

Ronald Reagan Presidential Library  
Digital Library Collections

---

This is a PDF of a folder from our textual collections.

---

**Collection:** Bailey, Norman A.: Files  
**Folder Title:** Eastern European Policy (January  
1983-February 1983)  
**Box:** RAC Box 2

---

To see more digitized collections visit:

<https://www.reaganlibrary.gov/archives/digitized-textual-material>

To see all Ronald Reagan Presidential Library inventories visit:

<https://www.reaganlibrary.gov/archives/white-house-inventories>

Contact a reference archivist at: **reagan.library@nara.gov**

Citation Guidelines: <https://reaganlibrary.gov/archives/research-support/citation-guide>

National Archives Catalogue: <https://catalog.archives.gov/>

# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** BAILEY, NORMAN: FILES

**Withdrawer**

RBW 2/8/2013

**File Folder** EASTERN EUROPEAN POLICY JANUARY 1983-  
FEBRUARY 1983

**FOIA**

M452

**Box Number** 2

SHIFRINSON

34

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
153797	PAPER	RE. ROMANIA <i>R</i> 6/2/2015 M452/2	4	ND	B1
153798	REPORT	RE. EAST EUROPEAN HIGHLIGHTS: DECEMBER 1982 <i>R</i> 6/2/2015 M452/2	15	1/11/1983	B1
153799	MEMO	PAULA DOBRIANSKY TO WILLIAM CLARK RE. PROPOSED POLICY STATEMENT <i>R</i> 6/2/2015 M452/2	2	2/7/1983	B1
153800	MEMO	CLARK TO VICE PRESIDENT RE. PROPOSED TRIP TO EASTERN EUROPE <i>R</i> 6/2/2015 M452/2	1	ND	B1
153801	MEMO	DOBRIANSKY TO CLARK RE. POLAND UPDATE <i>R</i> 6/2/2015 M452/2	1	2/17/1983	B1
153803	MEMO	CLARK TO CHARLES SHULTZ RE. POLAND UPDATE <i>R</i> 6/2/2015 M452/2	1	ND	B1
153804	MEMO	DOBRIANSKY TO CLARK RE. TERMINATION OF MFN FOR ROMANIA <i>R</i> 11/27/2017 M452/2	2	2/23/1983	B1
153805	MEMO	CLARK TO RR RE. ROMANIA'S MFN STATUS <i>R</i> 11/27/2017 M452/2	2	ND	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]
- B-3 Release would violate a Federal statute [(b)(3) of the FOIA]
- B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- B-5 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** BAILEY, NORMAN: FILES

**Withdrawer**

RBW 2/8/2013

**File Folder** EASTERN EUROPEAN POLICY JANUARY 1983-  
FEBRUARY 1983

**FOIA**

M452

**Box Number** 2

SHIFRINSON

34

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
153808	MEMO	GEORGE SHULTZ TO RR RE. TERMINATION OF MFN FOR ROMANIA <i>R 6/2/2015 M452/2</i>	2	2/19/1983	B1
153811	LETTER	RR TO PRESIDENT NICOLAE CEAUSESCU <i>R 11/14/2016 M452/2</i>	2	12/1/1982	B1
153809	MEMO	CLARK TO SHULTZ RE. TIERMINATION OF MFN FOR ROMANIA <i>R 6/2/2015 M452/2</i>	1	ND	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]
- B-3 Release would violate a Federal statute [(b)(3) of the FOIA]
- B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

COMMENTS  
COB Thurs. Jan. 27

153797

EE

~~CONFIDENTIAL~~

ESSENTIAL FACTORS

Under Secretary Eagleburger's January 10-11 trip to Romania helped ensure that President Ceausescu is under no illusions that Romania can retain MFN and associated benefits if it implements the education repayment decree of November 6, 1982. At the same time, the Romanians did not show flexibility in their position on the decree during the Eagleburger visit, and on January 24 our Embassy in Bucharest learned for the first time of a case in which an emigrant apparently is being asked to repay the state for the cost of her education. It is not clear yet whether this is an isolated case or means that full implementation is under way. Deputy Assistant Secretary Mark Palmer called in the Romanian Chargé on January 24 to request urgent clarification and to reiterate that MFN will be removed if implementation of the decree proceeds.

SUGGESTED GAMEPLAN

If the Romanians do proceed with implementation of the decree, the only questions will be when and precisely how to take away MFN. We could act to suspend MFN as soon as full implementation became clear or we could wait and terminate it on June 2nd when the President's annual recommendation to the Congress on the future of MFN is due. The questions of timing and manner can be decided later and should be designed to encourage the Romanians to revert to the status quo ante.

However, if implementation does not now proceed, we need to determine how best to use the next few months. It is in our interest to preserve and maintain our relations with Romania at their present level if this can be done without a "deal" to pay for emigrants. We must continue to be absolutely explicit with the Romanians -- the U.S. cannot and will not make any Israeli or German-type arrangement. And we should recognize the need

~~CONFIDENTIAL~~

DECL: OADR

DECLASSIFIED

NLRR M452/2#153797

BY RW NARA DATE 6/2/15



2

~~CONFIDENTIAL~~

- 2 -

to begin thinking how to manage a post-MFN relationship. At the same time, we must look for ways to convince the Romanians that it will be more to their advantage not to implement the decree than to do so. MFN is central to our present relationship -- economically, politically, and psychologically -- and its loss would be a serious blow. It also would lead to reduced emigration. Therefore, if there is no immediate implementation, we suggest the following gameplan:

1. January 25: An interagency meeting took place to examine where we stand in our relations with Romania and to explore ways to encourage the Romanians to improve their emigration/human rights performance and persuade them not to implement the education tax decree. We are developing a set of positive and negative inducements, i.e., a trade promotion program, LANDSAT ground station, linking EXIM credits for their nuclear power plant to non-implementation of the decree, annual bilateral talks on global issues, etc. Much of this would be simply showing movement on prior commitments but doing so in the next few months.

2. Early February: Deputy Foreign Minister Groza should be invited by Larry Eagleburger to visit Washington for a general review of relations with him and for the second stage of discussions to reach agreement on improved emigration procedures with Elliott Abrams and Rick Burt, as suggested in the President's letter to Ceausescu of December 1. Improvement in emigration procedures is one of two preconditions to a Presidential recommendation to extend MFN and to overcoming Congressional opposition to continuing MFN. (N.B.: One major Congressional concern, i.e., speeding up the processing of emigration cases, is particularly tricky and potentially embarrassing, since we currently are unable to take in all the people the Romanians have approved for departure to the U.S. Because of limitations on our refugee numbers, there are now over 1,000 people with exit passports in hand whom we cannot assist to depart Romania. We are helping about 100 refugees to leave each month, while the Romanians are approving about 200 passports for travel to the U.S. per month. Thus the backlog grows.)

