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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
150521	PAPER	RE. ASSISTANCE FOR POLAND <i>R 12/7/2016 M452/1</i>	8	ND	B1
150523	PAPER	RE. ACTIONS IN POLAND <i>R 12/7/2016 M452/1</i>	4	ND	B1
150525	PAPER	RE. POLISH SITUATION [W/TABS] <i>R 12/7/2016 M452/1</i>	8	ND	B1
150526	DRAFT	RE. PRESIDENTIAL CHRISTMAS SPEECH <i>R 12/7/2016 M452/1</i>	11	12/18/1981	B1

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DEPARTMENT OF STATE

8135314

Washington, D.C. 20520

December 5, 1981

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MEMORANDUM FOR MR. JAMES W. NANCE  
THE WHITE HOUSE

V. L. S.  
SITUATION ROOM

Subject: Assistance to Poland

Attached is a discussion paper prepared by the State Department for Tuesday's NSC meeting on assistance to Poland. The paper has been seen by and discussed with Treasury and USDA, and OMB but it does not have their formal clearance.

L. Paul Bremer, III  
Executive Secretary

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GDS 12/5/86

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Dept. of State Guidelines, July 21, 1997  
BY RW NARA, DATE 1/11/13

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NSC Discussion Paper on Assistance  
For Poland

Political and Strategic Setting

The Polish people continue to make significant gains in their ongoing revolution against Soviet-imposed Communist power in Poland. The Jaruzelski regime has been forced to negotiate with Solidarity for a sharing of power. These negotiations, which cover a range of complex political and economic issues, could serve as the foundation on which Polish economic reform and recovery will be built. As the interlocutors work toward a modus vivendi, and the prospects for economic stability begin slowly to improve, the importance of economic assistance to sustain this process becomes more acute.

Strategically, Poland is one of the most important countries in Europe. It occupies a key geographical position, its armed forces comprise 29 percent of the Warsaw Pact's total forces, and it plays a vital role in Warsaw Pact military strategy. The events of the past sixteen months have had a profound impact on Poland. Soviet control in the country has been seriously undermined, and the reliability of the Polish military brought into question. As a result, the Warsaw Pact's ability to carry out an offensive operation against NATO has severely diminished.

It is in the USG interest to institutionalize, or at least prolong this strategic situation. Not only would such a development have a long term impact on the Pact's military potential, it could lead to similar developments elsewhere in Eastern Europe and constrain Moscow's ability to undertake new adventures in other parts of the world. Success of the Polish experiment will cast doubt in the minds of Communist and revolutionary ruling elites about Soviet willingness and capability to sustain them in power. A failure of the Polish experiment, on the other hand, could strengthen the Pact militarily, and encourage the Soviets to crack down elsewhere, thereby enhancing Moscow's control of the region.

Economic stability in Poland is not a guarantee of political stability. A collapse of the Polish economy, however, would certainly lead to political chaos and probably an eventual civil war. It is vitally important that the Polish people get enough to eat -- particularly during this very difficult winter.

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The November 4 meeting between Archbishop Glemp, General Jaruzelski and Solidarity leader Walesa have led to serious negotiations between the government and Solidarity on finding a way to deal with Poland's problems. Although these negotiations may be temporarily interrupted by Solidarity as a result of its resentment over the forcible removal of the striking firefighting cadets from their school on December 2, pressures on both sides will probably lead to an early resumption of talks. In this setting, Walesa himself has spoken to us of the importance of Western aid. He has told Ambassador Meehan that Solidarity's ability to secure U.S. aid could decisively affect the outcome of current negotiations over the reform of the Polish economy and the redistribution of political power.

### Economic Situation

Poland's economic situation is extremely serious and continues to deteriorate rapidly. Domestically, Poland is facing the combined problems of declining production and soaring inflation. The zloty has lost a substantial amount of its purchasing power and, since there are few goods available for purchase in any case, workers have little incentive to work. Domestic production and national income are projected to decline by 13 and 15 percent respectively during 1981, largely due to shortages of raw materials and imported inputs.

Poland's external position is equally grave. At this late date, Poland still lacks some \$800 million to close its 1981 external financing gap, of which roughly \$500 million is owed to banks under the terms of the private sector debt rescheduling agreement due to be signed on December 10, 1981. The inability of the Poles to generate these funds, and the expressed position of Western governments that they will not provide financing for this purpose, calls into question the outcome of Poland's negotiations with the private banks and raises the possibility of a formal declaration of Polish default.

In 1982, Polish needs could range as high as \$9.4 billion. Even with additional official and private debt relief and other financial arrangements the Poles say are in place, the residual requirement for new credits is \$3.5 billion. The Poles are looking to the West for all of these

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credits, and have specifically requested that the U.S. provide \$740 million, of which \$200 million was requested on an urgent basis. This is comparable with the amounts of U.S. agricultural commodities the Poles have purchased commercially in recent years.

One cannot predict with certainty the size of Polish financial needs in 1983. In large part, these will be determined by the levels of assistance Poland receives in 1982, and by the extent to which the Poles are able to implement their reform package. In any case, however, Polish needs are likely to remain on the same order of magnitude in 1983, leading to a continued need for debt relief and additional financial assistance. Over the next three to five years, Poland's projected level of hard currency debt service and the anticipated level of imports which will be required to rebuild the Polish economy will generate a substantial need for hard currency. The extent to which Poland will be able to meet these demands through increased export earnings depends on how effectively they can implement the economic reforms designed to promote exports. Agricultural reform with an emphasis on the private sector would lessen Poland's food import requirements and will also be a key factor in improving Poland's external financial position over the next three to five years. Nonetheless, Poland will most likely require assistance throughout this period.

