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WITHDRAWAL SHEET

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Collection Name BAILEY, NORMAN: FILES

Withdrawer

RBW 2/6/2013

File Folder EASTERN EUROPEAN POLICY JULY 1982-AUGUST 1982

FOIA

M452

Box Number 2

SHIFRINSON

28

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
153519	MEMO	PAUL BREMER TO WILLIAM CLARK RE. LETTER TO RR FROM YUGOSLAVE PRESIDENT STAMBOLIC <i>R 6/2/2015 M452/2</i>	1	7/10/1982	B1
153540	LETTER	PETAR STAMBOLIC TO RR [ENGLISH] <i>R 6/2/2015 M452/2</i>	2	7/6/1982	B1
153541	LETTER	PETAR STAMBOLIC TO RR [IN SERBO- CROATIAN] <i>R 6/2/2015 M452/2</i>	2	7/6/1982	B1
153524	REPORT	RE. EAST EUROPEAN HIGHLIGHTS: JUNE 1982 <i>R 9/25/2018 M452/2</i>	14	7/9/1982	B1
153529	REPORT	RE. CEMA SESSION: SOVIETS STRESS COOPERATION IN WAKE OF VERSAILLES SUMMIT <i>R 9/25/2018 M452/2</i>	11	7/12/1982	B1
153532	CHECKLIST	RE. POLISH SANCTIONS <i>R 6/2/2015 M452/2</i>	1	7/16/1982	B1
153535	CABLE	BONN 15244 <i>R 6/2/2015 M452/2</i>	2	7/15/1982	B1
153536	MEMO	PAULA DOBRIANSKY TO WILLIAM CLARK RE. PRE-JULY 22 POLISH DEVELOPMENTS <i>R 9/25/2018 M452/2</i>	2	7/19/1982	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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28

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
153537	MEMO	DOBRIANSKY TO CLARK RE. U.S. INITIATIVE <i>R 12/29/2017 M452/2</i>	1	8/18/1982	B1
153538	MEMO	CLARK TO DEPUTY SECRETARY OF DEFENSE RE. U.S. INITIATIVE <i>R 12/29/2017 M452/2</i>	1	ND	B1
153539	MEMO	FRANK CARLUCCI TO ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS RE. PROPOSED U.S. INITIATIVE <i>R 3/4/2015 M452/2</i>	1	8/16/1982	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

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NSC/S PROFILE

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2/13

ID 8204859

RECEIVED 12 JUL 82 11

TO PRES FROM STAMBOLIC, PETAR
BREMER

DOCDATE 06 JUL 82
10 JUL 82

KEYWORDS: EAST WEST ECONOMICS YUGOSLAVIA KRAIGHER, SERGEJ
CANCUN SUMMIT HS LONCAR, BUDIMIR

SUBJECT: REQUEST PRES SUPPORT FOR YUGOSLAVIA EFFORTS TO OBTAIN NEW CREDITS FM
US BANKS

ACTION: STATE RECOM NO REPLY REQUIRED DUE: STATUS C FILES PA

FOR ACTION

FOR CONCURRENCE

FOR INFO

~~FOR~~
S.S.

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PIPES

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COMMENTS

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DEPARTMENT OF STATE

Washington, D.C. 20520

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July 10, 1982 07

153519

SEARCHED
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MEMORANDUM FOR MR. WILLIAM P. CLARK
THE WHITE HOUSE

Subject: Letter to President Reagan from Yugoslav
President Stambolic

Enclosed is a letter to President Reagan from Yugoslav President Petar Stambolic, which Yugoslav Ambassador Budimir Loncar delivered to Under Secretary Eagleburger on July 10. Stambolic refers to President Reagan's assurances to former Yugoslav President Kraigher at Cancun of support for Yugoslavia's efforts to obtain new credits from US banks and requests the President to lend such support at this time.

Representatives of the Department will be meeting with Yugoslav Embassy officials on July 12 to see what specifically the Yugoslavs have in mind. Until we have a clearer idea of what they want and what, if anything, we can do to help them, we do not believe that a response is required or expected.

Katharine Sawyer Kel
L. Paul Bremer, III
Executive Secretary

Attachment:

Ltr from President Stambolic

DECLASSIFIED

CONFIDENTIAL

NLRR M452/a #153519

BY RW NARA DATE 6/2/85

(Unofficial translation)

President
of the Presidency
of the S.F.R. of Yugoslavia

Belgrade, July 6, 1982

Dear Mr. President,

In keeping with our established practice of exchanging messages on the highest level, which both sides deem to be highly useful, and in the spirit of the friendly relations and understanding between our two countries, I would like to take this opportunity to underline our great interest in advancing cooperation with U.S. commercial banks. Therein, in our view, the support of the government of the United States would be most helpful.

Your administration, as well as business circles and banks in the United States, have followed the efforts we have exerted over the past two years to achieve economic stabilization. This policy has yielded manifold results, particularly in terms of reducing our balance of payments deficit. In this context, our cooperation with the International Monetary Fund has been most productive. However, as you are no doubt aware, we are pursuing this policy against the background of highly unfavourable international developments, and particularly adverse economic and monetary conditions.

Although we remain firmly committed to reducing our foreign debt, at this moment new credits are essential in order to retain the complete solvency of our country and to continue our policy of economic stabilization.

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NLRR M452/2 #153540

BY RW NARA DATE 6/20/15

Representatives of your administration have, on several occasions, reiterated their support and understanding for the course we have embarked on. We particularly value your willingness, Mr. President, which you conveyed to my predecessor, Sergej Kraigher, in Cancun, to extend your support in securing new credits for Yugoslavia from U.S. banks.

Financial cooperation is a long-term and essential part of our economic and overall bilateral cooperation. This view was shared by preceding U.S. administrations also.

The campaign Yugoslavia launched toward the end of last year to secure new credits has not, to our regret, been brought to a close. However, I would like to inform you that the West European countries have manifested their understanding for the steps we have taken with regard to their banks.

I feel, Mr. President, that you are fully aware of the economic and political import that successful long-term cooperation between Yugoslav and U.S. banks has in terms of relations between our two countries. In view of our renewed efforts to secure the medium-term and short-term credits that we need, your personal attention, Mr. President, and the support of your administration in this regard would be highly appreciated.

I avail myself of this opportunity to express great pleasure at the successful development of relations and fruitful cooperation between our two countries on long-established principles which have an enduring value.

Please accept, Mr. President, the renewed assurances of my highest consideration.

Petar Stambolic (signed)

The President
 The White House
 Washington, D.C.



PREDSEDNIK
PREDSEDNIŠTVA SFRJ

153541 5.
Beograd, 6. juli 1982.g.

Gospodine Predsedniče,

U duhu prijateljskih odnosa i razumevanja između naše dve zemlje, i u skladu sa već ustaljenom, i obostrano ocenjenom kao veoma korisnom, praksom razmena poruka na najvišem nivou, želim da Vam se obratim povodom našeg interesa za unapredjenje saradnje sa američkim poslovnim bankama, a u čemu bi, po mom uverenju, bila korisna podrška vlade Sjedinjenih Američkih Država.

Vaša vlada, kao i poslovni i bankarski krugovi, u toku su napora koje ulažemo već dve godine u cilju ekonomske stabilizacije. Ova politika je dala rezultate u svim oblastima, naročito u smanjivanju deficita platnog bilansa. Poznato je da takvu politiku vodimo u vrlo nepovoljnim međunarodnim, posebno ekonomskim i monetarnim prilikama. U tome smo imali vrlo korisnu saradnju sa Međunarodnim monetarnim fondom.

I pored čvrste orijentacije na smanjivanje zaduženosti Jugoslavije u inostranstvu, u ovom momentu je neophodno naše novo zaduživanje kako bi održali potpunu likvidnost zemlje i nastavili politiku ekonomske stabilizacije.

Predstavnici Vaše vlade su u više navrata izrazili podršku i razumevanje za ovakvu našu orijentaciju. Posebno cenimo Vaš lični stav, gospodine Predsedniče, koji ste izneli mom prethodniku Sergeju Kraigheru u Kankunu o spremnosti da nam pružite podršku u obezbeđivanju novog kredita kod američkih banaka.

Finansijska saradnja je dugoročni i neophodan vid naše ukupne ekonomske saradnje, pa i šire, o čemu smo delili gledišta i sa prethodnim administracijama.

Nažalost, akcija oko obezbeđivanja kredita koja je bila inicirana krajem prošle godine nije završena. Mogu Vas obavestiti da zemlje Zapadne Evrope pokazuju razumevanje za ovu našu aktivnost kod njihovih banaka.

Njegova Ekselencija
Gospodin Ronald Regan, predsednik
Sjedinjenih Američkih Država

V a š i n g t o n

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NLRR M452/2 #153541

BY LW NARA DATE 10/2/15

Nije potrebno da Vas uveravam od kolikog je ekonomskog i političkog značaja za odnose naših dveju zemalja uspešna dugoročna saradnja između jugoslovenskih i američkih banaka. S obzirom da je u toku naša ponovna inicijativa za obezbeđivanje potrebnih srednjeročnih i kratkoročnih kredita, cenili bi, gospodine Predsedniče, ako bi ta akcija imala Vašu ličnu pažnju i podršku Vaše vlade.