~~CONFIDENTIAL~~

3

~~CONFIDENTIAL~~

- 3 -

3. Early February: A Canadian/Italian/U.S. technical mission is tentatively scheduled to visit Romania for an on-site inspection and evaluation of the proposed Cernavoda nuclear power plant. EXIM has committed but not disbursed \$120 million to General Electric for its share of the project. U.S. participation in this tripartite visit, which EXIM currently is resisting, would demonstrate our continuing interest in the project without obligating us to any specific course of action. We need to make clear to the Romanians that this deal will only go through if they do not implement the decree and continue to meet their economic obligations, i.e., debt rescheduling.

4. Late March/Early April: During Larry Eagleburger's visit to Bucharest the Romanians proposed that Foreign Minister Andrei visit Washington to continue the discussions. Assuming that they do not implement the decree before then, we should go ahead with this visit and use it to expose Andrei further to Administration and Congressional thinking on the decree and related issues. We should try to obtain a firm commitment from Andrei that the decree will not be implemented.

5. April and May: If the decree has not been implemented and we have reached agreement on improvements in emigration procedures, the Administration will need to lobby with Congress to ensure the continuation of MFN. It is possible the Romanians will be unwilling to give us an explicit commitment not to implement the decree. In this case we would need to tell them and the Congress that we would take away MFN if they do proceed to implement the decree after MFN is extended for one more year. With MFN extended and if our economy improves and Romanian exports to us expand, we will retain a powerful lever for influencing Romanian policy. However, without MFN we would lose much of our capacity to influence Romania and ease considerably the Soviet problem of bringing a recalcitrant Ceausescu back into line with other, more orthodox Warsaw Pact leaders. We also would see a downturn in emigration.

6. Early Summer: There is a possibility that the Vice President might include Romania in a more general visit to Eastern Europe. We need to think how such a visit could be fit into our strategy of penalties and rewards.

~~CONFIDENTIAL~~

4

~~CONFIDENTIAL~~

- 4 -

Additional steps to be taken will emerge from the interagency consultation process and as events unfold. While we may succeed in avoiding implementation of the decree, in the end we may fail and have to take away MFN. There inevitably would be much fingerpointing if this occurred, and both emigration and U.S.-Romanian relations would take a sharp drop. But we will be better positioned vis-a-vis the Romanians, Congress and those interested in emigration if we have made a maximum effort over the next few months.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

NOT RELEASABLE TO FOREIGN NATIONALS

EE



BUREAU OF  
INTELLIGENCE  
AND RESEARCH

CURRENT  
ANALYSES

THIS ADVANCE COPY IS FOR  
YOUR PERSONAL USE PRIOR TO P  
FOR WIDER DISTRIBUTION. DO NOT  
FURTHER REPRODUCE, DISTRIBUTE, OR  
CITE IN LISTINGS OF FINISHED  
INTELLIGENCE

(U) EAST EUROPEAN HIGHLIGHTS: DECEMBER 1982

Summary

(C) The Polish underground, still smarting from the fiasco of the November 10 strike attempt, was in disarray. The population appeared exhausted by the prolonged crisis, while the authorities continued their harassment of Solidarity activists and supporters. Martial law was suspended at midnight December 30, but most Poles either seemed oblivious or received the news with cynicism.

(C) Soviet party leader Andropov used the Moscow ceremonies marking the 60th anniversary of the founding of the USSR to hold initial, separate bilateral talks with his East European counterparts. The talks appear to have been only partially successful.

(U) Both the Soviets and the Bulgarians have vehemently denied any collusion in illegal activities, including the May 1981 assassination attempt on Pope John Paul II.

(U) Western banks agreed to reschedule part of the debt Romania owed them in 1982. The Polish-Soviet trade agreement for 1983 envisages a trade deficit (the primary source of Soviet assistance to Poland) comparable to that recorded in 1982. Eastern Europe's economic plans for 1983 are generally more realistic and, except for Romania, call for slower growth.

\* \* \* \* \*

(C) Poland's Underground Movement in Disarray

The Polish internal scene in December was the calmest since the introduction of martial law a year ago. The underground remained in disarray

~~CONFIDENTIAL~~

Declassify: OADR (Mautner, M.)

Report 533-CA  
January 11, 1983

DECLASSIFIED

NLRR 17452/2#153798

BY RW NAD DATE 6/2/85



following the November 10 strike attempt, its leaders reduced to debating tactics for a long-term, non-violent struggle against the regime. Nor did Solidarity's provisional leadership (TKK) mount any overt action against martial law during the month. Rank-and-file workers, while loyal to the ideals represented by Solidarity, were intimidated, apathetic, and convinced that overt resistance was futile.

The population generally seemed exhausted by the impact of the prolonged crisis and the constant strain of trying to make ends meet amid widespread shortages. While the supply situation did improve marginally for the holiday season, the outlook for the rest of the winter was bleak. There was a growing sense of popular resignation that the emerging status quo was the best that could be hoped for under the circumstances, but this did not mean either acceptance of or support for the Jaruzelski regime.

The authorities continued their harassment of Solidarity activists and supporters, as well as of those internees released as part of the preparation for the suspension of martial law. Security police tracked down remaining pockets of resistance and seized underground literature and radio transmitters; persons suspected of underground activity were summarily tried. The first anniversary of martial law (December 13) passed without significant disturbances: the only confrontation of any note developed over Walesa's plan to deliver a speech at a December 16 Gdansk rally in memory of workers killed since 1970. The city became a virtual garrison, with strategic areas sealed off--including the working-class district where Walesa lives. Walesa was detained by the police in the morning and was driven around Gdansk for some nine hours, preventing him from addressing the crowd. The regime, again reassured that it could control the streets and maintain relative calm in the factories, intensified its media campaign to claim that the process of normalization was taking hold.

Premier Jaruzelski, meanwhile, proposed legislation that granted the government special powers in place of the martial law restrictions which were to be suspended at the end of the month. Although the Catholic Church decried the legislation, it now seemed less concerned about the fate of Solidarity and looked ahead to the prospective visit by the Pope next June. Even before martial law was suspended, the system of internment was abolished and all but a dozen of the ranking Solidarity leaders were freed. But with Walesa effectively neutralized by the authorities, it seemed unlikely that the freed Solidarity leaders would pose any serious problem for the regime.

(C) Martial Law Suspended

The legislative process leading to the suspension of martial law began at the December 13-14 special session of the Sejm

(Parliament): The government submitted three draft bills granting authorities a wide range of special powers to protect "public order and the economy" while martial law was suspended. As details of the transitional phase emerged, it became increasingly evident that there would be significant limitations on civic freedoms. Moreover, the Jaruzelski regime was clearly moving more cautiously than its spokesmen had earlier suggested. Opposition to any outright lifting of martial law "prematurely" apparently came from hardline elements within the party, the Military Council of National Salvation (WRON), and Warsaw's more orthodox allies.