#### U.S.-Western Response

Against this political and economic backdrop, the U.S. and our Western allies must formulate a response. The State Department proposes to request Presidential authority to:

1. provide an immediate \$100 million in emergency assistance, primarily feed grains to stave off distress slaughter of Polish livestock and poultry; and
2. begin consultations with our allies on a medium-term, multilateral assistance program for Poland, to which the U.S. contribution would range from 15 to 25 percent of the total Western contribution. This implies an upper limit of \$740 million in CY 1982.

A copy of the memorandum describing these requests is attached.

In each case, we will do what we can to assure that Solidarity, rather than the Polish government, receives credit for our actions. In particular, Solidarity visits to the U.S. will be used for this purpose.

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### Emergency Assistance

The CCEA has endorsed the proposal for providing \$100 million in emergency assistance to Poland. Given the basic interagency agreement achieved on this issue and the pressure of time, it would seem best for the CCEA to work out the technical details of the package, based on a Presidential authorization. There are two possible sources of funds for this package which do not require new legislation or additional budgetary authority. The possibility which both State and USDA support is a CCC sale of surplus stocks of corn on a long-term dollar credit.

The alternative would be to tap PL-480 and/or Economic Support Fund (ESF) programs for \$100 million. However, this option poses difficult and time-consuming foreign policy trade-offs. Over half of the \$100 million PL-480 reserve is already spoken for and the needs of other claimants far outstrip available funds. Reprogramming for Poland would preclude us from responding to all of these needs. Tapping ESF funds is also difficult, and under current funding levels, would require reprogramming from other high priority recipients (Israel, Egypt, the base/transit right countries). Even with the additional funds requested, some crowding out could occur. In view of these constraints, State and USDA believe that the sale of CCC-held corn is the better course of action if we are to move quickly.

The issue of cargo preference is of critical importance. Unless the Administration waives strict compliance with applicable regulations, the additional costs may place the corn out of the Poles' reach financially. Such a waiver is possible. In addition, it should be recognized that the emergency assistance effort will have to be channelled through the Polish government rather than private voluntary agencies. However, since Solidarity has requested this and will monitor distribution, we can still emphasize Solidarity's role in the process.

### The Medium-Term Program

State has requested that the President authorize consultations with our allies on a multilateral assistance program over the medium term. No commitment of funds is sought at this time. Nonetheless, the possibility that the

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USG may eventually participate in a medium-term assistance effort raises a number of fundamental questions:

- What will the U.S. (and the West) receive in return for this substantial outlay of funds? Assistance to Poland at this point offers a real possibility of preserving the political liberalization process which has gathered momentum in recent weeks. This can result in substantial strategic gains for the U.S. by weakening Soviet hegemony in Eastern Europe and limiting Soviet activities elsewhere. By using assistance to support political liberalization accompanied by economic reform, the West will also be fostering the creation of a more pluralistic society. The goal is a viable Poland, closely linked to Western institutions. This offers the hope that Western banks and governments will be repaid.
  
- Will we ever see an end to the Polish economic problem and the need for continued U.S. assistance? While Polish economic problems are extremely grave, the Poles have the basic ingredients (e.g. a resource and industrial base and a trained work force) for eventual economic recovery. The basic problem in Poland has been its economic policies, as formulated by a series of Communist regimes. U.S. aid is not going to prop up this type of regime. On the contrary, U.S. aid is going to meet humanitarian concerns and assist popular democratic forces in Poland striving for independence from Soviet domination. U.S. aid would only be granted on the condition of Polish progress on economic reform and the continuation of the political liberalization process. Solidarity leader Walesa has appealed for U.S. aid and we will insist upon Solidarity consent and monitoring of our assistance to promote its effective use. Poland has already applied for IMF membership. The expert economic advice of the Fund, and the eventual economic resources it may provide, can help assure Polish adherence to a credible economic reform package.
  
- Will aid from Western governments merely serve to "bail out" Western private banks? The final answer to this question will depend on the outcome of Polish/private bank negotiations which will follow the expected failure of Poland to meet the payment of interest and fees due on December 10. In the extreme, the banks could formally declare Poland in default. If so,

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Western aid to Poland would not be passed on to the banks, but as banks write off their Polish losses, all Western governments would experience losses in tax revenues and some (e.g. Germany) might become involved directly in supporting their banks. In the best case, the private banks would be brought to an agreement which resulted in no net withdrawal of funds from Poland. Achieving this goal will depend primarily on Polish negotiating efforts with the banks and, to some extent, on the lead Western governments, by their own actions, give their banks. Western government support of Poland may induce the banks to continue their efforts to reach accommodation with the Poles. No doubt the banks are hoping to be bailed out. Western assistance must be structured to prevent this.

- Where will we obtain funds for such a large-scale program? The emergency assistance of \$100 million will be sought through channels which do not require additional legislation and/or budgetary outlays. For a medium-term program of larger size, we will face difficult choices. One option would be to reallocate these funds from existing budgetary resources. Obtaining funds of the magnitude contemplated would not be possible by tapping other Foreign Affairs line items without making substantial cuts in high priority programs (Egypt, Israel, Turkey). Our only other option is to seek supplemental budgetary authority, a very difficult step in view of the Administration's stance on the budget. Some of Poland's CY 1982 assistance needs could possibly be deferred for funding under FY '83 budget programs. However, the timing of Poland's needs for agricultural products will require that much of the funding be carried out in FY '82.
  