Koristim ovu priliku da izrazim svoje zadovoljstvo uspešnim razvojem odnosa i saradnje između naše dve zemlje na već utvrđenim principima, koji su se pokazali plodotvorni a imaju i trajnu vrednost.

Dozvolite, gospodine Predsedniče, da Vam uputim izraze svog osobitog poštovanja.

PREDSEDNIK PREDSEDNIŠTVA
SOCIJALISTIČKE FEDERATIVNE REPUBLIKE JUGOSLAVIJE

Petar Stambolić

Petar Stambolić

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CAUTION - PROPRIETARY INFORMATION INVOLVED

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~~BAILEY~~



BUREAU OF
INTELLIGENCE
AND RESEARCH

CURRENT
ANALYSES

(U) EAST EUROPEAN HIGHLIGHTS: JUNE 1982

Summary

(C) Unrest in Poland persisted in much the same fashion as in recent months, tempered, however, by greater assertiveness by the authorities and restraint by Solidarity. Neither side wanted to bear responsibility for jeopardizing a possible papal visit in August.

(C) Heads of government of Council for Mutual Economic Assistance (CEMA) members, meeting in Budapest, attacked Western sanctions against Poland and the USSR, as well as the new trade restrictions called for in the Versailles declaration.

(C/NF) Hungary, grappling with recurring dissidence, introduced a major reshuffle of its cultural leadership.

(C/NF) Romanian President Ceausescu continued his crackdown on purported misfits in government and restive intellectuals.

(C/NF) In its first congress without Tito, the Yugoslav party reaffirmed adherence to his policies.

(C/NF) East Germany managed to finagle West Germany into extending its "swing" trade credit without making comparable concessions.

* * * * *

(C) Poland: Unrest Continues

Although civil disturbances flared anew in June, they were less widespread and less violent than those in May. The Jaruzelski regime seemed more sure-footed in dealing with them, but the ebb also reflected Solidarity's call for a halt to all

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RDS-1,2,3,4 7/9/02 (multiple sources)

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INTELLIGENCE SOURCES AND
METHODS INVOLVED

Report 428-CA
July 9, 1982

DECLASSIFIED
NLR #153524
NARA DATE 9/25/18

open resistance. The wave of optimism that swept Poland in anticipation of Pope John Paul II's projected visit in late August may have been another mitigating factor. By month's end, however, the papal trip was still up in the air, as both the regime and the Catholic Church intensified their maneuvering.

The most serious clashes occurred on June 13 in the western industrial city of Wroclaw, where riot police used tear gas and water cannon to disperse hundreds of pro-Solidarity demonstrators gathered to mark six months of martial law. The mostly young protestors hurled gasoline bombs and stones, destroying two police radio vans. The regime reimposed an overnight curfew, with stricter provisions for those under 18 years of age. Police also intervened to break up demonstrations in Nowa Huta (near Krakow), Swidnik (near Lublin), and Gdansk. A crowd of some 500 dispersed peacefully after singing patriotic songs near the Wyszynski floral cross in central Warsaw.

In seeming defiance of a plea by Solidarity underground leaders to abandon overt forms of resistance, 15-minute strikes were staged at noon on June 16 in several factories and shipyards in Gdansk and at the giant Lenin steel mill in Nowa Huta. In Wroclaw the same day, riot police for the third time in four days dispersed several hundred demonstrators following an evening mass. Noontime protests also took place at several universities in Gdansk and Krakow.

There were more demonstrations on June 25, commemorating the 1976 worker riots in Radom and Ursus, and on the 28th, which marked the 26th anniversary of the Poznan "bread and butter" riots. Several hundred Poles demonstrated and later attended a mass in Warsaw which turned into a "mini-Solidarity rally." In Poznan, at least 10,000 people--many of whom were workers--gathered on the 28th in an unofficial commemoration of the 1956 riots; the official commemoration on the 27th had been poorly attended. Although the crowds were dispersed peacefully, the regime had taken no chances. At least five encampments of elite motorized police (ZOMO) were noted around the city in addition to the deployments of regular police in town.

In an attempt to head off unrest, the regime on June 12 had announced the lifting of curfew in the western port city of Szczecin and the release of more than 250 internees (although Solidarity sources were unable to confirm that the latter measure was carried out). Smarting from the severity of regime retaliatory measures, underground Solidarity leaders apparently concluded that job actions and street demonstrations were hurting chiefly the union through decimation of its fragile network of activists,

and so advised against them. The June disturbances underscored Solidarity's indecisiveness about the best tactics for forcing the regime into a more conciliatory stance. Underground literature suggested that the union's provisional leadership was not of one mind, but there was agreement on the need for thorough preparation for a general strike sometime in the future.

(C) Papal Visit Issue Revived

The Pope's publicly stated determination to go ahead with his trip to Poland in late August may have influenced the attitudes of authorities and pro-Solidarity demonstrators. The prospective trip moved to center stage after the Polish Episcopate renewed its invitation to Pope John Paul on June 8. The regime warned the Episcopate that, although the Pontiff was always welcome in Poland, his return would not be permitted until internal conditions had sufficiently "normalized." Nevertheless, negotiations were being conducted behind the scene between representatives of the government, the church, and the Vatican. But no decision was likely until after Primate Glemp returned from his trip to Rome in early July.

Despite the obvious risks of massive demonstrations, a papal visit while martial law was still in effect could bestow a badly needed measure of legitimacy on Jaruzelski. Nevertheless, he must take into account the views of Moscow and other Pact allies; Moscow already has accused some members of the Polish church of acting on Solidarity's behalf and indicated publicly that it was opposed to the trip.

(C) CEMA Session: Versailles Trade Strictures Denounced

The CEMA heads of government meeting in Budapest on June 8-10 "resolutely rejected" the West's sanctions against Poland and the USSR, as well as the new trade restraints called for by the Versailles declaration. Several agreements were concluded on intra-CEMA affairs, notably on microprocessors, robot technology, and the coordination of national economic plans for 1986-90. But differences on basic issues--such as energy, agriculture, and industrial cooperation--remained unresolved. These, along with the current health of the Soviet economy and of Brezhnev himself, may account for Soviet Premier Tikhonov's failure to renew Brezhnev's earlier call for a CEMA summit (meeting of heads of party).

Tikhonov frankly acknowledged shortcomings in Soviet energy production and conservation, as well as in the food processing industry and the agricultural sector; he stated that the USSR

would draw on requisite "experiences" of other CEMA states in these areas. In trying to smooth over differences on future economic ties with the West, he called for greater cohesion within CEMA. But he also cautioned members "not to isolate themselves from the world economy." The communique's stated willingness to cooperate with the West on the basis of equality and mutual advantage underlined the importance to CEMA members of trade and financial relations with the West. But there was no mention of resuming the long-dormant CEMA-European Community dialogue.

On Poland, the communique reaffirmed that CEMA would continue to provide "comprehensive assistance," but mentioned no specifics. It was also cryptic about "preferential terms" in cooperation projects with CEMA's three non-East European members: Cuba, Vietnam, and Mongolia. Curiously, although citing CEMA's economic cooperation agreement with Finland, the communique omitted the customary reference to the status of agreements with Mexico and Iraq. Soviet considerations regarding Iran may have accounted for the failure to mention Iraq. Representatives of Angola, Afghanistan, the People's Democratic Republic of Yemen (South Yemen), Laos, Mozambique, and Ethiopia participated as observers. Yugoslavia also participated, as it usually does, on the basis of a 1964 agreement with CEMA.

Though marked by relative uneventfulness, the Budapest gathering provided a platform for several notable speeches. Romania, in addition to arguing for a "summit" meeting to discuss agricultural issues, also announced that it wanted to obtain three Soviet-designed 1,000mw nuclear reactors. The decision, if implemented, would represent a major shift in Romanian nuclear policy, which heretofore has relied solely on Western (largely Canadian) technology for its budding nuclear energy program. Other speakers pressed for CEMA discussions of energy problems, thereby underlining the growing difficulties their economies face owing to tightening--particularly from the Soviet Union--energy supplies. It was clear that coordination of individual economic plans for the 1981-85 period was presenting problems and that the next planning cycle would prove equally difficult.

(C/NF) Hungary: Simmering Dissidence Draws Mild Regime Reaction

Hungarian dissidence persisted on two fronts: among intellectuals critical of Hungarian and other East European policies, and from a splinter, grassroots Catholic movement espousing pacifism and opposing Cardinal-Primate Lekai's policy of accommodation with the Kadar regime. During June, five intellectuals published 1,000 copies of a second edition of Beszelo (Chronicler), including names, addresses, and telephone numbers of its editorial staff.

