the Germans, the Albanians joined Tito's partisans in the guerrilla war to expel the invaders. Finding a third of the Albanian people still incorporated in Yugoslavia after the war and fearing Tito's designs on all his neighbors, the Hoxha regime took the opportunity of the Tito-Stalin split to slip the Yugoslav leash and place Albania under Soviet protection. When the Yugoslavs and Soviets relations improved, the Albanians expelled the Soviets in 1961 and placed themselves under Chinese tutelage. And, finally, when the Chinese and the Yugoslavs reconciled, the Albanians kicked out the Chinese in 1978 and retreated into near total isolation. ~~(S)~~

Like other aging autocrats, Hoxha is primarily concerned about the imminence of his demise and the events that may follow. To the extent that Hoxha thinks about Poland at all, he probably sees in events there reminders of the evil in all foreigners, but especially a vindication of his belief that the

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great powers are relentless in their rivalry. He may particularly worry about the Soviets' probable desire to regain the naval base they had in Albania in the 1950s. The Polish crisis will likely only confirm Hoxha in his xenophobia. ~~(S)~~

Implications for the Future

The emergence of Solidarity provided the latest demonstration that Soviet-style totalitarian socialism has not taken hold in Poland. Throughout much of Eastern Europe, indeed, it is but a veneer held in place by the glue of Soviet economic and military power, the economic dimension of which is weakening as the Soviets find themselves discomfited by the increasing costs of empire. ~~(S)~~

Soviet willingness to accept a new variant of national Communism in Poland--military Communism--combined with Moscow's less generous economic policy toward Eastern Europe generally, constitutes an additional impetus for "separate roads to socialism" and for greater variation among the several national Communisms of the area. Appearances to the contrary notwithstanding, as the East Europeans have to rely increasingly on their own resources to solve economic and political problems, it will not be the Soviets to whom they will look for examples and inspiration on how to improve their performances. ~~(S)~~

The differing impacts of the Polish crisis on the East European states and their differing reactions to it testify to the extent to which national peculiarity has already replaced

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Communist internationalism as the primary motive force in the area. The need for the East Europeans to depend more on themselves will only reinforce national peculiarities and add to centrifugal pressures. The Soviets' institutions for coordinating the economic and political policies of these countries are proving no more equal to the task now than in years past. ~~(S)~~

In contemplating future developments in Eastern Europe, it will probably be more instructive to look to each country's history and national traditions for clues, rather than to Soviet practice. Rivalries between East European states, and among nationalities within these states, will probably become more important factors in their political behavior. The current Hungarian-Romanian competition for favored treatment by the West in coping with financial problems may be an early example. Given the legacy of irridentism and mutual dislike, such rivalries may not always remain peaceful in a waning Pax Sovieticus. ~~(S)~~

As the countries of Eastern Europe face up to the problem of maximizing production for export to hard currency areas and for domestic consumption, other resource claimants may well come under increased scrutiny. Some East European states may already be cutting back on assistance to Third World states and revolutionary movements. Defense spending, which the Romanians claim they have been reducing for the last several years, has probably come under pressure in other states as well. This

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pressure, in turn, raises questions about the future ability of East European military forces to fulfill their Warsaw Pact commitments, as well as the willingness of East European military leaders to follow Soviet orders after they have become increasingly involved in coping with domestic economic and political problems to which the Soviets are believed at least partially responsible. ~~(S)~~

Inefficient as most of the economies and managements of Eastern Europe are, there is great potential for increasing productivity, allocating resources more efficiently, and adopting appropriate stabilization policies as the Hungarians--and to a lesser extent the Bulgarians--are proving. Yet even consideration of managerial and financial reform and of a greater role for private enterprise will increase tensions within regimes, among the regimes and their publics, and between the nationalities within the publics. The potential will thus grow for some leaders to fall and for publics to become aroused. ~~(S)~~

As domestic tensions increase apace with deteriorating living standards, the Communist parties of the region, aware of the Polish precedent, will look to the efficiency of their internal security forces and the reliability of their military establishments. With such forces already heavily committed in propping up the Romanian and Yugoslav regimes, these two multinational states and Albania appear to be the most likely new places for disgruntlement to get out of hand or some variety of a

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coup d'etat to occur. ~~(S)~~

As the East European leaders contend with their own problems, they will have to cope also with the suspicions and anxieties of a Soviet leadership whose military dominance remains intact, even as its economic power declines. The East Europeans are likely to receive mixed signals from Moscow; Soviet leaders will be torn between recognition that national solutions to the problems of the East European economies are required and fear that their erstwhile allies will take advantage of their increased freedom of maneuver to throw off Soviet political control. The need to placate Soviet suspicions will add one more series of obstacles--and a particularly hazardous one--to the course which the East European leaders must traverse. ~~(S)~~