- What are the prospects for continued Soviet sharing of the burden of assisting Poland? The USSR has demonstrated its interest in preventing a complete economic collapse in Poland, which could precipitate political and social conditions requiring them to invade, a step they have chosen to avoid. In 1981, the Soviets provided roughly \$2.5 billion in hard currency assistance to Poland, an amount which equals the total Western package we contemplate for 1982. The Soviets have already rescheduled Polish hard currency payments falling due in 1982. The Poles have stated that no new hard currency assistance will be available from

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the Soviets next year. Continued Polish trade deficits vis-a-vis the USSR are projected. However, the Soviets will make their judgments on continued assistance on a political/military basis and could reduce it if Western assistance efforts are seen as producing unacceptable political change. In this regard, recent Soviet acquiescence to Polish and Hungarian IMF membership applications may indicate a more pragmatic Soviet attitude related at least in part to their fears of assuming a further economic burden in Eastern Europe.

- What are the prospects of achieving an acceptable burdensharing arrangement with our Western allies? Our allies all face tight budgetary constraints similar to ours. It is clear that none of them is willing to make a substantial outlay of funds for Poland without first assuring broad multilateral burdensharing. We do not know how far they are prepared to go at present, and without U.S. leadership it will be difficult to obtain an answer.. More importantly, the U.S. must also make clear to our allies that an equitable burdensharing arrangement with full participation by other Western donors is a sine qua non for U.S. contribution to the medium-term effort.
  
- Can the West effectively impose sufficient conditionality on its assistance to assure an effective reform program in Poland? Although the responsibility of implementing a comprehensive economic reform program rests primarily on the Poles themselves, Western creditors must promote this process by requiring and expanding upon the conditionality associated with their debt relief and assistance measures. Polish efforts date from April, 1981, and measures taken since then have not yet been fully implemented due to divisions within the Party and government. The comprehensive Polish reform package was not expected to be introduced until January, 1982. Recent reporting now indicates that implementation may be delayed. It is hoped that the increased dialogue between the Party, Church and Solidarity will allow the Poles to form the social compact essential for progress.
  
- What are the political and economic costs of failing to assist Poland? Without further Western assistance, the Polish economy will decline into chaos, providing conditions which could lead to either a Soviet invasion or an internal crack-down by the Polish Party. In either case, Polish forces of liberalization will

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be discredited. For the West, the political and strategic losses will be substantial: the Soviets will regain control of the region, strengthening Pact defenses and encouraging Soviet repression elsewhere. The West will be discredited as having failed to respond to Solidarity's plea for assistance. Economically, Western governments will be faced with the consequences of a Polish default, e.g. the loss of revenues associated with the tax write-off of banks' exposure to Poland as well as nonpayment on government debt. A large influx of Polish refugees could also result in additional budgetary expenditures for the U.S. and other Western nations. If Polish economic collapse were to result in a Soviet invasion and the U.S. imposed a grain embargo in response, the U.S. agricultural industry would incur substantial economic losses. Finally, default in Poland could interrupt the normal functioning of international financial markets.

Both the stakes and the risks are high. Moreover, our opportunity for action may be short-lived. Unless the U.S. and other Western donors act quickly, continued economic deterioration in Poland could reach the point of no return, endangering the country's stability and all the gains of democratic forces in Poland.

#### Checklist of Decisions

1. That the President endorse our efforts to implement quickly the CCEA decision to provide a \$100 million emergency assistance program for Poland. A sale of CCC-held corn financed by long-term credits is the preferred option of State and USDA.

2. That the President authorize the Department of State to begin consultations with our allies on a \$2 - 2.5 billion multilateral assistance package, of which we would expect the U.S. contribution for Poland to be between 15 and 25 percent. Such a U.S. contribution, of which the \$100 million in emergency food assistance should form a part, would enable us to meet substantially the recent Polish request to purchase \$740 million in agricultural commodities.

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Legal Implications of Recent Governmental Actions  
In Poland

Domestic Law

The extension of PL-480 food program benefits to a country requires a determination that the country is not controlled by a "foreign government or organization controlling the world communist movement." Poland is currently eligible for benefits under PL-480, but the provision of such benefits has been suspended pending the outcome of the Administration's review of the Polish situation. The relevant language in PL-480, quoted above, would provide a legal basis for revoking Poland's current eligibility for PL-480 benefits, should the President decide to do so.

Relevant provisions in the Trade Act of 1974 would also provide a legal basis for the President to determine that Poland was no longer eligible for MFN treatment as a result of recent GOP actions. In particular, Section 402 of the Trade Act renders any nonmarket economy country as to which the President determines that such country is restricting the freedom to emigrate ineligible for MFN treatment or participation in any USG program in which the US extends credits or credit guarantees or investment guarantees, directly or indirectly, and prohibits the President from concluding any commercial agreement with such country. Restrictions recently imposed on travel by Polish citizens out of Poland under the martial-law regime could provide a basis for such a determination.

Various provisions of the Immigration and Nationality Act of 1952 relating in particular to deferred voluntary departure, refugee status, and granting of asylum may be brought into play by events growing out of recent GOP actions. The Legal Adviser's Office is currently exploring such matters in more detail.

The events of this week also cast serious doubt on the possible eligibility of Poland for any of the forms of assistance provided under the Foreign Assistance Act, such as Economic Support Fund Assistance under Chapter 4 of Part II, which may be provided to promote the "economic or political stability" of the recipient. Section 620(f) of the Act provides that:

No assistance shall be furnished under this Act ... to any communist country. This restriction may not be waived pursuant to any authority contained in this Act unless the President finds and promptly reports to Congress that: (1) such assistance is vital to the security of the United States; (2) the

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recipient country is not controlled by the international communist conspiracy; and (3) such assistance will further promote the independence of the recipient country from international communism ...