This samizdat publication openly memorializes Poles who died since the imposition of martial law. Topics treated in the current issue range from pacifism and censorship in Hungary, the peace movement in the GDR, and a "letter" by former Premier Imre Nagy (executed after the 1956 revolt) to a discussion of the status of the Hungarian minority in Czechoslovakia. The third issue of Beszelo, expected shortly, is to carry an article on Romania's ethnic Hungarians.

A future Beszelo will carry the text of a letter to Cardinal Lekai from Father Bulanyi, leader of the small but spreading religious dissident movement called the "basic community." Although the inclusion of Bulanyi's letter in Beszelo probably did not mean that he wanted to join forces with the secular dissident movement, it should give this splinter Catholic group additional exposure. Bulanyi's running controversy with the Cardinal was made clear in Lekai's refusal in early June to concelebrate a mass at a gathering of 3,000 members of Bulanyi's movement. While Lekai has waited for a Vatican ruling on Bulanyi--the Cardinal has called upon Bulanyi to recant--Church Affairs Minister Miklos has again warned against the use of theological arguments to justify conscientious objection.

Beszelo's continued appearance suggests that its contents have not yet exceeded the limits of regime tolerance for dissident activity. The authorities have been rather discriminating in their on-again, off-again harassment of the various dissident groups. The regime may continue to refrain from intervening in the Lekai/Bulanyi dispute, at least so long as Lekai is ready and able to deal with internal church dissidence in a manner acceptable to the authorities. At the same time, there have been instances in which underground Solidarity documents from Poland have been confiscated and less prominent Hungarian dissidents have been denied travel abroad (even to other Warsaw Pact countries). Police surveillance and other forms of mild intimidation of the more outspoken activists have intensified recently, as have efforts to prevent the clandestine use of official printing presses for reproducing samizdat material.

(C/NF) Hungary Reshuffles Personnel, Hints at Belt-Tightening

The Hungarian Central Committee met on June 23 for what was assumed would be a routine session to discuss Hungary's growing economic problems and to review the international situation. But the communique, published on June 26, revealed that the plenum also endorsed the most sweeping reshuffle in the party and government hierarchy since the April 1980 party congress. Although it will take time for their full significance to emerge, the changes

centered on the regime's cultural and propaganda portfolios and left its economic team intact, at least for the moment.

The changes suggest that the ever-cautious Kadar sought to tighten the leash on the regime's cultural and propaganda/information establishment. Such a move could accomplish two things:

- serve as a warning to the country's various dissident groups (and thus placate Moscow); and
- put Kadar in a better position in anticipation of likely consumer grumbling over pending austerity measures.

Among the more important changes were:

- transfer of the youthful, liberal-minded Minister of Culture Imre Pozsgay to the secretary generalship of the largely ceremonial People's Patriotic Front;
- the return of Politburo member Gyorgy Aczel as party secretary in charge of cultural matters, a post he left in 1974, reportedly under Soviet pressure;
- the sidelining, at least temporarily, of the head of the party's international affairs department, Janos Berecz, who was made chief editor of the party's central organ Nepszabadsag;
- promotion of Kadar's personal secretary and former Nepszabadsag editor Peter Varkonyi to Hungarian party secretary, replacing Andras Gyenes, who will now head the party's control commission; and
- promotion of Matyas Szuros, ambassador to Moscow, to succeed Berecz as head of the party's international affairs department.

Pozsgay's loss of the cultural portfolio, the most surprising of the changes, will be widely lamented by Hungary's intellectuals, especially those on the fringe of and outside the cultural establishment. Pozsgay not only was tolerant of the country's dissidents, particularly those belonging to the populist group around Gyula Illyes, but reportedly went so far as to maintain close personal contact with some engaged in samizdat publication. He may also have been suspected of having masterminded the surprise election of new faces to the writers' union leadership last December at the expense of some of Aczel's proteges. There is evidence to suggest that Aczel and Pozsgay had not seen eye to eye

on a number of cultural issues and that Kadar, perhaps with an eye to Poland, decided to give the nod to Aczel, a known quantity and a trusted friend of long standing.

(C/NF/NC/PP) Romania: Ceausescu's Crackdown Continues

In the wake of his April-May party and government shake-up, Ceausescu continued to cast the blame for Romania's difficulties on those around him.

--He told an expanded plenum of the Romanian Communist Party's Central Committee, June 1-2, that the recent leadership changes were not a "mere rotation." They resulted, he said, from the fact that the "government has not fulfilled its mission."

--Purges within the government continued. Western bankers involved in Romania's attempted debt rescheduling reportedly were told that all senior managers of the Romanian Foreign Trade Bank had been removed. Of those bank officials involved in the protracted negotiations with Romania's Western creditors, only the director remained.

--A Congress of Political Education and Socialist Culture (June 24-25) reinforced Ceausescu's hardline views on intellectuals' activity. The congress served as an indirect retort to restive intellectuals who, according to Le Monde (May 14), had sent a memorandum to the Central Committee protesting Ceausescu's personality cult and calling for their own participation in policy decisions.

As a hoped-for antidote to the strained domestic scene, Ceausescu escalated his foreign policy activities. He hosted Jaruzelski (June 4), thus enabling the Polish Premier to wrap up his tour of Warsaw Pact capitals. Despite the Middle East crisis, Ceausescu insisted on keeping his scheduled visits to Iraq (June 16-17) and Jordan (June 18-19). And, in a nostalgic replay of happier times for the Romanian leader, he hosted former President Nixon in what amounted to an informal commemoration of Nixon's historic visit to Bucharest in 1969 as the first US President to travel to Eastern Europe since the end of World War II. Ceausescu presumably raised the subject of President Reagan's recent message to the US Congress that Romania stood in "serious jeopardy" of losing its most-favored-nation (MFN) status next year if emigration to Israel did not increase. In a dinner toast, in any event, Nixon called on the Reagan administration and Secretary of State-designate Shultz to maintain the same positive US-Romanian relations that he had established.

(C/NF) Yugoslavia: Party Congress Reaffirms Tito's Policies

The June 26-29 Twelfth Congress of the League of Communists of Yugoslavia (LCY)--the first congress since Tito's death in May 1980 and the first held without him in some 40 years--took place against the backdrop of pressing economic problems and continuing unrest in the autonomous province of Kosovo. As expected, the congress proceedings focused on the economy and stressed continuity of Tito's policies--self-management, nonalignment, and independence.

The 23-member Presidium--the leading party organ--elected at the congress contained no surprises: the party leadership positions had already been filled by local congresses in republics and provinces. Tito's concepts of rotation and equitable representation at the top of the six republics and two autonomous provinces were strictly observed. Party Presidium President Mitja Ribicic, a Slovene, replaced a Croat, Dusan Dragosavac. The new president will serve one year in accordance with the rotational schedule for key party and state positions. Ribicic, who served as Premier in the 1970s under Tito, is a moderate who can become quite outspoken when defending his views.

Despite the elaborate procedures protecting all ethnic interests, the two most advanced, northern republics (Slovenia and Croatia) somehow managed to acquire the most prestigious positions in the federation: a Slovene is party president, a Croat is the prime minister, a Slovene runs the police, a Serb from Croatia handles the military. A Serb is state president, while a Macedonian is in charge of foreign policy. On the whole, the Yugoslavs have fielded their strongest team since Tito's death.

Economic problems received principal attention at the congress: inflation--some 40 percent in 1981; periodic shortages of consumer goods; rising unemployment; balance-of-payment problems; foreign indebtedness; over-investments. The proceedings reflected concern that economic difficulties could spill over into popular unrest even though the population had so far accepted declines in living standards and shortages without overt actions. Grumbling is increasing. At the same time, there is no doubt that additional belt-tightening will be required if the stabilization program is to be effective.

Moscow's unhappiness with the present state of Yugoslav-Soviet relations may have influenced its decision to send a lower level delegation than usual to the congress; in the past a full Politburo member represented the Soviet party. Rumors had circulated in Belgrade that the Soviet delegation would be headed by

Politburo member Kirilenko or Chernenko; instead, alternate Politburo member Kuznetsov went. Most East Europeans were represented by their traditional Politburo-level delegates. Several of the other 120 party delegations, like Italian and Spanish communists, were headed by the party leader.

(C/NF) East Germany Wins Renewal of "Swing" Credit From FRG

The FRG on June 18 agreed to renew its interest-free trade credit, the "swing," with the GDR through 1985. Beginning in January 1983, however, Bonn will reduce the credit's ceiling by increments--from DM850 million (about US\$350 million) to DM600 million (about US\$245 million) in 1985. Despite earlier official West German pronouncements that there was a "psychological-political link" between renewal of the credit and a reduction in East Germany's mandatory currency exchange requirements for West German visitors to the GDR, East Berlin made no concession in this area. The GDR also managed to get the reduction postponed until 1983, thus giving it access to the full amount in 1982--a year of pronounced credit tightening by Western lenders. This is also the year when some US\$4 billion of its US\$12 billion hard-currency debt comes due. The Honecker regime made some humanitarian gestures, including revocation of GDR citizenship for some 50,000 East Germans who had fled to the FRG prior to January 1, 1981, thus enabling them to visit and transit the GDR without fear of arrest.