Regardless of such opposition, Jaruzelski probably had his own reasons for a cautious approach in dismantling martial law. While he undoubtedly felt the need to honor his July 21 pledge to ease martial law by the end of the year, he had no intention of prematurely involving the still enfeebled party in the country's administration. Consequently, new legislation perpetuated many of the martial law restrictions (some even in stronger form) until formal lifting of martial law next year. More importantly, one of the three laws adopted by the Sejm on December 18 incorporated certain features of martial law and made them a permanent part of the civil and criminal code.

Recognizing that much of the proposed legislation ostensibly curtailing civil liberties only during the interim suspension would in fact be permanent, the Episcopate on December 16 addressed a strongly worded protest to the Sejm. All three laws nevertheless were passed two days later. On December 19, the Council of State issued a resolution suspending martial law effective midnight December 31.

The suspension actually went into effect at midnight December 30, without any fanfare. The pertinent legislation provided that:

- workers may not quit their jobs without consent of their factory manager (a provision the Episcopate termed "feudalistic");
- most factories were demilitarized, but any non-militarized enterprise could be placed under military discipline if it produced basic consumer goods and was deemed essential to national security;
- sentences imposed under martial law were binding in the absence of a general amnesty, with only limited possibility for pardon, if requested;
- military courts would try such offenses as political crimes and crimes against public order, security, or defense;



- the penal code was stiffened to make "preparing, collecting, keeping, carrying, or sending and distributing letters or printed material, tapes or films against state interests" liable to a 6-month to 5-year prison sentence (in effect making the civil law tougher than martial law provisions);
- those engaging in activity aimed at provoking public unrest or rioting were liable to a 3-year jail term; and
- martial law restrictions on foreign currency bank accounts of Polish citizens remained in effect.

On the positive side:

- the system of internment without formal charge was abolished;
- all travel restrictions within Poland were lifted;
- overt censorship of telephone and telex communications was lifted, with direct-dial telephone service to foreign countries restored;
- the right to strike became theoretically possible when the new trade union law went into effect on January 1, but in practice strikes were banned for another year.

In a conciliatory gesture intended in part to placate the church, the government on December 23 announced release of all but seven persons who had been interned since the imposition of martial law. The seven, all senior Solidarity officials consistently portrayed in the official media as "extremists and antisocialist elements," were promptly arrested for pre-trial investigation; no charges were published. Thus there are now 12 prominent Solidarity personalities facing formal criminal prosecution. (The other five were members of the dissident movement KOR/KSS and include Jacek Kuron, a senior adviser to Walesa, whose internee status earlier was changed to formal arrest.) Thousands of lesser Solidarity officials and activists are also in jail for violations of martial law. Contrary to indications in early December, the authorities have now dropped the idea of even a partial amnesty for these "offenders."

While the regime was trying to derive the maximum public benefit from closing the internment camps just before Christmas, some 3,500 Solidarity activists may remain in perhaps nine internment camps disguised as military camps for reservists. These activists, mostly older but staunch pro-Solidarity workers, had been called up for "reserve duty" as part of a general roundup by the authorities to foil underground plans for strikes and demonstrations in the November 10-13 period. By month's end, however,



indications were that the secrecy surrounding these camps could no longer be maintained and that, under pressure from the church, the regime would be forced to release the inmates.

(C) Andropov, Warsaw Pact Party Chiefs Confer at Soviet Fete

Andropov used the Moscow ceremonies marking the 60th anniversary of the USSR's founding (December 21) for initial, separate bilateral talks with his East European counterparts. (He conspicuously did not meet them individually at Brezhnev's funeral.) Andropov sought to coordinate key Soviet foreign policy positions and served notice of his intention to run a tighter ship than Brezhnev's by stressing the need for greater cohesion within the Warsaw Pact and the Council for Mutual Economic Assistance (CEMA).

The bilateral talks appear to have been only partially successful. Soviet media on the one hand reported a "unity of views" with Kadar, Husak, Honecker, and Zhivkov. (Andropov received Kadar first, an indication that the Hungarian leader may now hold a favored position as a result of their decades-old association.) The Andropov-Jaruzelski discussions on the other hand were described only as having been conducted in an atmosphere of "cordiality and friendship"; and those with Ceausescu were characterized as "frank and comradely"--an indication of sharp differences.

The Andropov-Ceausescu exchange covered bilateral relations, cooperation in the Pact and CEMA, and "certain topical problems." The last area probably referred to differences over Ceausescu's penchant for promoting his own foreign policy initiatives, particularly on disarmament--such as his 1981 proposal that all medium-range nuclear missiles in Europe be destroyed. The Romanian leader nonetheless generally supported Andropov's recent offer to reduce Soviet SS-20 missiles if NATO abandoned its 1979 decision to deploy new medium-range missiles in Europe.

As a preliminary to the Warsaw Pact Political Consultative Committee (PCC) "summit" meeting scheduled for Prague on January 4-5, 1983, Andropov's discussions probably set the tone for Soviet-East European relations, especially any plans to intensify Pact military cooperation. Ceausescu would probably bristle at renewed Soviet attempts to undercut his policy of national control of the Romanian Armed Forces, a policy most recently typified by Romania's limited staff participation in the Pact exercise "Shield-82" in Bulgaria. Some Pact members can also be expected to grumble about, if not resist, continued Soviet urgings for increased defense spending. While Hungary on December 16 announced an increase of 4 percent in defense spending in 1983 over 1982, Ceausescu the same day told a national party conference he would maintain current defense spending levels until 1985. He probably,



however, will go along with moves at the summit to increase the frequency of political consultations within the Pact framework.

An Andropov reference to the need for "new impulses" in CEMA integration points to possible initiatives to be considered at a CEMA summit in early 1983 rather than at the PCC. A CEMA summit has been discussed for more than two years by most party chiefs--including Brezhnev, who endorsed it at the CPSU congress in 1981. Energy supplies, financial indebtedness to the West, and other constraints on economic growth have been endemic to the region in recent years; several East European leaders view a CEMA summit as a means to renew economic collaboration without denying themselves the benefits of continued trade ties with the West.

"The Bulgarian Connection"--Sofia's Counterattack

(U) Following the November 25 arrest in Rome of Sergei Antonov, the local Balkan Air representative, on charges of involvement in the May 1981 papal assassination attempt, two more Bulgarians were implicated--both of them associated with the Bulgarian Embassy in Rome (Vasilev, of the military attaché's office; and Ayvazov, the cashier). Italian authorities accused Bulgaria and the USSR of involvement in the assassination plot, as well as in international terrorism and the smuggling of weapons and drugs.