(Poland is specifically named in this Section as a "Communist country" to which this prohibition applies.) Whether or not the President would, under present circumstances, be prepared to find that assistance would be vital to U.S. security and would promote Polish independence, recent events would make it much more difficult to conclude that the Polish government is presently not effectively controlled by the Soviet Union.

International Law

The actions of the Government of Poland under its decree of martial law might be inconsistent with the Universal Declaration of Human Rights (the Declaration) adopted and proclaimed by the United Nations in General Assembly Resolution 217A(III) of December 10, 1948, the International Covenant on Civil and Political Rights that entered into force on March 30, 1976 and was ratified by Poland on March 18, 1977, and the International Covenant on Economic, Social and Cultural Rights that entered into force on January 3, 1976 and was ratified by Poland March 18, 1977.

While the International Covenant on Civil and Political Rights in Article 4 provides that a Party State "may take measures derogating from [its] obligations under the present Covenant, it may do so only "[i]n times of public emergency which threatens the life of the nation." Further, such derogations may only be taken "to the extent strictly required by the exigencies of the situation, provided that such measures are not inconsistent with their other obligations under international law ...." Certain provisions of the Convention, under Article 4, may not be derogated from in any case. These include Article 6 ("...No one shall be arbitrarily deprived of his life") and Article 7 ("No one shall be subjected to torture or to cruel, inhuman or degrading treatment or punishment..."). Reports of actions by the Polish Army may suggest that members of Solidarity, as well as other Polish citizens may have had these rights violated.

To the extent that the measures taken by the GOP are not "strictly required by the exigencies of the situation," other provisions of the Covenant on Civil and Political Rights [CCPR] as well as the International Covenant on Economic, Social Cultural Rights [CESCR] and the Universal Declaration of Human Rights may be violated. These include: (1) "the right to

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life, liberty, security of person, freedom from arbitrary arrest and detention (Articles 3 and 9 of the Declaration and Articles 6 and 9 of the CCPR) by acts of arbitrary detention on the basis of the ambiguous standard of "well-founded suspicion."

2) The right to freedom of movement and residence with the borders of each state and the right to leave one's own country by acts requiring permission to change residences, prohibiting freedom to leave Poland, and prohibiting the use of watercraft (Articles 13 of the Declaration and Article 12 of the CCPR).

3) The right of freedom of opinion and expression, including the right to receive and import information and ideas through any media and the right to freedom from interference in one's correspondence (Article 19 of the Declaration and Articles 17 and 19 of the CCPR).

4) The right to freedom of peaceful assembly (Article 20 of the Declaration and Articles 21 and 22 of the CCPR).

5) The right to form and join trade unions for the protection of economic and social interests (Article 23 (4) of the Declaration Article 22 of the CCPR; and Article 8 of the CESCR). The International Covenant on Economic, Social and Cultural Rights states that this right may be restricted only to the extent prescribed by law and which [is:] necessary in a democratic society in the interest of national security or public order...." The Convention states explicitly that a Party State has an obligation to ensure the right of trade unions to establish national federations. It states further that there is to be no restriction on those obligations assumed under the International Labour Organization Convention of 1949 to which Poland is a party.

The Final Act of the Conference on Security and Cooperation in Europe, while not a legally binding international agreement, is considered to possess significant political and moral force as a statement of the intentions of the parties. Actions taken by the GOP since the imposition of martial law on December 12 - in particular, arrests of and prosecutions under summary procedures against individuals because of the exercise of their right to speak freely and to organize into labor unions in order to bargain collectively and engage in strikes - appear inconsistent with the commitments made by Poland as a Final Act signatory to "promote and encourage the effective exercise of civil, political, economic ... and other rights and freedoms

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all of which derive from the inherent dignity of the human person . . .," and the reaffirmation to "act in conformity with the purposes and principles of the charter of the United Nations and with the Universal Declaration of Human Rights" also contained in the Final Act.

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NSC Meeting on the Polish SituationOverview

As the Polish government, with Soviet support, begins the second week of its crackdown on Solidarity, the U.S. faces several important choices. We need to be able to act with our Allies to penalize the Polish and Soviet governments for their actions to date, and to be prepared to cope with a range of contingencies, including massive repression by the Polish government and Soviet military intervention short of a full scale invasion.

The most immediate task is to make clear to the Polish and Soviet governments that their actions will not be cost free. The three attached papers discuss the economic issues involved in imposing costs on both governments. Decisions needed are as follows:

-- Rescheduling Polish Debt.

- Not to invoke the "exceptional circumstances" clause in the 1981 agreement
- Whether to communicate to the private banks U.S. government desire not to have default proceedings at this time

-- Food Aid.

- Authorize suspension of shipment of remaining 6,000 tons of surplus dairy products
- Authorize continuation of shipments for CARE pre-school feeding programs provided Polish government guarantees end-use checks

-- Economic Measures.

- Impose costs on both Polish and Soviet governments and give U.S. representatives a firm negotiating position to take with our Allies.

We feel that popular support for the Polish people in Western Europe, especially from labor organizations, will make our Allies increasingly receptive to our firm approach. The key next step in consultations with Allies will be a Quadripartite meeting of Political and Economic

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Directors of the U.S., UK, France, and the FRG on December 22 in London. U.S. willingness to follow through on meaningful punitive measures will of course be an important element in gaining Allied agreement to similar measures.

On the basis of the Quadripartite discussions, we hope to be able to recommend additional unilateral and multilateral steps suitable for contingencies and as leverage for promoting a compromise settlement in Poland.