East Germany's successful stonewalling on the currency exchange issue (East Berlin quadrupled the amount in October 1980) reflects the importance Bonn places on inner-German economic relations as the underpinning of its Ostpolitik. For East Germany the swing credit, while recently utilized only in part, provides a valuable source of additional financing. Its interest-free conditions provide the GDR with an implicit credit subsidy of about \$25 million annually, if drawn on fully. Inner-German trade has grown significantly in recent years, reaching more than US\$5 billion in 1981.

(C/NF) Developments in Brief

--The East German Evangelical (Lutheran) Church's June 27 "peace workshop" at a church in East Berlin attracted some 4,000 backers of the unofficial East German peace movement. In a fair-like setting on the church grounds, the individuals were permitted to arrange displays, hold skits, and make speeches, most of which were pacifistic. East Germany's militaristic policies were pointedly criticized, but East-West arms issues were not, perhaps out of deference

to the church's attempts to moderate the event. The peace movement's now-banned symbol, "Swords into Plowshares," was displayed in one form or another by more than half of the crowd.

While the East German regime made no effort to stop or curtail the goings-on, it will be disturbed by activists' plans for more such gatherings this fall. At the same time, the authorities remain in a quandary over how far to go in curbing the peace movement without provoking an open confrontation with youth and the church.

--Bulgaria marked the 100th anniversary of the birth of Georgi Dimitrov--secretary general of the Comintern and the most noted leader of the Bulgarian Communist Party (BCP)--with an international symposium (June 15-17) on his work and thought. The most important political event in Bulgaria since last year's 1,300th anniversary celebration of Bulgarian statehood, the Dimitrov festivities drew 144 ranking representatives from communist parties and liberation movements.

BCP Secretary General Zhivkov used the occasion to push the relevance of Dimitrov's concept of a "people's anti-fascist and anti-imperialist front" in the struggle against US and NATO policies. At the same time, however, he underscored Dimitrov's allegedly seminal contributions as a person who "had analyzed and pointed out with remarkable political foresight the new and most important tasks, orientations and trends of the international communist, workers and national liberation movement"; he had creatively applied Marxism-Leninism to Bulgaria. Zhivkov's nationalist stance was ignored by the Soviet representative, Boris Ponomarev, who stressed Dimitrov's Soviet connections. Zhivkov's comments indicated that Bulgarian nationalist posturing has continued despite the death last year of its main promoter, Zhivkov's daughter Lyudmila, and despite reported earlier Soviet-Bulgarian disagreements on the proper interpretation of Dimitrov's historical role.

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Chronology

June

- 1-4 (U) Czechoslovak President and party chief Husak led a Czechoslovak party-state delegation to the USSR.
- 2-4 (U) East German President and party chief Honecker visited Budapest.
- 3 (U) President Reagan recommended to the US Congress that Romania's most-favored-nation (MFN) status be renewed, but also warned that its status would be in "serious jeopardy" next year unless Jewish emigration from Romania increased.
- 3-4 (U) Bulgarian President Zhivkov visited Austria for talks with Chancellor Kreisky.
- 4 (U) Polish leader Jaruzelski visited Romania for talks with President Ceausescu--thus rounding out his tour of Warsaw Pact capitals.
- 5 (U) Warsaw provincial party secretary Kociolek, a reputed hardliner and critic of Jaruzelski's policy, was replaced by alternate Politburo member Marian Wozniak, an economic expert regarded as a political moderate. Kociolek was named ambassador to Moscow.
- 6 (U) Senior Polish bishops met in Warsaw and renewed their invitation to Pope John Paul II to visit Poland in August, to mark the 600th anniversary of the Black Madonna of Czestochowa.
- 6 (U) Romanian Deputy Foreign Minister Oancea attended and spoke at the nonaligned movement's meeting in Havana.
- 6 (U) The Hungarian regime announced price increases ranging from 10 to 25 percent for gasoline, engine oil, and beer.
- 7-11 (U) A meeting of Balkan experts on energy and raw materials was held in Bucharest. Delegates from Bulgaria, Greece, Yugoslavia, Turkey, and Romania attended; Albania refused to participate.

June

- 8-10 (U) Heads of government of East European countries and top officials of Cuba, Vietnam, Mongolia, and Yugoslavia attended a session of the Council for Mutual Economic Assistance (CEMA) in Budapest.
- 8-11 (U) Zhivkov visited Kiev for talks with Ukrainian party chief Shcherbitskiy.
- 8-15 (U) Grenada's Prime Minister Bishop visited East Germany and Bulgaria in an effort to expand cooperation with Eastern Europe.
- 10 (U) Polish Primate Glemp told approximately 100,000 worshippers at an outdoor mass in Warsaw that Poles would greet the Pope in "peace and order" if the Pontiff decided to visit Poland in late August.
- 10-11 (U) French Minister of External Trade Jobert visited Budapest; conferred with party chief Kadar and other Hungarian officials.
- 10-13 (U) Canadian Prime Minister Trudeau made an official visit to Yugoslavia, the first Canadian prime minister to do so.
- 13-14 (U) Despite a decision of Solidarity's underground leadership to suspend all protest action until further notice, security police and pro-Solidarity demonstrators clashed in Gdansk, Wroclaw, and Nowa Huta (near Krakow) on the anniversary of six months of martial law. The rioting in Wroclaw was reported by the Western press to have been the worst since early May.
- 14 (U) East European delegates walked out of the annual conference of the International Labor Organization when a Polish journalist, waving an authorization signed by Solidarity leader Lech Walesa, was allowed to address the session.
- 15-17 (U) Bulgaria celebrated the 100th anniversary of Georgi Dimitrov's birth with an international conference devoted to the career of the Bulgarian party's most noted leader.
- 16 (U) Polish riot police dispersed several hundred demonstrators after an evening mass held in Wroclaw to mark the six-month anniversary of the eight miners killed during a bloody clash with police.

June

- 16 (U) Some 15,000 Polish workers chanting "free Lech Walesa" marched from the Lenin steel complex to the center of Nowa Huta near Krakow. Police stood nearby but did not intervene, apparently because of the size of the crowd.
- 16-19 (U) Ceausescu visited Iraq and Jordan.
- 18 (U) A TASS article datelined Paris warned the Vatican that Moscow opposed a projected papal visit to Poland this summer. TASS accused the Polish church of trying to assume the role of a political opposition in place of the suspended Solidarity trade union.
- 18 (U) The Yugoslav Government froze all prices "until further notice."
- 18 (U) West Germany renewed its interest-free trade credit ("the swing") for East Germany until the end of the year, although it did not receive in return the hoped-for reduction in the mandatory currency exchange for West Germans visiting East Germany.
- 21-25 (U) Hungarian President Losonczi headed a large government delegation on a visit to the Philippines. The visit underscored Hungary's growing trade relations with that country (total trade turnover jumped from \$61,000 in 1975 to \$166.3 million in 1980).
- 23 (U) A Hungarian Party Central Committee plenary session discussed economic problems and the current international situation and approved a major reshuffle in the party and government lineup.
- 24 (U) A mixed commission representing the Polish Government and Episcopate met to discuss the projected visit of Pope John Paul II in late August.
- 24 (U) Romanian Foreign Minister Andrei met in Washington with US Secretary of State Haig, their fifth meeting since Haig assumed office.
- 24-26 (U) Greek Prime Minister Papandreu visited Bulgaria for talks with Zhivkov.
- 26 (U) A three-member delegation of the International Red Cross visited Walesa at his internment location near the Soviet border in southeast Poland. This was the third visit by Red Cross officials.

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June

- 26-29 (U) The XII Yugoslav Party (LCY) Congress reaffirmed adherence to Tito's policies and dealt with economic problems. Mitja Ribicic replaced Dusan Dragosavac as the LCY Presidium president; N. Slojanovic became the new Presidium secretary.
- 27 (C) East Germany's Lutheran Church sponsored a "peace forum" in East Berlin which attracted some 4,000 supporters of the non-official East German peace movement; criticism of the GDR's militaristic policies was pronounced.
- 28 (U) Romanian Foreign Trade Minister Constantin met with US Vice President Bush.
- 28 (U) Some 10,000 Poles appeared at the 1956 monument in Poznan on the 26th anniversary of the suppression of the worker riots. The turnout was substantially larger than at the official commemoration held the day before.
- 29 (U) Ending weeks of silence on the subject, the Polish party daily Trybuna Ludu and weekly Now and Then carried articles advocating that Solidarity not be revived in any form lest it become a legal cover for the "anti-socialist underground union."
- 29 (U) Former President Richard Nixon, on a visit to Romania as Ceausescu's guest, called on the Reagan administration to maintain US-Romanian relations on the positive level established by his administration.
- 30 (U) The Western press reported that more than 200 persons were arrested in Wroclaw, Poland, after police clashed with pro-Solidarity demonstrators who had gathered on June 28 to mark the Poznan riots anniversary.