The uncertainty that prevails in Eastern Europe, were it not already serious enough, will soon increase geometrically. It is not by chance that most previous crises in Eastern Europe have occurred in the wake of a succession in the USSR. Another succession appears in process, even as Brezhnev lives. Leaving Jaruzelski aside, Eastern Europe's party first secretaries have been in power for a long time--an average of over 22 years. This means that even the fiesty Ceausescu has established a relationship with Brezhnev. Personal relationships over time have given these leaders a confidence in the accuracy of their judgments about Soviet policies and levels of tolerance. ~~(S)~~

With Suslov dead, Kirilenko in apparent decline, and

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Brezhnev a part-time leader, the East Europeans will anticipate that a new principal Soviet leader will at some point emerge. And while the East Europeans make it a matter of practice to cultivate Soviet leaders other than those at the very top, they will be concerned about the possibility of major changes in the direction of Soviet policies and wonder what adjustments in their own policies the new Soviet leaders may demand. ~~(S)~~

The succession factor becomes even more unsettling when one considers that the East European leaders, while none of them appear to be on their deathbeds, are nonetheless getting along in years--their average age is 67. (Jaruzelski is the youngest at 58; Kadar at 69 and Hoxha at 73 are believed to have health problems.) It is conceivable, therefore, that one or more East European states could be going through succession processes at the very time the Soviets are, processes that will be all the more difficult because it has been so long since any of these countries other than Poland and Yugoslavia have been through such an experience. ~~(S)~~

In sum, then, Eastern Europe is likely to be an area of increasing instability for the next several years. With events already beyond all post-war precedent in Poland, additional innovative developments will likely occur elsewhere in the area and could build on each other. New dangers and opportunities would then present themselves to both the Soviets and the West, with the attendant possibility that one side or the other, or

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both, will see vital security interests at stake, particularly in the Balkans. ~~(S)~~

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3. BRIAN MERCHANT

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NSC/S PROFILE

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SUBJECT: DRAFT DECISION MEMO ON OPTIONS FOR HUMANITARIAN ASSISTANCE TO POLAND

ACTION: PREPARE MEMO FOR CLARK

DUE: 14 MAY 82 STATUS S FILES

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DEPARTMENT OF STATE

Washington, D.C. 20520

May 12, 1982

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MEMORANDUM

TO: NSC - Mr. Michael O. Wheeler
 Agriculture - Mr. Raymond Lett
 AID - Mr. Gerald Pagano
 OMB - Mr. William Schneider
 Treasury - Mr. David Pickford

SUBJECT: Draft Decision Memo on Options for Humanitarian Assistance to Poland.

The attached draft decision memorandum on options for humanitarian assistance for Poland has been approved by an interagency working group of the IG on Poland. It is being circulated for policy-level clearance in the IG member agencies.

Addressees are requested to review the proposed decision memorandum for final clearance. Comments or clearance should be telephoned to Mr. Tain Tompkins, 632-5804 by COB Friday May 14. Absence of comment will be construed as clearance. The target date for submitting the proposed decision memorandum to the White House is Monday, May 17.

Your prompt action will be appreciated.

L. Paul Bremer, III
 Executive Secretary

Attachment: Draft Decision Memo

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 GDS 5/11/02

DECLASSIFIED
 Dept. of State Guidelines, July 21, 1997
 BY RW NARA, DATE 2/6/13

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OPTIONS FOR HUMANITARIAN ASSISTANCE TO POLAND

I. Humanitarian Food Aid to Poland in FY-82

Last September in response to the continued economic deterioration and shortages evident in Poland, you authorized up to \$50 million in humanitarian food aid for distribution directly to the Polish people through private charitable agencies. CARE and Catholic Relief Services (CRS) subsequently developed programs to distribute \$30 million of food aid to about 3.3 million beneficiaries. The full \$50 million was not used due to uncertainties at that time regarding the strength of the delivery infrastructure.

Following the imposition of martial law on December 13, all official U.S. Government credits to Poland were suspended. However, humanitarian assistance was continued both on the evidence of need (presented by CRS, CARE, the Polish Catholic Church, and our Embassy in Warsaw) for such assistance and on political and foreign policy grounds.

Our assistance is widely visible in Poland, undermining regime propaganda and providing material evidence of Western support for Solidarity and the Church. Our continued assistance would help refute European criticism of sanctions and the view that Poland is a screen for a U.S. policy of confrontation with the Soviets. Our assistance also undermines Soviet propaganda portraying themselves as the only true friends of Polish workers.