The AFL-CIO has decided that U.S. dockworkers will refuse to handle any cargo bound for Poland except humanitarian assistance. Organized labor is willing to work with us on defining what constitutes humanitarian assistance.

Finally, the fourth attachment to this paper is a memorandum on the legal implications of recent governmental actions in Poland.

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1981 POLICY DEBT RESCHEDULING:  
THE "EXCEPTIONAL CIRCUMSTANCES" CLAUSE

On April 27, 1981, Poland's 15 major Western creditors reached agreement on the terms for rescheduling Poland's official and officially guaranteed debt service payments which were due and unpaid as of May 1, 1981 and which fell due between May 1, 1981 and December 31, 1981. This agreement provided debt relief of approximately \$2.4 billion, of which the U.S. share was \$380 million. We believe that all participating creditor countries have now completed the necessary bilateral negotiations with Poland to implement this multi-lateral recommendation on terms.

The Agreed Minute signed in April included an "exceptional circumstances" clause. This clause provides for the suspension of the agreement by any participating country. There is a gentleman's agreement for consultations among the creditors prior to any country exercising this right. "Exceptional circumstances" were defined orally by the chairman of the meeting as the invasion of Poland by external forces or the use of Polish forces to suppress the Polish citizenry.

If the U.S. exercises its right to invoke the "exceptional circumstances" clause, the full amount of \$380 million will be due. The Poles do not have funds available to meet these payments. Furthermore, other countries would invoke the clause to assure that the U.S. was not treated as a preferred creditor at some future date if and when the Poles could pay. The private banks for the same reason would end their rescheduling negotiations and demand full payment on the \$3 billion owed them. As a result, the Poles would be called upon to pay approximately \$5 billion immediately. There is a high likelihood in this situation that one of the 460 Western banks with Polish liabilities would enter default proceedings in court to place liens against Polish property. This would produce a legal asset freeze and seriously disrupt (but not stop) Polish trade.

Policy Issue:

Should the U.S. invoke the "exceptional circumstances" clause of the 1981 debt agreement?

- Pro -- Would indicate that the U.S. takes seriously the Polish military suppression.
- Would severely hamper Polish economic recovery since their economy is dependent on the West for key inputs, both for the industrial and agricultural sectors.

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- Con -- Would end any Polish payments on their Western debt and eliminate an economic lever we can use later.
- Could cause instability in the German banking system ~~since given that~~ some middle-sized banks ~~who~~ are over-exposed ~~will~~ fail.   
*may* ~~which~~
- Would reduce the possibility of recovery of U.S. interests and principal.

It is recommended by State and Treasury that it would not serve U.S. interest to invoke the "exceptional circumstances" clause at this time.

\_\_\_\_\_ Agree \_\_\_\_\_ Disagree

Policy Issue: (Only if the above is ~~dis~~agree)

The private banks are to conclude the 1981 rescheduling December 28. The Poles do not have the \$350 million due in back interest to close this deal. The banks may declare a default or leave the issue open for further negotiation. If they declare a default and go into court, the governments to protect their claims would have to follow suit. Declaration of default by the banks would have the same effect as the U.S. invoking the "exceptional circumstances" clause.

Assuming the U.S. banks are not paid, should the U.S. government communicate to the banks its desire not to have default proceedings at this time?

- Pro -- Would reduce the possibility of private banks preempting a future U.S. Government action, thereby preserving our leverage.
- Con -- The U.S. Government should not be providing advice to U.S. banks on commercial transactions.
- U.S. approach to banks could leak and be seen as a weak U.S. response.

There is no agency agreement on this issue.

Options:

1. Contact leading banks and express U.S. desire that they continue to negotiate if there is no payment or agreement rather than declare a default.

\_\_\_\_\_ Yes \_\_\_\_\_ No

2. Contact leading banks and indicate the U.S. Government is not invoking the "exceptional circumstances" clause at this time and therefore is not seeking a default situation.

\_\_\_\_\_ Yes \_\_\_\_\_ No

3. Do not contact U.S. banks in this issue.

\_\_\_\_\_ Yes \_\_\_\_\_ No



~~SECRET~~FOOD AID TO POLAND

All of the Agricultural Commodities that we have sold to Poland on government credit programs this year have been shipped. However, some of the surplus dairy products which we sold to Poland this year for Polish currency remain to be shipped. There are two categories:

- (a) Last April we sold \$71 million worth of dried milk and butter. The Polish Government has been taking delivery on this purchase in monthly increments. Approximately 6,000 tons (roughly 10 percent of the total) has not yet been shipped.
- (b) This fall we agreed to \$29 million worth of surplus dried milk and cheese to the Polish Ministry of Health to be used in a program for the feeding of children in pre-school day care centers, administered by CARE through the Ministry of Health. None of this has been shipped.

The dairy products from the first category go into the government distribution network for general use in Poland in any way the Polish Government sees fit. It would be an appropriate sanction at this point to hold up the shipment of the remaining 6,000 tons.

Agree \_\_\_\_\_ Disagree \_\_\_\_\_

On the other hand, the surplus dairy products from the CARE program are part of a large overall CARE program in Poland, which also involves the distribution of tens of thousands of CARE packages to the elderly and infirm, as well as several million dollars worth of food commodities to homes for the aged and to hospitals. CARE has an office in Warsaw headed by an American citizen resident representative. The surplus dairy products destined for the CARE program are humanitarian food aid directed to needy target groups. The United States is clearly identified as the donor. It would not be an appropriate sanction to suspend shipment of this aid, but we should demand guarantees that we can monitor its distribution.