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(U) CEMA SESSION: SOVIETS STRESS COOPERATION IN
WAKE OF VERSAILLES SUMMIT

(U) Summary

The heads of government meeting of the Council for Mutual Economic Assistance (CEMA)^{1/} in Budapest on June 8-10 "resolutely rejected" the West's sanctions against Poland and the USSR, as well as the new trade restraints called for by the June 6 Versailles declaration. In intra-CEMA affairs, several agreements were concluded, notably on microprocessors, robot technology, and the coordination of national economic plans for 1986-90. But differences on such basic issues as energy, agriculture, and industrial cooperation remain. These, along with the current health of the Soviet economy and Brezhnev himself, may lie behind the failure of Soviet Premier Tikhonov to renew Brezhnev's earlier call for a CEMA summit (meeting of heads of party).

Tikhonov frankly acknowledged shortcomings in Soviet energy production and conservation and in the food-processing industry and agricultural sector and stated that the USSR would draw on other CEMA states having requisite "experiences" in these areas. In trying to smooth over differences among his counterparts on future economic ties with the West, he called for greater cohesion within CEMA. But he cautioned them "not to isolate themselves

^{1/} (U) CEMA members are Albania (has not participated since 1961), Bulgaria, Cuba, Czechoslovakia, German Democratic Republic, Hungary, Mongolia, Poland, Romania, USSR, and Vietnam. For information on CEMA membership, see INR Report 68-AR, "Forms of Association With CEMA: Mozambique's Candidacy," February 11, 1981, UNCLASSIFIED.



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from the world economy," perhaps signaling Soviet limitations. The communique's stated willingness to cooperate with the West on the basis of equality and mutual advantage underlined the importance to CEMA members of trade and financial relations with the West. There was no mention of resuming the long-dormant CEMA-European Community dialogue, however.

On Poland, the communique reaffirmed that CEMA would continue to provide "comprehensive assistance" but was devoid of specifics. It was also cryptic in announcing "preferential terms" in cooperation projects with CEMA's three non-East European members: Cuba, Vietnam, and Mongolia. Curiously, while citing CEMA's economic cooperation agreement with Finland, the communique omitted the customary reference to the status of agreements with Mexico and Iraq. Soviet considerations attendant to Iran may have accounted for the failure to mention Iraq. Representatives of Angola, Afghanistan, the People's Democratic Republic of Yemen (South Yemen), Laos, Mozambique, and Ethiopia participated as observers. Yugoslavia also participated in the session, as it has previously, on the basis of a 1964 agreement with CEMA.

* * * * *

The Political and Economic Setting: Intensifying Strains

(U) As it did last year, the Council met under the shadow of the continuing Polish crisis. Despite Tikhonov's claim that the "normal economic process was gradually returning to Poland," some of the other East European premiers voiced veiled criticism of Poland's shortcomings in fulfilling scheduled deliveries to its CEMA allies. They also complained of difficulties in plan coordination and indecision among CEMA members on investment plans as a result of the Polish situation. Premier Jaruzelski, for his part, stressed that Poland would honor its commitments in a "manner corresponding to actual capabilities." Then, in a statement possibly implying that he himself was not satisfied with CEMA's assistance, he stated that Poland would remember those who gave it assistance, support, and understanding. The CEMA leaders pledged support for Poland, but the communique made no mention of either the form or amount of such aid (see "Assistance to Poland", p. 4).

(U) The CEMA session convened immediately following the West's economic summit at Versailles. CEMA members thus had scant time to coordinate their views on the implications of the West's calls for greater "commercial prudence" in exports of technology and credits to the East. All echoed Tikhonov's condemnation of the Versailles declaration, which the CEMA communique characterized as an attempt to complicate the economic relations with CEMA countries and, as such, contrary to the UN charter and the Council on Security and Cooperation in Europe (CSCE) Final Act. Tikhonov urged greater cohesion within CEMA to resist Western pressures but at the same time emphasized that such "cohesion should not isolate them from the world economy" or increase their opposition to it.

(C) Thus, Tikhonov's leadoff remarks may have been intended as a signal to his CEMA partners that the USSR had its own problems, and, consequently, CEMA states should not foreclose other options in seeking to improve their own economies. Hungary's Premier Lazar, however, was the only one to follow up Tikhonov's remarks explicitly with a strong pitch for continuing trade with the West as a way "to restore the detente process." More importantly, he used Tikhonov's exhortation to justify Hungary's economic reform policies which, Lazar stressed, depended on the modernization of production, increased productivity, incentives, and improved export capabilities. Hungary, which joined the International Monetary Fund in May and has been perhaps the

most creditworthy of all East European CEMA members, has also begun to experience the credit crunch facing Poland, Romania, and others in the region.

(U) To achieve impact, Tikhonov backed up his remarks with candid admissions of the dismal performance of the Soviet economy during the past year, noting that it had experienced a third successive year of bad harvest, increased costs in the production and transportation of fuels and raw materials, and a decline in the growth of labor reserves. Tikhonov also characterized the CEMA economies as a whole as lackluster but proposed that food and fuel issues be resolved at the "next CEMA session" (to be held in East Berlin in June 1983). He did not, however, renew Brezhnev's previous call for a CEMA summit.

(U) Tikhonov's proposals did not strike a responsive chord. Romania's recently appointed Premier Dascalescu reiterated his country's previous calls for "organizing" not only a "top level" meeting (i.e., party chiefs) this year on key issues of the current five-year plan but also another "special meeting" on agricultural issues at the level of general secretaries and first secretaries. Czechoslovak Premier Strougal, without specifically referring to either the Soviet or Romanian proposals, argued against a discussion of agricultural production and exports at a future CEMA meeting on the grounds that such issues had been settled on the basis of previous agreements. The Czechoslovaks and the East Germans have consistently opposed such discussion in order to avoid upward price revisions which the Romanians, as well as the Hungarians, have been pushing.

Agreements Reached

(U) The Budapest session concluded several agreements dealing with technology and modernization, building on initial understandings worked out at last year's meeting in Sofia. The focus of the accords was on microelectronics and robotics, two areas of particular concern to CEMA countries as they seek to revitalize economies faltering as a result of tightening labor resources, constraints on raw materials, and falling productivity.

(U) The most prominent agreement dealt with the creation of a unified program to develop microprocessor technology to permit CEMA modernization without undue reliance on Western sourcing for equipment and components. With economies beset by slowing (or even negative) growth, CEMA countries are shifting to what they label "intensive" development, counting on conservation of materials and substantial gains in worker productivity. The East European countries are hoping that technology can provide the impetus for growth that their rigid planning mechanisms no longer can provide.

(C) The German Democratic Republic (GDR) and Czechoslovakia, the most developed of the East European countries, have made advanced technology a focus of their 1981-85 economic plans. But problems have arisen, leading GDR officials to tone down their rhetoric in recent months, implying that, thus far, success may be falling short of expectations.

(U) An agreement on development of industrial robots was concluded, with Tikhonov pointing to an ambitious goal of 200,000 robots in place in CEMA countries by 1990.^{2/} East Germany hopes to have 45,000 units in place by 1985 and the USSR, 40,000. These two will lead CEMA in an effort to repeat planned 1981-85 production levels for robotics in the 1986-90 period. Robotics is seen as an area where CEMA may be able to improve on efforts to integrate production within CEMA in order to avoid the parallel development which has hindered economic progress. Still, the robotics sectors in individual countries have developed in some cases along divergent lines, prompting criticism from Tikhonov.

(U) An agreement was also signed dealing with the multi-lateral production of computer materials (microchips) and equipment for microelectronics. This subject was treated last year when the European members of CEMA and Cuba agreed to create a standardized component base for computer and electronic materials.

(C/NF/NC) A fourth agreement called for greater cooperation in production of color television equipment. CEMA interest at this time may be related to continuing problems in Poland, where the large Polcolor enterprise^{3/}--meant to be a showcase facility--suffers from lack of Western inputs and has been the subject of talks with Hungary, Czechoslovakia, and possibly other CEMA partners. If so, the "CEMA cooperation" likely has more of a bilateral nature, possibly based on bilateral agreements initialed

2/ (U) Only 6,500 robots, performing rudimentary tasks, were in place in 1980 in the USSR. The GDR asserts that it now has some 15,000 robots in place, a highly questionable figure.

3/ (C/NF/NC) The Polcolor project, which utilizes Western technology and has received US Eximbank credits, involves facilities for production of color television tube glass and picture tubes, solid state components, and receivers. Production is intended primarily for export and to generate hard currency. To date, the plant has operated at less than 25 percent of capacity. Work on the plant has been completed except for the facility for production of receivers. When the plant is finished, its capacity should double from current levels to permit production of 600,000 color television tubes annually.

earlier this year. Polish color TV manufacturing capacity is complemented by similar capacities in Czechoslovakia, East Germany, and the USSR.