(C) The immediate Eastern reaction to these accusations was categorical denial. A well-orchestrated counterattack was then mounted against this "slandorous campaign," with Bulgarian and Soviet media in the forefront denying any collusion in illegal activities, including the assassination attempt, and implicating the US Central Intelligence Agency in the latter. The Bulgarians then:

- staged a press conference in which accused Turkish drug-smuggler Celenk, the two accused Bulgarian diplomats, and the wife of Antonov all disavowed any involvement in the assassination attempt;
- produced a 72-page document, "The Anatomy of a Slander," refuting the charges;
- began, then immediately adjourned on December 22, the espionage trial of two Italian tourists evidently in order to await the outcome of the Italian investigation and treatment of Antonov;
- invited Italian investigating judge Martella to Bulgaria to review the results of the Bulgarian counterinvestigations;



--gave heavy media treatment to the charges, including interviews with Ayvazov and Vasilev and pointing out Bulgaria's cooperation in fighting international drug smuggling.

(C) Individual or official involvement by the Soviets or Bulgarians in the plot against the Pope or in international smuggling has not been conclusively documented. But Soviet-Bulgarian sensitivity to the charges is clear; whatever the outcome of the case, the suspicions raised by the allegations will long reverberate in East-West relations.

(C) Romanian Debt Rescheduling

Western banks agreed on December 7 to reschedule 80 percent of the \$1.65 billion in principal payments due from Romania in 1982. Bucharest agreed to pay the remaining 20 percent in two installments, in January and March 1983. The issue of the deferral of Romanian debts to individual commercial suppliers was not resolved--some \$500 million is involved--although it is possible that the banks will play a role in any agreement between Bucharest and the private companies. The banks, lacking any means for verifying Romanian promises, settled for assurances that Bucharest's debt to CEMA and Arab banks would not receive more favorable treatment than that accorded to Western banks.

In mid-December, Bucharest approached its official creditors (Paris Club) for rescheduling of 75 percent of the roughly \$300 million in principal payments due in 1983. Two weeks later, Romania took the initiative with the commercial banks by announcing it would stop making payments on some \$1 billion in principal owed the banks in 1983, pending agreement on rescheduling of Romania's commercial debt obligations. The announcement--addressed to major banks leading the rescheduling effort--also promised that Romania would continue to make interim interest payments (about \$735 million). Bucharest hopes to begin formal talks with the banks in January.

Meanwhile, Romanian officials continue to claim an improvement in the country's trade and payments accounts, with Foreign Trade Minister Pungan announcing a \$1.8 billion trade surplus in 1982. Much of the surplus, however, apparently stems from clearing accounts with the USSR and thus is of little significance in improving the attitudes of Western creditors toward Romania.

(C) Poland: 1983 Trade Agreement With the USSR

Under the terms of the 1983 agreement, signed on December 23, the Soviets will permit Poland to run a trade deficit of about 1 billion rubles (almost \$1.4 billion), granting ruble credits to cover the imbalance. Thus, the level of Soviet economic



assistance in 1983 as measured by the trade deficit will approximate that granted in 1982. Moscow apparently provided no direct hard-currency loans in 1982; none is expected in 1983.

The agreement calls for Soviet exports of some 5.4 billion rubles (about \$7.2 billion) in 1983, an increase of 12 percent over 1982. Much of that increase reflects an estimated 18-percent hike in the price of Soviet energy. Consequently, the overall volume of Soviet exports to Poland may actually decrease in 1983, as was the case in 1982. A 10-percent increase in natural gas deliveries to offset slipping Polish gas production appears to be the only notable addition to Soviet energy and raw material shipments. Deliveries of Soviet crude oil and oil products will remain at the 15.8 million metric ton (mmt) level, after falling slightly in 1982.

Moscow plans to continue bilateral contracts which call for additional supplies of Soviet raw materials (such as cotton, wool, and leather) to be processed in Poland for reshipment to the USSR. The Soviets probably will continue to compensate Poland in hard currency for Western components in Polish exports--ships, TVs, autos, auto parts--to the USSR. Such payments in 1982 probably totaled less than \$100 million.

For its part, Poland plans to boost exports to the USSR by 17 percent in 1983, to 4.4 billion rubles (roughly \$6 billion). Exports of industrial goods, coal, sulphur, and copper should show the largest gains. Consumer goods exports will be reduced to improve supplies on Poland's domestic market.

(C) Eastern Europe: Setting 1983 Plan Targets

Bulgaria and the German Democratic Republic continue to be Eastern Europe's growth leaders in 1982, with both registering increases in national income in the 3-4 percent range. The remaining countries face economic stagnation:

- Romania will be hard-pressed to match its 1981 growth mark of 2.5 percent;
- Hungary met its low-growth target of about 1 percent;
- Czechoslovakia faces a repeat of 1981's zero growth;
- Poland's economic decline appears to be easing, with national income likely to fall about 5 percent. This represents a considerable improvement over the 13-percent drop recorded in 1981.



East European economic plans for 1983 generally call for higher growth than that achieved in 1982. Bulgaria and East Germany have set growth goals of 3.8 and 4.2 percent, respectively. Romania, despite its severe balance-of-payments difficulties and problems in industry and agriculture, is calling for national income to grow 5 percent. Both Czechoslovakia and Poland appear overly optimistic in their plans for a national income growth of 2 percent, given Prague's failure to increase productivity and Warsaw's limited economic options and debt problems. Hungary has established the most modest growth target--in the 0.5-1 percent range--in response to continued pressure on its hard-currency balance of payments. New austerity policies, keyed to an IMF stand-by agreement, will depress domestic consumption in Hungary and its standard of living.

#### Developments in Brief

--(LOU) Ceausescu, speaking to the Romanian Communist Party's National Conference (December 16-18), was more blunt than heretofore about Romania's economic crisis, asserting that Romania wants to "build a socialism not of poverty but of prosperity." He admitted to "contradictions and distortions" in economic development, particularly between the rate of growth of industry and that of agriculture, and between consumer demands and supplies. Yet he offered only old solutions--e.g., more energy cutbacks and keeping a cap on military spending until 1985.

(C) Although his speech was delivered just a few days before his departure for the USSR's 60th anniversary celebrations, he did not refer to that event; he made only passing references to the Soviet Union. Rather, he castigated "the policy of great power behavior, of hegemony and of interference in any form in the domestic affairs of the small and medium-sized states." Such rhetoric, reflecting his pique at some aspects of Romania's relations with both Washington and Moscow, set the stage for his chilly December 21 meeting with Andropov.