Agree \_\_\_\_\_ Disagree \_\_\_\_\_

~~SECRET~~

RDS-3 12/18/01

~~SECRET~~ECONOMIC MEASURES

There are a number of actions which we can take vis-a-vis Poland if the current situation continues:

-- Seek agreement with our allies to recommend to the IMF that consideration of the Polish request for membership be suspended; we could also do this unilaterally. This would be an important political signal; it would not have any financial impact on the Poles in the immediate future.

-- Reconsider the access of the Polish fishing fleet to U.S. waters. This may pose certain problems, because Polish and American firms have joint arrangements and contracts could be cut across. But in any case, this is only a minor signal.

-- Seek agreement among our allies on a "no exceptions" policy for Poland in COCOM. This would mean that no COCOM-controlled items would be approved for shipment to Poland.

-- Suspend renewal of export insurance for Poland by the Export-Import Bank. This would involve denying Ex-Im insurance for about \$25 million of U.S. exports to Poland.

There are also a number of things that can be done vis-a-vis the USSR:

-- Suspend negotiations indefinitely on a maritime agreement. The current agreement expires at the end of December, 1981. If there is no agreement, we can require the Soviets 14 days notice in advance of port calls, and make approvals on a case-by-case basis, contingent on the purpose of the call.

-- Refuse to set a new date for talks on a new long-term grain agreement (LTA). This would be a major signal to the Soviets, although there would be strong negative pressure from the U.S. farm community. (However, if this drifts to September, when the current agreement expires, it would work against us. We would lose the only instrument we have to limit Soviet grain purchases, other than a formal embargo.)

-- Encourage Western banks not to lend the \$200 million the Soviets now want to borrow.

-- Add the Polish situation to our arguments for a major tightening of COCOM controls on exports to the Soviets. Pursuant to agreement at the Ottawa Summit, we have planned a high-level COCOM meeting in January for this purpose; but our allies want a more general, political meeting, without a clear focus on the specific areas of militarily related technologies that we want to bring under control.

~~SECRET~~

-- Work with our allies to seek a halt to the export of oil and gas equipment to the Soviets, thereby halting work on the West Siberian pipeline. This stage of the Polish situation, however, is probably not sufficiently threatening to the allies to get them to change their minds.

-- Reconsider the International Harvester and Caterpillar export licenses. This would be a strong signal to the Soviets but also would hurt the American firms. We may wish to learn first whether other suppliers would take similar action to block their firms. (After Afghanistan, U.S. action blocking exports by Alcoa and Armco was undercut by firms from Germany and France.)

December 18, 1981

150526

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*Paula J  
FYI - The 9:30 AM version  
even*

PRESIDENTIAL CHRISTMAS SPEECH - DECEMBER 23, 1981

Good evening. At Christmas time every home takes on a special beauty, a special warmth. That is certainly true of the White House, where so many famous Americans have spent their Christmases over the years. This fine, old home -- the people's house -- has seen so much, been so much a part of all our lives and history. You can imagine what a humbling and inspiring thing it is for Nancy and me to be spending our first Christmas in Washington here. It's a memory we will always cherish.

We've lived here as your guests for almost a year now. And what a year it's been. As a people, we've ~~already~~ been through quite a lot, ~~together~~, moments of joy, of tragedy, and of real achievement -- moments that have brought us all closer ~~to one another~~ *together*.

G. K. Chesterton once said that the world would never starve for wonders; but only for the want of wonder. At this special time of year we all renew our sense of wonder in recalling the story of the first Christmas in Bethlehem nearly two thousand years ago.

When I was a child, I remember asking why Jesus, who could perform miracles, chose to come among us as a helpless, newborn babe. But perhaps that was His first miracle, His first great lesson. For coming to us as a child, dependent on the love of His parents, He taught us all that we should care for one another.

DECLASSIFIED

NLRR 11452/1 #150526

BY *rw* NARA DATE 12/7/11

~~In His tiny baby hands, He carried the light of truth, the warmth of love, and the comfort of hope.~~ Tonight, in millions of American homes, the glow of the Christmas tree is a reflection of the love Jesus taught us.

Like the shepherds and wisemen of that first Christmas, we Americans have always tried to follow a higher light. ~~The way has not always been easy.~~ But <sup>at</sup> lonely campfire vigils along the frontier, in the darkest days of the Great Depression, through war and peace, the twin beacons of faith and freedom have brightened the American sky. Sometimes our footsteps have faltered, but with God's help we have never lost our way.

Just across the way from the White House stand <sup>the</sup> ~~two~~ two great emblems of the holiday season -- a Menorah, symbolizing the Jewish festival of Hannukah, and the National Christmas Tree. The tree is a beautiful, towering Blue Spruce <sup>from Pennsylvania</sup> ~~last~~

~~year at this time, it was darkened except for one bright star at the top. The lights did not go on until Inauguration Day 1981 when our hostages were freed in Iran. That ordeal is now behind us and the National Christmas Tree shines~~

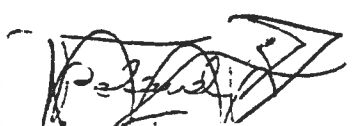
brightly tonight. But for the friends and families of the nearly 2,500 Americans still missing as a result of the war in Southeast Asia, the sorrow and uncertainty remain. Nancy and I join all Americans in praying for them during this Christmas season when most of us have so much to be thankful for.

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Like the National Christmas Tree, our country is a living, growing thing. It is planted in rich American soil, but only our devoted care can bring it to full flower. So let this holiday season be for us a time of rededication as well as rejoicing. Let us never forget that for some Americans this will not be as happy a Christmas as it should be. I know a little bit about how they feel -- I can remember my father coming home one Christmas Eve and telling us he no longer had a job.