(U) CEMA's nuclear energy program received the session's imprimatur as considerable emphasis was placed on the CEMA goal of meeting at least 25 percent of requirements for electricity in 1990 from nuclear sources. Romania announced its decision to seek three 1,000-megawatt reactors from the USSR, which implies modification of its previous intent to develop nuclear power plants solely on the basis of Western technology. Bucharest's financial difficulties have undermined efforts to proceed with the first of four nuclear reactors using Canadian Candu technology.^{4/}

(U) Though 1982 has been marked by cutbacks in deliveries of Soviet oil to the GDR, Czechoslovakia, and Hungary, petroleum issues apparently were not discussed in detail at the CEMA session. Tikhonov singled out East Germany and Hungary for special praise for their energy conservation successes, thus implying that similar efforts by others could be improved upon.

(U) The participants also agreed to coordinate assistance to LDCs, reflecting a need to husband scarce assistance resources. This constraint received indirect emphasis as the CEMA countries concurred in the desirability of directing aid toward those LDCs which have chosen the "socialist path" to development.

Assistance to Poland

(U) The communique claimed that Poland's CEMA partners would continue to give it "comprehensive assistance," though no details were provided. Jaruzelski renewed his bid for help in putting his nation's industrial capacity back to work and laid much of the blame for Poland's idle factories on Western sanctions. At the same time, Jaruzelski asserted that Poland would be a reliable partner and pointed to improved performance on exports to CEMA as a justification for greater CEMA cooperation with Poland.

^{4/} (U) CEMA cooperation in nuclear power engineering dates from 1971. The USSR has assumed the key role, though Czechoslovakia has been assigned major responsibilities. Nuclear power plants are currently operating in the USSR, the GDR, Bulgaria, and Czechoslovakia with additional capacity under construction. Units are being built in Poland, Hungary, and Cuba as well as in Romania. Problems with the CEMA program have received considerable media attention in the region, particularly in Czechoslovakia, where delays in construction and production of essential components have not been resolved.

(U) The record on CEMA economic assistance to Poland in recent months has been mixed despite the constant drumbeat of praise recorded in Polish media. CEMA aid has come largely through the significant trade deficits permitted Poland by the USSR since August 1980. But the level of this assistance has slowed perceptibly thus far in 1982, with the first quarter deficit falling more than 30 percent compared with 1981. Moreover, the 1982 trade agreement calls for Polish exports to grow while Soviet deliveries (in value terms) remain essentially at past levels. Thus, following last year's 1.7 billion ruble (approximately \$2.4 billion) deficit,^{5/} the 1982 trade agreement calls for a 1.2 billion ruble (about \$1.7 billion) imbalance. At the same time, prices for Soviet raw materials are slated to increase (deliveries of crude oil and oil products will remain at about 16 million metric tons but the price will jump by as much as 25 percent), implying that the total volume of Soviet deliveries (including manufactures) will decline this year.

(C) Moscow granted some hard-currency assistance in 1980 and 1981, estimated in the \$1 billion range. About half of this amount, however, clearly can be attributed to rollovers of previously existing Polish obligations to Moscow, with details on the balance uncertain. Hard-currency assistance this year appears to be minimal and linked to purchases of Western materials and components destined for inclusion in Polish exports of manufactured goods to the USSR.

(C) The Soviets have apparently made an effort--with uncertain success--to accelerate deliveries of raw materials to Poland during the first half of the year. In addition, Moscow has provided extra shipments of raw materials (cotton and hides, for example) on the basis of agreements by which the Poles would be permitted to retain 15 percent of the materials in return for processing the balance for reexport to the Soviet Union. Still, the amounts in question (roughly valued at \$100 million) are not substantial. More importantly, these supplies do not fill Warsaw's greatest need, that is, for spare parts and intermediate materials only available in the West.

(C) Following Jaruzelski's March visit to Moscow, Poland and the USSR named special ministers to deal with growing industrial cooperation between the two countries as well as to coordinate

^{5/} (U) Additional Soviet deliveries on an "above plan" basis and shortfalls in Polish exports pushed the deficit past the 1.4 billion ruble level provided for in the trade agreement signed in February 1981. Moscow has provided long-term ruble credits to cover these deficits.

trade. In a step apparently without precedent in intra-CEMA relations, the Soviet planning commission GOSPLAN opened a representative office in Warsaw in June. The new office--which includes specialists on light industry, textiles, chemicals, electronics, and motor vehicles--will examine ways to use more fully idle and incomplete investment projects in Poland as well as to coordinate Soviet deliveries and cooperation efforts. At this early stage, the GOSPLAN representation appears destined to play largely a propaganda role to highlight Soviet "assistance." Still, it could herald a new form of Soviet economic penetration and, thus, add to Moscow's influence over Polish political developments.

(C) Poland's East European partners also claim to have accelerated deliveries as a means of assisting Warsaw. Polish trade statistics do not support the contention that these countries are providing material aid to Poland, however. In fact, Poland recorded a trade surplus with each of its five East European partners during the first quarter of 1982 actually greater than that registered in the same period in 1981.^{6/} Moreover, Polish exports to the five jumped in March, in part reflecting traditional seasonal trends, possibly owing to increased Polish coal shipments. Negotiations on "co-production" agreements between Poland and the East Europeans apparently have made little progress despite a round of visits by Jaruzelski to each East European capital earlier this year.

(C) Warsaw has asserted that "assistance" from its East European partners since December 1981 includes aid from Hungary (about \$50 million), Czechoslovakia (about \$50 million), East Germany (about \$25 million), and Bulgaria (less than \$10 million). In addition, unspecified "humanitarian" assistance was granted, though this appears to have been of little consequence and largely served propaganda purposes. Still, the form and timetable of the claimed assistance remain unclear and could constitute material transactions concluded for the mutual benefits accruing to Poland and the individual "donors."

Difficulties in Coordinating Economic Plans

(C) Although the communique reported favorable consideration of a program on coordination of 1981-85 economic plans, the tone of the speeches suggested that the current planning cycle still

^{6/} (U) In 1981, Poland recorded annual surpluses in trade with all East European partners except for the GDR. However, other payments by East Germany, such as transit fees in connection with its trade with the USSR, likely offset a large part of any deficit by Poland on its trade account with the GDR.

faces unresolved issues. These difficulties probably center on raw material, energy, and agricultural questions. Investment cut-backs during a time of austerity present additional complications.

(C) At the same time, most delegates expressed unhappiness with recurring problems in fulfilling agreed-upon trade quotas. These problems likely stem from Poland's failure to honor contracts (Poland's partners, with the exception of the USSR, responded by reducing their own shipments in turn), but they also reflect growing pressure on debt-ridden CEMA countries to increase hard-currency exports in order to service their Western debts. With debt obligations rising, owing in large part to skyrocketing interest payments, CEMA countries are being forced more than ever to "sell West and buy East."

(U) In an interview after the Budapest meeting, Strougal revealed that a smaller group of attending premiers also had met privately to discuss the progress of CEMA as an organization and the problems CEMA has experienced in managing industrial integration among members. Prague's concern over the future came out in the Strougal interview when he argued that a debate on the CEMA mechanism and discussion of the long-term policy objectives of individual members be held prior to final coordination of 1986-90 economic plans. In doing so, according to Strougal, basic solutions could be better achieved.

Prospects for a CEMA Summit Dim: Brezhnev's Health a Factor?

(C) Tikhonov's failure at the CPSU congress in February-March to renew Brezhnev's 1981 proposal for a meeting of CEMA party leaders on key economic issues is curious inasmuch as the Brezhnev-Husak communique of June 4 noted that both sides were paying attention to plans for its preparation. Nonetheless, the absence of an agreement on a CEMA summit suggests that the Soviets on further consideration--and for reasons not entirely related to CEMA business--may have decided to postpone it indefinitely. Given their own economic straits, the Soviets may not want to countenance the idea that a CEMA summit would provide the panacea sought by their CEMA partners. Or, as indicated in other reports, Brezhnev's health might be a reason for postponement. In any case, the difficult nature of the economic issues with which a CEMA summit would have to deal ensures that the preparatory phase will be prolonged.

(U) Romania's then-Prime Minister Verdet had broached the idea of a CEMA summit at the Council meeting in Prague in 1980; support for it began to grow shortly after Brezhnev himself, at the 1981 CPSU congress, proposed a summit on key economic policy issues. (Husak endorsed the idea at the Czechoslovak party

congress in April 1981; Ceausescu did likewise during his visit to Prague in May 1981; and Honecker endorsed it in June 1981.) CEMA summits have occurred in 1958 and 1962 (held in conjunction with meetings of the Warsaw Pact's Political Consultative Committee) and 1963 and 1969 (when party chiefs approved initial plans for CEMA's comprehensive program for multilateral economic integration which was adopted in 1971).

(C) Czechoslovak officials have privately intimated to US diplomats that the summit has not been held in part because preparations have not progressed as planned, but, more importantly, because Brezhnev may not be well enough to attend. These sources have opined that the summit would not be held until next March. More recently, a Soviet economist and CEMA specialist stated that a summit may be held this fall, with possible slippage to early 1983.