--(C) Hungary stiffens attitude toward dissidents. On December 22 and 28, Hungarian police raided a samizdat "boutique" and confiscated materials alleged to have been printed without official permission. No one was arrested or detained, but several individuals were reprimanded for the printing and dissemination of unauthorized materials. According to one prominent dissident, these actions are not expected to hamper publication of Beszelo ("Speaker"), the best known samizdat publication. They came in the wake of the regime's sharpest warning thus far to dissident writers



1x

~~CONFIDENTIAL~~

- 10 -

not to "cross the Rubicon" that separates constructive criticism from "hostile political activity."

(C/NF) The raids, which reflect neither a clear pattern of stepped-up harassment nor signs that the regime is about to abandon the liberal policies that separate it from other East European regimes, may be intended to show Moscow that the Hungarian party remains internally vigilant and is determined to hold dissidents in check in accordance with Kadar's consensus policies. These policies were underscored by Politburo member (and party chief for security affairs) Korom, who on December 31 upheld the tolerance of different views as consistent with "democratic civil rights" but also warned those "whose intentions are not so honorable."

Prepared by P. Costolanski, x22876, R. Farlow, J. Miller,  
J. Bodnar, F. Foldvary, M. Mozur

Approved by M. Mautner  
x29536

CONFIDENTIAL/NOT RELEASABLE TO FOREIGN NATIONALS

Chronology

December

- 1 (U) Polish authorities dissolved the pro-Solidarity Actors' Union in retaliation for a year-long boycott of state television by most of the country's best known actors in protest of martial law.
- 2 (U) FRG Minister of State Jenninger visited East Berlin for high-level consultations. He indicated that the new FRG Government would not make lowering of the GDR's minimum exchange requirement for visitors a precondition for inner-German talks.
- 2-3 (U) Second session of the Romania-EC Commission took place in Bucharest.
- 3 (LOU) Speaking at a miners' rally in Jastrzebie, Poland, Premier Jaruzelski attacked the US for its "anti-Polish obsession" and condemned Western sanctions against Poland. Moscow signaled its approval by replaying the entire speech in the Soviet press.
- 3 (LOU) The Polish Sejm (Parliament) met to deal with the crippled Polish economy and economic plans for 1983 in the first of four plenary sessions scheduled for December.
- 3 (U) US Vice President Bush met with Yugoslav Deputy Premier Dragan, who was in Washington for the US-Yugoslav Economic Council meeting.
- 3-4 (U) US Defense Secretary Weinberger made an official visit to Yugoslavia.
- 4-9 (C) Palestine Liberation Organization economic official Abu Ala and Hungarian deputy trade minister Melega reportedly discussed PLO interest in purchasing "foodstuffs and pre-fabricated housing" for relocated PLO evacuees from Lebanon.
- 5-16 (C) Warsaw Pact Commander in Chief Kulikov met with party and government leaders in Romania, East Germany, Czechoslovakia, and Poland. He may also have made unannounced visits to Hungary and Bulgaria.
- 6 (U) Third Bulgarian--the cashier at the Bulgarian Embassy in Rome--was implicated in the May 1981

December

- assassination attempt against the Pope. Italian authorities sought to revoke the cashier's diplomatic immunity in order to question him, but he had already departed for Bulgaria.
- 6 (U) According to the West German magazine Der Spiegel, several hundred East German women wrote to President Honecker indicating they would not comply with a new law that permits conscription of women in time of war or national emergency.
- 6-11 (C) Soviet planning chief and Deputy Premier Baybakov and his Polish counterpart Obodowski, meeting in Warsaw, discussed Polish-Soviet economic relations. Baybakov also visited several major industrial establishments, including such Solidarity strongholds as the Lenin Steel Complex in Nowa Huta near Krakow.
- 7 (U) Bulgarian party and state leader Zhivkov made his first public appearance in Bulgaria since mid-October. At a youth rally, he admitted to a "grave illness" and referred to "some viruses [which] even tried to [remove] him from the ranks."
- 7 (U) Western banks agreed to reschedule 80 percent of \$1.65 billion in principal payments due from Romania in 1982.
- 9 (U) The West German Social Democratic chancellor-candidate, Hans-Jochen Vogel, visited the GDR and met with East German party secretary Joachim Hermann.
- 9-10 (U) Polish Foreign Minister Olszowski made an official visit to Czechoslovakia. Talks were said to have been held in a cordial, friendly atmosphere with a "full identity of views" on all issues discussed.
- 10 (LOU) President Reagan delivered a major address on human rights in which he offered to improve US-Polish relations provided Warsaw took concrete steps toward restoring civil liberties. Warsaw denounced the speech as another "aggressive and arrogant" interference in Polish affairs.



December

- 11 (U) Romania announced a 1982 foreign trade surplus of \$1.8 billion, compared with a 1981 surplus of \$300 million.
- 11 (LOU) Lech Walesa released the text of a second letter to Jaruzelski (dated December 4), in which he reiterated his readiness to work with the authorities toward a genuine reconciliation. Walesa called on the government to amnesty all political prisoners, reinstate workers fired for union activity, and return to the principle of union "pluralism."
- 12 (U) Speaking on the eve of the first anniversary of martial law, Jaruzelski promised to "suspend" some of the "rigors" of martial law by the end of the year.
- 13-14 (U) The Polish Sejm met in special session to debate three draft bills which would grant the government special powers related to the "suspension" of most martial law restrictions.
- 14 (U) A Polish Government communique announced the curtailment of scientific and cultural contacts with the US. President Reagan was blamed for this deterioration of US-Polish relations.
- 15-16 (U) Egyptian President Mubarak, visiting in Europe, decided unexpectedly to stop in Romania for talks with President Ceausescu.
- 16 (U) Hungarian Finance Minister Hetenyi announced that 1983 defense expenditures would increase by 4 percent over 1982.
- 16 (C) Polish security police detained Walesa for some nine hours to prevent him from speaking at a scheduled worker rally in Gdansk to commemorate workers killed in previous periods of unrest. The rally never materialized because of the massive riot police and military presence in the city.
- 16-18 (U) The Romanian Communist Party held a national conference to review developments between party congresses.