Poland's economic situation is continuing to deteriorate under martial law with our sanctions exacting an increasingly heavy toll. Poland's GNP declined by about 13 percent in 1981 and signs point to an acceleration of the decline in living standards (the Warsaw regime predicts a 25 percent fall in 1982). The regime's 300-400 percent increases in food prices appear to have brought demand and supply into closer balance. The increases have placed many food items out of reach of the average Polish consumer. The outlook is for continued economic decline in Poland. An exceptionally good harvest could provide some relief of staple food shortages such as wheat, but there is no way to judge the harvest this early in the year. Despite the gloomy economic situation and outlook, a decision to provide additional Title II food is a political one since Poland's situation is not so poor that it would meet the normal criteria for granting of such aid.

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BY RW NARA DATE 12/1/16

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FUNDING OF HUMANITARIAN FOOD ASSISTANCE IN FY-82

The US Government has provided CARE with \$15 million in PL-480 Title II food supplements for 2.2 million children and elderly persons in pre-school, day care, and health facilities under CARE and Polish Ministry of Health supervision. At the current recipient level food supplies will last through October 1982. Additional funds must be committed by July, however, if we decide to continue CARE's program uninterrupted into FY-83 because of the lead time for food procurement.

The CRS program was initially designed to provide food supplements to 1.1 million persons, with \$15 million in US Government donated PL-480 Title II food. The CRS program uses the extensive infrastructure of the Polish Catholic Church to identify needy individuals and distribute food to them through charity committees in each church parish. Over 250,000 volunteers are involved in this task. CRS assistance is targeted toward the elderly, handicapped, invalid, infants and small children, and large families with young children. Because charity committees were given the task of identifying beneficiaries, and these Committees identified others they considered needy, CRS expanded its program from the original 1.1 million recipients to 1.8 million albeit without seeking prior approval from the US Government. But at this faster rate of delivery, food supplies will run out in July instead of October as originally planned.

Consequently, CRS has requested funding for additional food to keep its program going through October, when the harvest is completed. CARE also has requested \$11.4 million additional in FY-82 to expand its program. Funding of this request is not recommended. Because of procurement lead time, a funding commitment will be necessary by May for CRS if we decide to continue its program uninterrupted into FY-83 at the current distribution level. Sufficient flexibility currently exists in the PL-480 Title II budget to fund CRS' request for an additional \$11.2 million to continue its program through October. There is a consensus of all concerned agencies and the NSC in favor of funding this CRS request.

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OPTIONS:

A. Notify CARE and CRS that no further funds will be made available in 1982. This would force CRS either to cut its level of recipients from 1.8 to 1.1 million persons or to reduce ration levels in order to stretch its program through the end of the harvest season in October. Treasury supports this option.

Approve _____ Disapprove _____

B. Grant CRS request for \$11.2 million in additional PL-480 Title II funds for FY-82. Deny CARE's \$11.4 million request. This would permit continuation of the present program level through October. This also would mean that the total level for this fiscal year of \$41.2 million is well within the \$50 million approved by the President. The \$11.2 million could be funded from the Title II reserve without additional budget authority. State, AID, NSC, Agriculture, and OMB support this option.

APPROVE _____ DISAPPROVE _____

II. Extension of Humanitarian Food Assistance into 1983

The beneficiaries of both CARE and CRS programs are those who are unlikely to be able to fend for themselves even after the October harvest. Further, the economic outlook given the effects of Western sanctions and martial law is for continued deterioration and declining food supplies. Consequently, both CARE and CRS are requesting authority to continue their food aid into 1983.

The PL-480 Title II budget request for 1983 was reduced from prior years and makes no provision for a Poland program. However, recent USDA estimates indicate lower than anticipated commodity costs and, thus, if you decide this is a priority use of such "windfall savings", there should be sufficient funds to finance any of the options below without incurring additional 1983 outlays.

OPTIONS:

A. Provide no FY-83 funding. CARE and CRS would have to be notified immediately to plan for termination of their US Government funded programs when they run out of food. Treasury supports this option.

Approve _____ Disapprove _____

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B. Fund CARE and CRS programs at one half their current level of recipients in FY-83 at an estimated cost of \$25 million. We would need to inform them now of the cuts so that they could plan gradually to cut back their U.S. funded programs.

Approve _____ Disapprove _____

C. Fund CARE and CRS programs at current levels of recipients (CRS - 1.8 million , CARE - 2.2 million) through the first quarter of FY-83 at a \$12.5 million level. Give CARE and CRS a commitment to fund their programs only through the rest of FY-83 at a total cost for the fiscal year not to exceed \$40 million. The appropriate program level would be determined after the Polish harvest is gathered, permitting accurate assessment of food needs. The \$40 million level to complete this program will require a reduction in either the number of recipients or rations during the final three quarters of FY 83. Any unused portion of the \$40 million set aside for Poland would be reprogrammed to other priority uses. State, AID, Agriculture, NSC, and OMB support this option.