Over the past year, we have begun the long, hard work of economic recovery. Our goal is an America in which every citizen who needs and wants a job can get a job. Our program for recovery has only been in place for 12 weeks now, but it is beginning to work; with your help and prayers it will succeed. We are winning the battle against inflation, runaway government spending and taxation. And that victory will mean more economic growth, more jobs, and more opportunity for all Americans.

A few months before he took up residence in this house, one of my predecessors, John Kennedy, tried to sum up the temper of the times with a quote from an author closely tied to Christmas, Charles Dickens. We were living, he said, in "the best of times and the worst of times." In some ways, that is <sup>even more</sup> ~~still~~ true today. The world is full of peril as well as promise. Too many of its people, even now, live in the shadow of want and tyranny.



As I speak to you tonight, the fate of a proud and ancient nation hangs in the balance. For a thousand years, Christmas has been celebrated in Poland, a land of deep religious faith. But this Christmas brings little joy to the courageous Polish people. They have been betrayed by their own government.

The men who rule them, and their totalitarian allies, fear the very freedom that the Polish people cherish. They have answered the stirrings of liberty with brute force -- killings, mass arrests, and the setting up of concentration camps. Lech Walesa and other Solidarity leaders are imprisoned; their fate is unknown. Factories, mines, universities, and ~~private~~ homes have been assaulted. <sup>Polish government has</sup> They ~~have~~ trampled underfoot solemn commitments to the U.N. Charter and the Helsinki Accords. <sup>It has</sup> They ~~have~~ even broken the Gdansk Agreement of August 1980, by which the Polish Government recognized the basic right of its people to form free trade unions and to strike.

The tragic events now occurring in Poland <sup>have been precipitated</sup> ~~happened under~~ <sup>from</sup> ~~the~~ public and secret pressure ~~of~~ the Soviet Union. It is no coincidence that Marshal Kulikov, Chief of the Warsaw Pact forces, and other senior Red Army officers were in Poland while these outrages were being initiated.

The target of this repression <sup>is</sup> ~~has been~~ the Solidarity movement. But in attacking Solidarity, <sup>its enemies</sup> ~~the forces of~~ tyranny

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attack an entire <sup>people</sup> nation. Ten million of Poland's thirty-six million <sup>citizens</sup> ~~people~~ are members of Solidarity. Taken together with their children, relatives, and friends, they account for the overwhelming majority of the Polish nation. By persecuting Solidarity, the Polish Government wages war against its own people.

I urge the Polish Government and its allies to consider the consequences of their actions. How can they possibly justify using naked force to crush a people who ask for nothing more than the right to lead their own lives in freedom and dignity? ~~By~~ Brute force may intimidate, but it cannot form the basis of an enduring society. <sup>and the ability</sup> ~~The~~ Polish economy <sup>cannot</sup> be rebuilt <sup>with</sup> ~~through~~ terror <sup>tactics</sup> ~~methods~~. ~~Armed thugs using~~ ~~terror tactics may stifle free expression, but they~~ ~~demonstrate~~ moral bankruptcy before the eyes of the world.

Poland needs cooperation between its government and its people -- not military oppression. If the Polish Government will honor the commitments it has made to basic human rights in documents, <sup>like</sup> ~~including~~ the Gdansk Agreement, we in America will gladly do our share to help reconstruct the shattered Polish economy. ~~Just~~ as we helped post-war Europe achieve new levels of prosperity through the Marshall Plan.

But if the forces of tyranny in Poland -- and those who incite them from without -- do not relent, they should prepare themselves for serious consequences. Already, throughout the free world, citizens have taken to the streets



~~I~~ I do not make this statement lightly, or without serious reflection. ~~As a~~ We have been measured and deliberate in our reaction to the ~~the~~ tragic events in Poland. We have not ~~x~~ acted in haste, ~~and~~ and the steps I will outline tonight ~~are~~ — and others we may take in the days ahead — are firm, just and reasonable. ~~The~~ ~~and~~ ~~and~~

to express their support for the Polish people. Our ~~government~~ <sup>governments</sup> and ~~allies~~ have expressed moral revulsion at the police state tactics of Poland's oppressors. ~~But~~ our reaction cannot stop there. I want emphatically to state tonight that, if the outrages in Poland do not cease, we cannot and will not conduct "business as usual" with the perpetrators and those who <sup>aid and</sup> abet them.

~~The continued oppression of Poland can only lead to grave consequences for her oppressors.~~ <sup>Make no mistake;</sup> Their crime will cost them dearly in their future dealings with America and free peoples everywhere.

In order to aid the suffering Polish people during this critical period, we ~~are~~ <sup>will</sup> continuing <sup>the</sup> shipment of food through private humanitarian channels, <sup>as long as</sup> ~~providing~~ we can be ~~assured~~ <sup>know</sup> that the Polish people themselves receive the foodstuffs.

~~To~~ <sup>But to</sup> underscore our fundamental opposition to the repressive actions taken by the Polish Government against its own people, the Administration has suspended all government sponsored shipments of agricultural and dairy products to Poland. These <sup>is</sup> suspensions will remain ~~effective~~ <sup>in force</sup> until absolute assurances are received that ~~the~~ distribution of these foodstuffs is <sup>guaranteed</sup> maintained by independent agencies, <sup>We must be</sup> ~~in order that we may~~ assure ~~the food is going~~ <sup>that all of every bit of</sup> to the Polish people ~~and not their~~ <sup>to</sup> oppressors. <sup>provided by America</sup>

~~In addition, we will oppose~~ <sup>we</sup> consideration by the International Monetary Fund of Poland's application for membership <sup>the</sup> ~~of Poland's application for membership~~ <sup>governments</sup>

We will <sup>also</sup> oppose the renewal of the Export-Import Bank's line of export credit insurance to Poland. ~~the~~ <sup>the</sup> ~~government's~~ <sup>government</sup>

(The U.S. is taking after action as well. We are taking after action as well. We)

We will suspend Polish civil aviation privileges in the United States.