(C) Brezhnev's health has also been cited as a factor in the rumored decision to cancel this year's bilateral talks between Brezhnev and East European party leaders in the Crimea. These meetings, begun in the early 1970s, have been traditionally hallowed and were evaluated highly in the CEMA communique as strengthening the "unity and cohesion of the socialist community." Yugoslav, Romanian, and Hungarian diplomatic sources initially claimed that Brezhnev's health was too precarious to allow talks this year. It has also been speculated that the Soviets decided against the Crimea talks in order to deny the East European party chiefs the opportunity to press the Soviets for economic assistance. (Kadar reportedly used the Crimea summits for such purposes.) But Moscow diplomats later admitted uncertainty about the status of the Crimea talks, and a Polish diplomat said that his embassy had no information on the Crimean meeting.

(C) Interestingly, not all East European leaders (notably, Ceausescu) are fond of their annual treks to the Crimea, and some may view the present situation as an opportunity to end the practice. Others probably still value the talks for allowing a private, one-on-one consultation with Brezhnev and so would seek to sanctify them, as in the CEMA communique, and to ensure that they be continued by Brezhnev's successor.

CEMA's Membership Remains the Same; Yugoslavia Clarifies Its Association

(U) Once again there was no action on Mozambique's stated intention over the past year to join CEMA. Mozambique continues to participate only as an observer, one of six countries so designated at this year's session. The other observers were Angola, Afghanistan, the People's Democratic Republic of Yemen, Laos, and Ethiopia.

(C) Unlike the one issued last year, the current CEMA communique avoided any reference to previously stated aims by CEMA "to equalize the levels of development" of these countries; it noted only that "further development of cooperation had been satisfactory." Tikhonov and others, however, generally alluded to new projects. The apparent de-emphasis of public statements on CEMA's goals and activities may reflect some actual retrenchment in assistance by CEMA members who are hard pressed as a result of their own external and domestic economic needs. Poland's economic problems may also play a role.

(U) Mito Pejovski, Yugoslavia's representative at the Council session, spoke approvingly of "increasing cooperation" with CEMA. But, unlike in previous years, Pejovski unequivocally stated in a press conference published in Borba on June 3 that "Yugoslavia is neither a permanent nor an associate member, but... cooperates" with CEMA.^{7/} Pejovski, in seeking to dispel "certain speculations" as to the implications for Yugoslavia of its increasing trade relations with CEMA countries, emphasized that its CEMA status was precisely defined and in accordance with its political principles and orientation. He further stressed that trends in trade between Yugoslavia and CEMA countries did not reflect Yugoslavia's intentions but rather reflected "a lack of other choices."^{8/}

Prepared by James S. Bodnar
x23288

Michael C. Mozur
x29737

Approved by Emil P. Ericksen
x22186

^{7/} (U) Yugoslavia participates in various CEMA organs and activities on the basis of "mutual interest," in accordance with a special-cooperation-agreement concluded in 1964. The Yugoslavs sought their inclusion in the current CEMA agreement on cooperation on microprocessor technology, but the communique provided no information as to the outcome of their request.

^{8/} (U) Op. cit., Report 68-AR.



DEPARTMENT OF AGRICULTURE
OFFICE OF THE UNDER SECRETARY
WASHINGTON, D.C. 20250

JUL 1 2 1982

Honorable Norman A. Bailey
Senior Director
National Security Planning
National Security Council
Washington, D.C. 20506

*Send copy to
P. Dolwiansky ✓ done
File 6 C*

Dear Mr. Bailey:

Per your request, we have reviewed the question of using some portion of CCC's Polish zlotys in support of the initiative to promote U.S. private sector nongovernmental activity in Poland. We understand it will not be feasible for CCC to receive reimbursement for these zlotys. Also it is our understanding the level being considered is a modest one, about \$2 million dollars equivalent.

Under Section 709 of the International Security and Development Cooperation Act of 1981 and the fiscal year 1982 foreign assistance appropriation, \$70 million in CCC-owned zlotys are available to serve United States interests in Poland. We support the use of a portion of these funds for the purpose you have proposed. However, as you are aware, the funds are available to the President, not the Department of Agriculture.

We would appreciate being informed of any decision of the President on this matter.

Sincerely,

PRESERVATION COPY

THE WHITE HOUSE
WASHINGTON

July 17, 1982

FOR: ✓ NORMAN BAILEY
ROGER ROBINSON

FROM: JUDGE CLARK

Attached for info.

68 ✓

~~SECRET~~

153532

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MEMORANDUM

THE WHITE HOUSE
WASHINGTON

WPC HAS SEEN

Handwritten signatures and initials, including "Bob" and "Tom Cl..."

SITUATION ROOM CHECKLIST

July 16, 1982

SECRET

Burns Expresses Concern Over Relaxation of Polish Sanctions

Ambassador Burns has asked that you be informed of his concern regarding U.S. reaction to a possible relaxation of repressive measures by the Polish regime on July 22. In the event this occurs, Burns recommends that we proceed with caution and not fall into the trap of condoning, or appearing to condone, the repressive measures that may still remain. Burns notes that the changes may:

- o Be only cosmetic, consisting of the release of a few prominent internees.
- o Fall short of the three pre-requisites the allies have agreed on for resumption of normal relations.

Burns comments that if we lift sanctions, based on only a limited Polish action, this would undermine our moral position and might weaken our political position at home and abroad. (S)

Bonn 15244 NODIS, LDX from State Dept.

~~SECRET~~
REVIEW ON JULY 16, 2002
CLASSIFIED BY EMBASSY BONN

DECLASSIFIED

NLRR M450/2 #153532

BY RW NARA DATE 6/2/15

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INCOMING TELEGRAM

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Department of State
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~~IN AMEMBASSY BONN~~
TO SECSTATE WASHDC IMMEDIATE 8514

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NODIS

FOR ACTING SECRETARY STOESEL FROM AMBASSADOR BURNS

E.O. 12065: XDS-1 7/15/12 (BURNS, ARTHUR F.) OR-M
TAGS: GE, EENT, ENRG, US

~~SUBJECT: RELAXATION IN POLAND AND THE SANCTIONS QUESTION~~

1. (S - ENTIRE TEXT)
2. THERE HAVE BEEN SIGNS RECENTLY THAT THE POLISH GOVERNMENT MAY ANNOUNCE SOME LIBERALIZATION OF ITS REPRESSIVE MEASURES, TIMED TO COINCIDE WITH THE JULY 22ND ANNIVERSARY. SOME, PARTICULARLY IN THE PRESS, HAVE GONE ON TO SPECULATE THAT THIS MIGHT LEAD THE U.S. TO RECONSIDER ITS PIPELINE SANCTIONS AND THAT A TOTAL OR PARTIAL RELAXATION OF THESE MEASURES MIGHT ENSUE.
3. ANY SUCH RESPONSE SHOULD BE CONSIDERED WITH THE UTMOST CARE. THERE IS THE OBVIOUS DANGER THAT POLISH LIBERALIZATION, IF INDEED IT COMES, WILL CONSIST ONLY OF A FEW COSMETIC IMPROVEMENTS, INCLUDING THE RELEASE OF A HANDFUL OF PROMINENT INTERNEES, WHILE BEHIND IT THE REPRESSIVE MECHANISM REMAINS ESSENTIALLY INTACT. MY REAL CONCERN, HOWEVER, GOES BEYOND THIS OBVIOUS

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BY RW NARA DATE 6/2/15

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Department of State

INCOMING
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PAGE 02

BONN 15244 151941Z

PITFALL AND PRESUPPOSES THAT THERE MAY BE SOME GENUINE LIGHTENING OF THE BURDEN THE POLISH PEOPLE MUST BEAR, FALLING SHORT, HOWEVER, OF THE THREE PRE-REQUISITES THE ALLIES HAVE AGREED ON FOR RESUMPTION OF NORMAL RELATIONS. IN SUCH A CASE, OUR GOVERNMENT MIGHT BE TEMPTED TO RESPOND BY RELAXING THE SANCTIONS DECISIONS.

4. IF WE ARE CONFRONTED WITH SUCH A SITUATION, I WOULD RECOMMEND THAT WE PROCEED VERY CAUTIOUSLY. MY POINT IS MORAL AND POLITICAL. WE HAVE THUS FAR INSISTED THAT WE WILL RETAIN THE SANCTIONS UNTIL THE POLISH GOVERNMENT RESTORES A NORMAL RELATIONSHIP BETWEEN ITSELF AND THE PEOPLE IT PURPORTS TO GOVERN. IF WE NOW SETTLED FOR MUCH LESS THAN FULL RESTORATION OF THE POLISH PEOPLE'S RIGHTS, WE WOULD BE CONDONING THOSE ELEMENTS OF REPRESSION THAT STILL REMAIN. SUCH A COURSE WOULD UNDERMINE OUR MORAL POSITION AND IT MIGHT WEAKEN OUR POLITICAL POSITION, BOTH AT HOME AND ABROAD AS WELL.