Approve _____ Disapprove _____

III. ESF Funding

The FY 1982 Foreign Assistance appropriations bill earmarked \$5 million in ESF for humanitarian food and medical assistance to Poland to be provided through private voluntary agencies. CARE, CRS, and Project HOPE have made proposals for the use of these funds as follows:

CARE : requests \$345,000 for repackaging and administrative expenses in FY-82 and an identical sum for FY-83.

CRS: requests \$3.5 million for additional food and provision of sanitary and infants supplies and agricultural supplies. Of this, \$1.5 million is for packages of infant food, diapers, and soap. Transportation and administrative costs are included. Certain items in the proposal are not recommended for funding: agricultural supplies (pesticides) food packages for old age centers (duplicates CARE's effort) and whole milk (not cost effective).

Project HOPE: requests up to \$5 million for disposable medical supplies, drugs, surgical sutures, and sterilization supplies to alleviate life-threatening shortages of these items in Polish obstetric and pediatric

hospitals. HOPE has an agreement with the Polish Government and the Catholic Church to permit church monitoring of distribution of medical supplies to 16 such hospitals. Although this program would expand humanitarian assistance into the health area, it appears consistent with your policy and with the intent of the legislation authorizing ESF funds for Poland.

IV. Options for ESF Allocation:

A. Reprogram to uses other than in Poland. This would require prompt notification of Congress in order to seek a waiver. Substantial congressional opposition is likely. Treasury supports this option.

Approve _____ Disapprove _____

B. Allocate \$345,000 to CARE for FY-82, and an additional \$345,000 for FY-83 if decided to fund CARE program in FY-83, \$4,650,000 to Project HOPE for Poland.

Approve _____ Disapprove _____

C. Allocate \$345,000 to CARE (or \$690,000 as per II above), \$1.5 to CRS, and \$3,155,000 to Project HOPE for Poland. Agriculture, and AID, support this option.

Approve _____ Disapprove _____

D. Allocate entire \$5 million to Project HOPE. State and NSC support this option.

Approve _____ Disapprove _____

V. CARE proposals for agricultural assistance:

CARE has submitted a proposal for US Government funding of a program to provide \$100 million in feed grains to private farmers in Poland as a form of humanitarian assistance. Provision of this funding would require a radical redefinition of humanitarian aid not in accordance with your current policy or with legislative guidelines for such aid. Distribution of the grain would be monitored by CARE, and CARE would undertake to monitor distribution of some of the chickens and eggs produced with the grain. CARE has submitted an initial proposal for funding 120,000 tons of feed grain worth about \$20 million.

The most feasible option for USG financing of the grain would be a supplemental appropriation which would require your support to pass quickly. But you would need to see substantial

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Polish progress toward meeting our three political conditions before lending support to the supplemental budget request. This form of humanitarian assistance would also require a considerable educational effort on the Hill and to the American public. Use of Commodity Credit Corporation (CCC) funding may be possible with your strong support and Congressional backing, but USDA is adamantly opposed to use of CCC credit for this purpose on both legal and policy grounds. Considering that USDA has an exposure of 3-year financing to Poland of \$1.6 billion, and that the P.L. 480 Title I assignment of \$47.6 million was regarded as a one-time emergency call on P.L. 480 funds, USDA believes that no further financing from those sources can be considered for Poland and that Title II would not be a suitable financing vehicle for feed grains. The financing of \$20.0 million for the purchase of feed grains is not within USDA's guidelines or plans for this fiscal year and the Department has so stated before Congress.

OPTIONS

A. RECOMMENDATION: Inform CARE that the proposal for feed grain funding cannot be supported by the Administration until Poland makes substantial progress toward meeting our three political requirements and even then supplemental financing would need to be found. All concerned agencies support this recommendation.

Approve _____ Disapprove _____

B. Redefine humanitarian assistance to Poland to include provision of feed grain to private farmers. Seek a \$20 million supplemental to fund CARE's proposal. Congressional contacts indicate there is considerable Hill support for such a request.

Approve _____ Disapprove _____

CARE has proposed to provide tractor parts to private farmers in two Polish provinces (there are 49). The proposal would cost a total of \$2-3 million total. This proposal also would require a major redefinition of humanitarian assistance.

As with the other agriculturally-related requests, this also departs from the intent of the current legislation. For this reason we do not believe it represents a viable option for the use of E.S.F. funds. And there would seem to be higher priority needs for U.S. help in the near term.

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A. RECOMMENDATION: Inform CARE that its proposal to provide tractor parts to private farmers cannot be considered humanitarian assistance. Consequently, the Administration cannot support public funding for such a program at this time. All concerned agencies support this recommendation.

Approve _____ Disapprove _____

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OPTION FOR HUMANITARIAN ASSISTANCE TO POLAND

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