We will withdraw U.S. surplus fisheries allocations from the Poland <sup>and</sup> government.

~~And~~ <sup>we</sup> will propose <sup>to our Allies</sup> ~~to our Allies~~ <sup>the</sup> restriction <sup>of</sup> ~~of~~ high-technology exports to Poland.

These actions are not directed against the Polish people.

Our <sup>They</sup> actions are <sup>a warning</sup> ~~intended to demonstrate~~ to the Government of Poland that free men cannot and will not stand <sup>idly by in the face</sup> ~~aside and watch~~ of ~~the~~ brutal repression, of ~~freedom~~.

To underscore this point, I have

To underscore ~~our~~ <sup>our</sup> ~~commitment~~ <sup>commitment</sup> to the country's  
~~to undertake the~~ ~~same~~ ~~at~~ ~~high~~  
~~level~~ ~~of~~ ~~the~~ ~~country's~~ ~~head~~ ~~of~~ ~~the~~ ~~Polish~~ ~~Government.~~ ~~In~~ ~~it,~~ ~~I~~

~~I have sent~~ <sup>written</sup> a letter to General Jaruzelski, outlining <sup>and</sup> ~~these~~ ~~steps~~, and warning of the serious consequences of ~~a~~ ~~con-~~ ~~tinuation~~ of the Polish Government's <sup>continued to</sup> use of violence against its populace. I have urged <sup>d</sup> him to free those in arbitrary detention, to lift martial law, and to ~~resume~~ <sup>re-</sup> negotiations with the Solidarity movement and the Church.

The Soviet Union, <sup>through</sup> with its threats and pressures, ~~deserves~~ <sup>deserves</sup> a ~~share~~ <sup>share of blame</sup> a major ~~responsibility~~ for the ... developments in Poland. ~~Its leaders must understand that we cannot conduct business as usual with them under these conditions.~~

<sup>to</sup> I have <sup>also</sup> sent a letter to President Brezhnev urging him to allow the Polish people to solve their problems by themselves through negotiation and compromise. <sup>In it I</sup> ~~I have~~ also informed him that, if <sup>this</sup> ~~the~~ repression <sup>is</sup> ~~continues~~, there will be ~~concrete~~ <sup>concrete</sup> consequences <sup>not only in</sup> for our relations with countries that perpetrate or abet such abuses. ~~not~~

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When nineteenth century Polish patriots rose against foreign oppressors, their rallying cry was "For ~~our~~ freedom and yours." That motto still rings true in our time.

There is a spirit of Solidarity abroad in the world tonight that ~~no~~ physical force can crush. It crosses national boundaries and enters into the hearts of men and women everywhere. In factories, farms, <sup>and</sup> schools, in cities and towns around the globe, we the people of the free world stand as one with our Polish brothers and sisters. Their cause is ours, and our prayers and hopes go out to them this Christmas.

Yesterday, I met in this very room with Romuald Spasowski, the distinguished former Polish Ambassador who has sought asylum in our country in protest to the suppression of his native land. He told me that one of the ways ~~in which~~ the Polish people have demonstrated their Solidarity in the face of ~~such~~ martial law <sup>is</sup> was by placing lighted candles in their windows ~~x~~ to show that the light of liberty still <sup>is</sup> glowed in their hearts.

Tonight, I am lighting a candle, too. It will burn in the White House window ~~to show~~ as a small but certain beacon of our Solidarity with the Polish people. ~~in the hearts of our people.~~ And I urge all of you to do the same tomorrow night, ~~in~~ on Christmas eve, as a personal statement of your commitment as Americans to the steps we are taking to support brave people of Poland the ~~Polish people~~ in their time of troubles.

Let the light of millions of candles in American homes from ~~each~~ <sup>coast to</sup> sea ~~to shining sea~~ remind us that we are blessed with a freedom and abundance denied to so many. And let them remind us <sup>also</sup> that these blessings bring with them a <sup>solemn</sup> obligation — an obligation to the God who guides us, an obligation to the heritage of liberty and dignity handed down to us by our forefathers, and an obligation to the children of the world, whose future will be shaped by the way we live our lives today.

~~the world is so many~~

We in America are blessed with a freedom and abundance denied to so many. These blessings bring with them an obligation -- an obligation to the God who guides us, an obligation to the heritage of liberty and human dignity handed down to us by our forefathers, and an obligation to our children whose future will be shaped by the way we live our lives today. Let us work to make this Christmas a good one for America, but let us also strive to make the Christmases to come even better through our hard work and dedication.

Christmas means so much because of one special child. But Christmas also reminds us that all children are special, that they are gifts from God, gifts beyond price that mean more than any presents money can buy. In their love and laughter, in our hopes for their future, lies the true meaning of Christmas.

So, in a spirit of gratitude for what we have been able to achieve together over the past year, and looking forward to all that we <sup>hope to</sup> ~~can~~ achieve together in the years ahead, Nancy and I want to wish you all <sup>the best of</sup> ~~a~~ happy holiday seasons, As Charles Dickens, whom I quoted a <sup>few</sup> ~~moment~~s ago, said so well in A Christmas Carol, "God bless us, every one."