5. AS YOU KNOW, THE SANCTIONS DECISION HAS TROUBLED OUR RELATIONS WITH OUR ALLIES GREATLY AND I AM HOPEFUL THAT WITH TIME WE WILL BE ABLE TO PUT IT BEHIND US. I HAVE ALREADY HAD SOMETHING TO SAY ON THIS SUBJECT, AND I EXPECT TO SAY MORE WHEN I RETURN HOME FOR CONSULTATIONS. FOR THE PRESENT, MY POINT IS SOLELY THAT WE MUST BE CAUTIOUS AND AVOID FALLING INTO THE TRAP OF CONDONING, OR APPEARING TO CONDONE, THE REPRESSIVE MEASURES THAT THE POLISH GOVERNMENT MAY STILL RETAIN.

6. I WOULD APPRECIATE YOUR SHARING THIS MESSAGE WITH JUDGE CLARK, BURNS

~~SECRET~~

SECRET

MEMORANDUM

NATIONAL SECURITY COUNCIL

July 19, 1982

~~CONFIDENTIAL~~INFORMATION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: PAULA DOBRIANSKY *PD*

SUBJECT: Pre-July 22 Polish Developments

According to recent intelligence reports, it is anticipated that on July 22 the Polish Government will modify its December 13 measures. Specifically, it might release a number of political prisoners and introduce an amendment to the Sejm which will restructure martial law -- replacing the present so-called "state of war" with a "state of emergency." (C)

These reports are reinforced by the recent leadership changes announced at the ninth plenum of the Polish United Workers Party (PZPR) held last week. The plenum was carefully orchestrated and demonstrated the skillful power play of Jaruzelski. Ostensibly, it was called to discuss youth affairs -- no significant developments were anticipated. Yet, at the plenum, unexpected party leadership changes were announced. Both hardliners and moderates lost key positions. Most noteworthy, Stefan Olszowski, the hardliner perceived as Jaruzelski's main potential rival, lost his position as a Secretary of the Central Committee. He retained his Politboro seat but it was announced that his work would be concerned with the State apparatus -- thus removing him from general party affairs. The final resolution issued by the plenum was introduced by two prominent Politboro hardliners, Miroslaw Milewski and Albin Siwak. It clearly was intended to reassert Jaruzelski's role in the party. (C)

Despite the recent leadership changes, Jaruzelski does not have a firm and entrenched control of the party apparatus -- a control which potentially can only come after years of work in the party bureaucracy. Instead, Jaruzelski's power base is rooted primarily in the military and the select group of state bureaucrats who fear that the party alternative to Jaruzelski would be too hard-line. In fact, it has been reported that the hardliners in the PZPR perceive Jaruzelski as soft. Given these considerations, it is unlikely that in the foreseeable future Jaruzelski would completely dispense with martial law which enables him to keep his key military lieutenants in positions of control. (C)

~~CONFIDENTIAL~~

Review July 19, 1988.

DECLASSIFIED

NLRR M452/2 #153536

BY RW NARA DATE 9/25/18

Therefore, Jaruzelski's inclination to maintain some vestiges of the martial law regime is independent of other Polish domestic developments and is likely to be eventually opposed by the PZPR apparat and the Soviets, who despite their satisfaction with the crackdown, would oppose military rule permanently displacing party control. Moreover, it can be predicted that only procedural, not substantive, initiatives will be announced on July 22. That is, the resumption of a dialogue with Solidarity and the Church or the initiation of major economic reform will not be addressed. (C)

Jaruzelski's regime will not commit itself to making any substantive changes until all opposition forces have been sufficiently tamed. Therefore, for a substantial period of time post-July 22 the Jaruzelski government will be seeking essentially to gauge the reaction of Solidarity and the Church. The release of political prisoners and the restructuring of martial law will be the only likely Polish developments in the foreseeable future. Since domestic considerations provide the fundamental impetus for Jaruzelski's actions, there is little the U.S. can do to affect his timetable in the short term. (C)

- cc: Norman Bailey
- Dennis Blair
- Allan Myer
- Richard Pipes
- Roger Robinson

MEMORANDUM

NATIONAL SECURITY COUNCIL

August 18, 1982

~~CONFIDENTIAL~~ with
~~SECRET~~ AttachmentACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: PAULA DOBRIANSKY RD

SUBJECT: U.S. Initiative -- Polish Private Sector

You received a memorandum dated August 16 from Deputy Secretary of Defense Carlucci concerning our initiative to assist the Polish private sector. He argues that the use of U.S. Government-owned zlotys in the initiative would entail detailed negotiations with the martial law regime which would send out a "business as usual" signal. He also asserts that such action would encourage the Allies to reschedule the debt and to end/or reduce the sanctions. Your memorandum to Carlucci at Tab I makes the following points:

- The initiative is a humanitarian, people-to-people effort consistent with the Administration's policy toward Poland.
- Prior to the imposition of martial law, the Polish government consented to the utilization of these funds for joint programs in agriculture.
- The initiative would not provide an impetus for our Allies to unilaterally reschedule the Polish debt; instead, it should encourage West European involvement in this effort and thus, alleviate domestic political pressure to reschedule the debt or end the sanctions.

Richard Pipes, Norman Bailey ^{mb}, Henry Nau ^{HN} and Dennis Blair ^{DLB} concur.

RECOMMENDATION

That you forward the memorandum to Deputy Secretary of Defense Carlucci at Tab I.

Approve _____ Disapprove _____

Attachments:

Tab I Proposed response to Carlucci
Tab II Incoming memorandum, August 16, 1982.

~~CONFIDENTIAL~~ with
~~SECRET~~ Attachment
Declassify on: OADR

DECLASSIFIED
NLRRM452/2 #153537
BY RW NARA DATE 12/29/07

THE WHITE HOUSE

WASHINGTON

~~SECRET~~

MEMORANDUM FOR THE DEPUTY SECRETARY OF DEFENSE

SUBJECT: U.S. Initiative -- Polish Private Sector

In response to your memorandum of August 16 concerning the U.S. initiative to the Polish private sector, I have provided below additional clarification on the scope and intent of the initiative. The proposed initiative is a humanitarian, "people-to-people" effort, consistent with the Administration's policy toward Poland. The initiative, though larger in scope and featuring commodities other than food, fits within the context of humanitarian aid, as all goods will be purchased (by the private sector) and distributed (by the Church) through non-governmental channels. The initiative serves not only the short term purpose of assisting the Polish people but the long-term objective of promoting a more moderate domestic Polish policy as a result of strengthened free market forces. It upholds the President's oft-enunciated beliefs favoring decentralized political and economic power and strengthened private property ownership. (C)

With regard to the use of U.S. government-owned Polish currency, Polish authorities prior to the imposition of martial law consented to the utilization of these funds for joint programs in agriculture. Moreover, recently the Polish Episcopate has encouraged a Western sponsored "Poland Recovery Plan" to assist the private agricultural sector and has secured the approval of the Polish government for such a church-initiated and -supported program. For these reasons, detailed negotiation with the martial law regime would be obviated. In the event that the Polish authorities prohibit the usage of our zloty reserves or thwart the initiative, propagandea mileage can be reaped. The U.S. government could suspend the initiative and publicly assert that the Polish government is unwilling to assist its own people. (S)

Lastly, I do not believe that the proposed initiative would provide an impetus for our Allies to unilaterally reschedule the Polish debt or circumvent the existing economic sanctions. As the Church has appealed to the West to assist in a private sector recovery program, our initiative should encourage West European involvement in this effort and thus, alleviate domestic political pressure to reschedule the debt or end the sanctions. (S)

William P. Clark

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BY RW NARA DATE 12/18/17

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THE SECRETARY OF DEFENSE

WASHINGTON, THE DISTRICT OF COLUMBIA

82 . J . P 2 . 33

16 AUG 1982

MEMORANDUM FOR ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS

SUBJECT: Proposed U.S. Initiative to Polish Private Sector

(e) I have been informed that the proposed U.S. initiative to assist the Polish private sector, discussed at an IG meeting on July 13, 1982, is still being considered.

(e) I understand the pressures on the Administration to take further humanitarian steps to aid the Polish people. Several aspects of the private sector initiative, however, trouble me. The most important problem is the proposed release of U.S. Government-owned Polish currency to support the project. For us to use the zloty for the purposes cited obviously would require approval of the Polish Government and would require us to enter into detailed negotiations with the martial law regime. I do not believe we should send out that sort of "business as usual" signal. Moreover, I am concerned that any action that suggests a transfer of funds by the U.S. Government to Poland will provide ammunition to those forces already strong among the Allies to go ahead with rescheduling the 1982 Polish debt and to reduce or end sanctions.

Frank C. Carlucci
Frank C. Carlucci

CLASSIFIED BY: DepSecDef
DECLASSIFY ON: 15 Aug 88

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BY RW N. JATE 3/4/85

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Sec Def Cont Nr.

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