

EAST -- POLAND AND THE CMEA COUNTRIES

7. 566

Munich, 8 July 1981 (RAD/Hudson)

The recently published communiqué of the CMEA Council Session held in Sofia from July 2 to 4 was notable for the fact that it contained no reference whatsoever to the current economic and political crisis in Poland. Indeed, the only reference to Poland in the whole text of the communiqué was contained in a statement to the effect that all the European members of the CMEA had agreed to establish a center for electronic engineering.

Given the current state of the Polish economy this might appear surprising, the more so because of the repeated references in the Polish press to Poland's failure to fulfill its planned trade commitments. Although it is difficult to identify from these reports the details of the shortfalls in Polish deliveries, it is evident that the cutbacks in exports have been particularly severe in the area of raw materials deliveries. For example, in 1980 Poland is reported to have failed to fulfill planned deliveries of, among other things, coal, coke, sulfur and machinery and equipment. According to one report, the total shortfall in deliveries to the CMEA countries in 1980 amounted to more than 1,300 million exchange zloty, i.e., approximately 400,000,000 dollars at official exchange rates. (1) Although in absolute value terms this shortfall is not particularly large, the probability that it is concentrated on failure to meet commitments to deliver coal to neighboring countries (and in particular to the GDR and Czechoslovakia) probably exacerbated the problems these countries were already experiencing in their attempt to adjust to the energy crisis. Moreover, it is evident that in the first half of this year the shortfalls in deliveries of raw materials have increased substantially. For example, by the end of April Poland had delivered only 14.3% of its planned annual deliveries of coal to the GDR; by the same time last year Poland had delivered to the GDR 22% of its planned annual deliveries. (2) In 1979 (the last year for which statistics are available) Poland exported 1,925,000 tons of hard coal to the GDR. On the basis of these figures, it would appear that during the first 4 months of this year Poland delivered to the GDR approximately 350,000 tons less than planned. In the first 4 months of this year Poland had delivered only 13.7% (3) of its yearly quota to Czechoslovakia. Since in 1979 Poland exported 2,246,000 tons of hard coal to Czechoslovakia, it would seem that the shortfall on the plan for the first 4 months of this year would be more than 400,000 tons. Last year the shortfall on Polish coal deliveries to the Soviet Union amounted to approximately 3,300,000 tons. These shortfalls have clearly adversely affected the energy balance of the

(1) PAP in English, 26 May 1981.

(2) Ibid.

(3) Ibid.

A70

countries concerned, and it is possible that the GDR and Czechoslovakia have been forced to redress the balance by offsetting purchases on the world market for hard currency. The shortfalls in deliveries of other commodities remain unclear, but it is evident that any failure to fulfill plan deliveries disrupts the planned flow of resources to recipient countries, thus compounding the economic problems they face.

How do the other CMEA countries respond to this situation? To date it appears that the countries most immediately affected by the deteriorating economic situation in Poland have decided to use a combination of "carrot and stick" measures to influence the course of events in Poland. Thus, in addition to direct criticism of the political aspects of recent Polish developments, some neighboring CMEA countries have evidently cut back on their own planned deliveries of goods to Poland. Polish press reports have noted that Poland has suffered from cutbacks in deliveries of a range of goods, including potash fertilizers, cadmium, magnesium, aluminum oxide, nickel, oil products, polyvinyl chloride, and tires. On the other hand, the CMEA countries have evidently stepped up their deliveries of consumer goods and food, and have also provided some hard currency credits. In the absence of detailed data on these deliveries it is difficult to assess either their volume or to identify the balance between the increased aid provided by other CMEA countries and their cutbacks in planned deliveries of raw materials to Poland. It is apparent, however, that the Soviet Union has been the major contributor of aid, while the other countries have been reluctant to provide special aid to Poland.

It might have been expected that in addition to these ad hoc and bilateral economic measures Poland's neighbors in the CMEA could be considering some form of multilateral cooperation to assist in the stabilization of the Polish economy. Indeed, observers had suggested that the Council Session in Bulgaria would have been the appropriate forum in which to consider such cooperation. In the event, it seems that the session did not consider the Polish economic crisis in any detail and did not attempt to prepare any multilateral stabilization scheme. Despite this, and considering the theme of Jaruzelski's speech in Sofia, the Polish delegates to the session were evidently concerned to reassure the other members of the organization that the Polish authorities were doing their utmost to meet their commitments to them. Deputy Prime Minister Mieczyslaw Jagielski also presented a proposal for the other CMEA countries to utilize currently unused Polish production capacities by providing Poland with extra supplies of raw materials in exchange for finished products. Although this proposal was made public some time ago, (4) the Council Session reached no decision on it. (5) Although

(4) See Cam Hudson, "Poland Proposes New Commercial Arrangements with CMEA Countries," RAD Background Report/135 (Poland), Radio Free Europe Research, 12 May 1981.

(5) Radio Warsaw (domestic service), 6 July 1981, 0700 GMT.

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EAST (2) -- POLAND AND THE CMEA COUNTRIES

F-68

the CMEA countries appear to be reluctant to consider any multilateral action on this proposal, negotiations are proceeding on a bilateral basis. Poland has already reached an agreement with the Soviet Union under which the USSR will deliver cotton to Poland, and Poland will deliver 30,000,000 meters of "cloth and flannel" in exchange. (6) Poland has also reached agreement with the GDR "on the principles" under which unused industrial capacity in Poland will be used to manufacture goods for the GDR. (7)

As far as the CMEA Council Session in Bulgaria is concerned, it is evident that the member countries decided that this was not the appropriate forum in which to consider the more general problems resulting from the Polish crisis. It is evident that Poland's neighbors consider that some form of political stabilization in the country is an important prerequisite for economic stabilization. That is, they are likely to consider forms of political action before they countenance multilateral economic measures to stabilize the Polish economy. Moreover, it is also evident that the CMEA countries were confronted with a dilemma at the Sofia meeting. It is clear that the Polish economic crisis has affected other member countries, but the existing trade and economic integration procedures employed by the organization do not provide any flexible tools for minimizing disruptions resulting from Polish failures to meet plan commitments. Thus, when the Session considered the "Coordinated Plan" for 1981-1985, it was evidently faced with the choice of ignoring the Polish economic crisis or of taking new initiatives that would insulate Poland's economy from its partners in the CMEA. It is apparent, however, that the latter alternative would (a) be difficult, if not impossible, to implement given current intrabloc trading procedures; and (b) would exacerbate the economic and political crisis in Poland. As a result, it seems that the Council Session was left with little choice but to take the "wait and see" alternative. To the degree that this alternative solves nothing, it can be expected that in the foreseeable future the CMEA countries will once again be forced to consider a more lasting solution to the Polish crisis.

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1715/41

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- (6) Radio Warsaw (domestic service), 11 June 1981, 1300 GMT.
(7) PAP in English, 19 June 1981.