18

~~CONFIDENTIAL~~

- IV -

December

- 17 (U) The CSCE review conference in Madrid recessed until February 1983.
- 17 (U) Hungarian Foreign Minister Puja conferred with Pope John Paul II at the Vatican.
- 17 (U) The Bulgarian regime refuted accusations of official involvement in the assassination attempt on the Pope; charged US Central Intelligence Agency involvement.
- 17 (U) Czechoslovak party daily Rude Pravo accused the Vatican of interfering in Czechoslovakia's internal affairs. It also accused Czechoslovak Roman Catholic Primate Tomasek of helping the Vatican in actions directed against the regime-sponsored clerical organization, "Pacem in Terris."
- 17 (U) TASS statement denied all allegations of Soviet involvement in the assassination attempt on the Pope, calling them "absurd insinuations."
- 18 (LOU) The Polish Sejm passed legislation which suspended martial law effective December 31. It also granted the government extraordinary powers to deal with any future unrest and empowered the State Council to reimpose martial law nationwide or in parts of the country.
- 20 (U) Bulgaria's Chief Prosecutor invited Italian judge Martella, who is investigating the papal assassination attempt, to Bulgaria to review the Bulgarian investigation of the charges against the regime.
- 20-21 (U) Soviet party leader Andropov held bilateral discussions with all Warsaw Pact party leaders in Moscow.
- 22 (U) Bulgarian authorities opened, then immediately adjourned, the espionage trial against two Italians. The action evidently was taken to await the outcome of the Italian investigation and treatment of the incarcerated Bulgarian national Antonov.
- 22 (U) Czechoslovak Party Presidium member and Party Secretary Jakes, who also has responsibility for the economy, met with chief Polish planner

~~CONFIDENTIAL~~

19

~~CONFIDENTIAL~~

- V -

December

- Obodowski. Description of the talks as "frank and comradely" indicated disagreements over Polish-Czechoslovak economic/trade relations.
- 22-28 (U) Hungarian police made selective raids on dissidents' main publication/distribution facility, in wake of warnings to dissidents appearing in the party daily. No arrests or detentions reported.
- 23 (U) Soviet-Polish trade agreement for 1983 signed.
- 23 (U) Czechoslovak party daily announced that a Warsaw Pact Political Consultative Committee would meet in Prague on January 4-5.
- 23 (LOU) The Polish news agency PAP announced that the Ministry of Interior had ordered the release of all remaining internees, adding that the internment camps were to be "liquidated." At the same time, the status of seven internees, all elected members of Solidarity's national leadership, was changed to formal arrest pending investigation for possible criminal activity.
- 28-29 (LOU) The Polish Sejm again met to deal with the economy; passed the 1983 budget and the economic plan through 1985.
- 30 (U) The suspension of martial law in Poland went into effect at midnight, one day earlier than previously announced.
- 30 (U) The Yugoslav Parliament approved the 1983 economic development plan. The plan forecasts higher exports and industrial and agricultural output, while imposing austerity measures designed to reduce investment and public spending.

~~CONFIDENTIAL~~



DECLASSIFIED

NLRR M452/2 #153799

0891

Bailey 20

153799

MEMORANDUM

BY HW NARA DATE 4/2/15

NATIONAL SECURITY COUNCIL

~~SECRET~~

February 7, 1983

ACTION

SS

MEMORANDUM FOR WILLIAM P. CLARK

FROM: PAULA DOBRIANSKY <sup>RD</sup>

SUBJECT: Proposed Policy Statement on Eastern Europe

Since the inception of this Administration, no high level pronouncement of our policies toward Eastern Europe has been made. Although NSDD 54 (U.S. Policy Toward Eastern Europe) was signed by the President in September 1982, no subsequent White House press statement was issued. As a result, both East and West Europe continue to be uncertain as to what our policy actually is, and many who are aware that we pursue a policy of differentiation have not adequately grasped its significance or have realized how it differs from the previous Administration's policies. Ergo, the Administration has been robbed of legitimate credit for devising a well structured and balanced approach to relations with Eastern Europe.

I recommend that the policy of differentiation be visibly reaffirmed through a high level Administration official statement. Presently, I have been discussing the Vice President's prospective June trip to East Europe (Hungary, Yugoslavia and potentially, Romania) with Philip Hughes (VP Staff). It seems to me that the Vice President would be in an opportune position to make a statement on U.S.-East European relations. Given the historically good relations we have had with Yugoslavia, Belgrade would provide the best forum.

Several factors make the Vice President's trip a highly propitious time for making such a statement.

1. The disastrous economic performance of Poland, formerly one of the largest recipients of Western economic aid, and economic difficulties experienced by Romania and Hungary, have triggered anxiety throughout Eastern Europe. The imposition of economic sanctions against Poland has been also a source of considerable irritation to East European governments. In the next several months, we may have to implement several measures which also are likely to be unfavorably perceived in Eastern Europe. The suspension of MFN status for Romania, a country which has traditionally enjoyed relatively close relations with the U.S., would alarm other East European countries. A reaffirmation of our policy of differentiation would not remove these irritants in U.S.-East European relations, but it would provide a foundation for durable improvement.

~~SECRET~~

Declassify on: OADR

2. An official statement would counter the subtle ongoing Soviet effort initiated by Andropov's regime to establish tighter controls and enhance Soviet influence in Eastern Europe. Andropov's remarks at the recent Warsaw Pact conference and his meetings with several East European leaders sought to caution the East European governments from too close a relationship with the United States, citing Polish problems as an example. It is important that we refute these Soviet charges by highlighting the strides made in our relations with Eastern Europe and by reassuring these countries that the Administration continues to pursue a differentiated policy.

3. An upbeat message directed toward Eastern Europe in particular, and East-West relations in general, would be perceived as a strong manifestation of our interest in "overall East-West dialogue" -- a perception that would be highly beneficial for our relations with Western Europe. It could also help to offset current criticisms of U.S. intransigence on other East-West issues.

4. In addition, West European countries would welcome the proposed policy statement, as they highly value the pattern of intra-European relations which evolved in the 1970s.

5. Lastly, at a time when the Alliance has become split on various issues, the suggested message would enable the Administration to address a policy common to both U.S. and Western Europe.

In sum, a statement by the Vice President on our policy of differentiation would be highly beneficial for our relations with East and West Europe, would project an image of flexibility domestically and would not demand any controversial changes in our operative policies.

Norm Bailey, the Vice President's staff and State concur.

RECOMMENDATION

1. That a statement on the Administration's "policy of differentiation" toward Eastern Europe, in particular, and East-West relations, in general, be made by the Vice President during his visit to East Europe.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

2. That you inform the Vice President that the President has approved his trip to Eastern Europe (Tab I).

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

Attachment:

Tab I Proposed memorandum to the Vice President for signature.



THE WHITE HOUSE  
WASHINGTON

~~SECRET~~

MEMORANDUM FOR THE VICE PRESIDENT

SUBJECT: Proposed Trip to Eastern Europe

The President has approved your proposed June 1983 trip to Eastern Europe. Since no high-level pronouncement of our policies toward Eastern Europe has been made, you might consider making a statement during your trip on U.S.-East European relations, in particular (clarifying the policy of differentiation) and East-West relations, in general. Several considerations make your trip to Eastern Europe a highly propitious time for making such a statement:

- It would provide a foundation for durable improvement in U.S.-East European relations.
- It would counter the subtle ongoing Soviet effort initiated by Andropov's regime to establish tighter controls and enhance Soviet influence in Eastern Europe.
- It would be perceived as a strong manifestation of our interest in overall "East-West" dialogue.
- It would enable the Administration to address a policy common to both U.S. and Western Europe.

I have asked NSC Staff Member, Paula Dobriansky (extension 3912), to discuss this idea in further detail with your staff.

William P. Clark

~~SECRET~~

Declassify on: OADR

DECLASSIFIED

NLRR M452/2 #153800

BY RW N. JEB/2/15

Bailey 23  
153801

1124

MEMORANDUM

NATIONAL SECURITY COUNCIL

~~CONFIDENTIAL~~

February 17, 1983

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: PAULA DOBRIANSKY <sup>PD</sup>

SUBJECT: Poland Update

4 2

Secretary Shultz forwarded an interim assessment of the Polish situation in December in which he stated that a more comprehensive memorandum detailing our short-term and long-term strategy vis-a-vis Poland would be forthcoming. Thus far, no such memorandum has been forwarded.

In the coming months, the U.S. will have to decide how to handle the Polish debt rescheduling issue. Rather than dealing with the problem in an ad hoc, precipitous manner, it would be desirable to address it in the context of our projected long-term strategy toward Poland. Moreover, there is a clear need to provide updated press guidance on our present bilateral relations in light of these considerations. At Tab I is a memorandum from you to Secretary of State Shultz requesting that this assessment be completed.

Norman Bailey <sup>JB</sup>, Dennis Blair and Roger Robinson <sup>RWR</sup> concur.

RECOMMENDATION

That you sign the memorandum at Tab I to Secretary Shultz.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

Attachment:

Tab I Memorandum to Secretary of State Shultz

~~CONFIDENTIAL~~  
Declassify on: OADR

DECLASSIFIED  
NLRR M452/2 #153801  
BY RW NARA DATE 6/2/15



THE WHITE HOUSE  
WASHINGTON

~~CONFIDENTIAL~~

MEMORANDUM FOR THE HONORABLE CHARLES P. SHULTZ  
The Secretary of State

SUBJECT: Poland Update (U)

In your memorandum of December 22, 1982, to the President, you assessed the Polish regime's decision to suspend martial law and indicated a follow-up memorandum fully reevaluating the situation and proposing policy options, would be forthcoming. In the coming months, the United States will have to decide on how to handle Polish debt rescheduling. This issue should not be addressed in an ad hoc manner but in the context of our projected long-term strategy toward Poland. Hence, there is a clear need to provide the President at the earliest possible date with an assessment of recent Polish developments and policy recommendations. (C)

William P. Clark

~~CONFIDENTIAL~~

Declassify on: OADR

DECLA r.ED

NLRP M452/a #153803

BY RW NARA DA E 6/2/15

Bailey 25  
153804

MEMORANDUM

NATIONAL SECURITY COUNCIL

February 23, 1983

~~SECRET~~

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: PAULA DOBRIANSKY <sup>AD</sup>

SUBJECT: Termination of MFN for Romania

DECLASSIFIED

NLRR M452/2# 153804

BY DW NARA DATE 11/2/87

Secretary Shultz sent a memorandum to the President (Tab B) which states that the Romanian Government has begun implementation of the education repayment decree -- a decision which contravenes the purpose and spirit of Section 402 of the Trade Act of 1974 (Jackson-Vanik Amendment). Shultz's memorandum proposes the following course of action:

- That a Presidential announcement be issued on March 3 stating the President's intention to terminate the Jackson-Vanik waiver for Romania, thereby terminating MFN and other benefits, effective June 30, 1983.
- That the President recommend, however, continuation of his underlying waiver authority for an additional year for Romania beginning July 3, 1983 (this basic authority would give the President the flexibility to reinstate MFN treatment for Romania if Romanian emigration practices warranted it).
- That before the announcement of MFN termination, State inform the Israelis and Germans (both countries deal with Romania on emigration issues), Romanians and the GATT membership of the President's decision.

At Tab I is a memorandum from you to the President forwarding the Secretary's memorandum; at Tab A is the draft White House Press Release.

Treasury, Commerce, USTR, Bailey, <sup>m</sup>McMinn, <sup>DMM</sup>White House Press Office (Sims/Allin) fully concur with State's approach.

RECOMMENDATIONS

1. That you sign the memorandum to the President at Tab I.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

2. That you sign the memorandum to Secretary Shultz informing him of the President's decision.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

~~SECRET~~



~~SECRET~~

2

26

Attachments:

Tab I            Memorandum to the President  
Tab A            Proposed White House Press Release  
Tab B            Shultz memorandum, February 19  
Tab II           Memorandum from you to Secretary Shultz

~~SECRET~~

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

~~SECRET~~

DECLASSIFIED

NLRR M452/2 #153805

BY RW NARA DATE 11/27/17

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: WILLIAM P. CLARK

SUBJECT: Romania's MFN Status

Issue: Termination of Romania's Most Favored Nation status.

Facts: The Romanian Government has begun implementation of the education repayment decree which requires emigrants to repay the cost of their education -- a decision which contravenes the purpose and spirit of Section 402 of the Trade Act of 1974 (Jackson-Vanik Amendment). In your letter of December 1, 1982, to Romanian President Ceausescu, you asserted that the decree's implementation would result in the loss of Romania's MFN tariff status.

George Shultz forwarded you a memorandum (Tab B) which addresses the issue of how and when to terminate Romania's MFN and other benefits. It recommends that a Presidential announcement be issued at the end of February stating your intention to terminate the Jackson-Vanik waiver for Romania, thereby terminating MFN and other benefits, effective June 30, 1983, and suggests that as part of your annual Jackson-Vanik recommendation to the Congress (June 2, 1983), you recommend continuation of your underlying waiver authority for an additional year beginning July 3, 1983. It also recommends that before the announcement of MFN termination is made State inform the Israelis and Germans (both countries deal with Romania on emigration issues), Romanians and the GATT membership of your decision.

Discussion: State's proposed strategy would manifest the Administration's decisiveness and yet, would enable it to maintain a flexible position. By announcing your intention to terminate MFN on June 30, 1983, you provide time for the 200 American firms importing Romanian products to adjust to the impact of the loss of MFN and, for the Romanian Government to reverse its decision.

A decision is needed by you on Friday, February 25, so as to give State several days for consultations. Commerce, USTR, Treasury, State and NSC concur fully with the proposed approach. At Tab A is a draft Presidential announcement for your approval.

~~SECRET~~

Declassify on: OADR

RECOMMENDATION

OK    No

- —    1. That you announce your intention to terminate the Jackson-Vanik waiver for Romania effective June 30, 1983, if the education repayment decree remains in force as of that date, but to seek continuation of your waiver authority for an additional year beginning July 3.
  
- —    2. That you approve State's informing Israel, the Federal Republic of Germany, other key Allies, Romania, and the GATT membership of our intention to terminate MFN and related benefits for Romania.

Prepared by:  
Paula Dobriansky

Attachments:

- Tab A      Proposed White House Press Release
- Tab B      Memorandum for Secretary Shultz, February 19



~~CONFIDENTIAL~~

29

PROPOSED TEXT

PRESIDENTIAL ANNOUNCEMENT

The Government of Romania has informed us officially that it has implemented a decree requiring any Romanian citizen wishing to emigrate to repay in convertible currency the costs of education received beyond the compulsory level. This decree conflicts with the letter and spirit of Section 402 of the Trade Act of 1974, which is intended to help remove barriers to freedom of emigration. I, therefore, declare my intention to terminate Romania's Most-Favored-Nation tariff status and other benefits effective June 30, 1983, if the education repayment decree remains in force on that date. It is my hope that the Romanian Government may reconsider its decision on this matter, thereby making it unnecessary for me to take the action of discontinuing Most-Favored Nation treatment and other benefits with its consequences for bilateral trade and economic relations between our two countries.

~~CONFIDENTIAL~~

DECLASSIFIED  
Sec.3.4(b), E.O. 12958, as amended  
White House Guidelines, Sept. 11, 2008  
BY NARA     , DATE 2/8/13

THE SECRETARY OF STATE  
WASHINGTON~~SECRET~~

February 19, 1983

MEMORANDUM FOR: THE PRESIDENT  
FROM: George P. Shultz *WPS*  
SUBJECT: Termination of MFN for Romania

The Romanian Government has begun implementation of the education repayment decree, which requires that emigrants repay in convertible currency the cost of their education and training beyond the tenth-grade level before they may leave Romania. Foreign Minister Andrei has confirmed to Ambassador Funderburk in Bucharest that the decision to implement is formal and irrevocable. Romania's actions are incompatible with the purpose and spirit of Section 402 of the Trade Act of 1974 (the Jackson-Vanik Amendment). In your letter to President Ceausescu of December 1, 1982, you said that implementation of the decree would result in the loss by Romania of its Most-Favored-Nation (MFN) tariff status and of its eligibility to participate in United States Government credit and guarantee programs.

An interagency group has considered the question of how and when to terminate Romania's MFN and other benefits. There is general agreement that the preferred course is for you to announce in the near future that if Romania continues its implementation of the education repayment decree, you will take the necessary action under the law to terminate the Jackson-Vanik waiver for Romania, thereby terminating MFN and other benefits, effective June 30, 1983. In addition, it is recommended that, as part of your annual Jackson-Vanik recommendation to the Congress (necessary to continue MFN and other benefits for Hungary and China) in early June, you recommend continuation of your underlying waiver authority with respect to Romania for an additional year beginning July 3. This action would permit you to reinstate, with Congress' concurrence, Romanian eligibility for MFN and other benefits should the Romanians cease enforcing the decree and provide satisfactory assurances of improvements in their emigration procedures.

This proposed course of action would demonstrate the Administration's decisiveness while giving us flexibility on the possible future restoration of MFN and other benefits. The June 30, 1983 date for termination of MFN and other benefits is designed to provide time for the approximately 200

~~SECRET~~

DECL: OADR

DECLASSIFIED

NLRR M452/2 #153808  
BY *RW* NARA DATE *6/2/15*

31

~~SECRET~~

-2-

American firms importing products from Romania to adjust to the impact of the loss of MFN, and to give the Romanians an opportunity to reflect on their action and possibly decide to reverse or modify their decision.

Termination of MFN will require the suspension or termination of only the relevant part of our 1975 Trade Agreement with Romania. The Agreement provides for this possibility if the Romanians concur during consultations. If they do not, we can and will terminate the entire agreement. We intend to begin consultations with the Romanians promptly following your announcement.

Before your announcement, we should inform the Israelis, Germans, Romanians, and the GATT membership of your decision; we will also at some point need to consult formally with the Romanians as required by the bilateral Trade Agreement. In doing so, we would seek to induce our key Allies to bring their own pressure to bear on the Romanians on the reasonable grounds that a reduction by \$200 million or more in Romanian exports to the U.S. will diminish Romania's ability to pay its debts to all its creditors. If you approve our proposed course of action, we will begin those discussions immediately. I propose that you make your announcement on or about February 23. I am attaching a proposed text.

Commerce, USTR, and Treasury have been consulted and concur fully.

RECOMMENDATION:

--That you announce your intention to terminate the Jackson-Vanik waiver for Romania effective June 30, 1983, if the education repayment decree remains in force as of that date, but to seek continuation of your waiver authority for an additional year beginning July 3.

APPROVE \_\_\_\_\_ DISAPPROVE \_\_\_\_\_

--That you approve our informing Israel, the Federal Republic of Germany, other key Allies, Romania, and the GATT membership of our intention to terminate MFN and related benefits for Romania.

APPROVE \_\_\_\_\_ DISAPPROVE \_\_\_\_\_

~~SECRET~~



THE WHITE HOUSE  
WASHINGTON

December 1, 1982

Dear Mr. President:

I am writing to you privately on a matter of grave consequence for the future of our bilateral relationship. I know that you value, as I do, the pattern of contacts in the political field and the mutually beneficial growth of trade between our countries which have characterized the period since 1969. We are important to each other and must work to sustain positive momentum. Neither of us will gain from a reversal of a process which you, Mr. President, my predecessors and I have so carefully nurtured.

When problems have arisen, I and my predecessors have written to you frankly about them. I appreciate your Government's willingness to act favorably on a number of individual emigration cases and to engage in our recent discussions of emigration practices and procedures. We were looking forward to continuing this dialogue. As you are aware, the debate in the Congress on the extension of Most Favored Nation status last summer was vigorous and sharp, but I believed that the approach we were developing would bring a positive Congressional conclusion once again next year.

It was against the background of this favorable development, however, that I received the disturbing news that your Government plans to require repayment in convertible currency by emigrants of the cost of their education from the secondary level on. You will recall that it was such measures when enacted in the Soviet Union a decade ago that led to the adoption of certain provisions in the Trade Act of 1974.

DECLASSIFIED

NLRRM452/2 #153811

BY RW NARA DATE 11/14/06

I understand the difficult economic situation which you now face and which may have been a factor in this matter. We want to continue to be helpful in meeting your economic needs. However, implementation of this new decree can only worsen our economic relations. Mr. President, the implementation of your new decree in its present form would put me in the regrettable position where I would have no alternative but to take action under the Trade Act of 1974 to suspend Most Favored Nation treatment of Romanian exports to the United States and to deny future U.S. official credits and guarantees. This is a step which I would take with the greatest reluctance since I am fully aware of the great efforts Romania has made to increase its exports to the United States to their 1981 level of over \$500 million. Nevertheless, my responsibility to carry out the mandate of U.S. law would unfortunately leave me no choice in the matter.

I therefore most earnestly urge that you reconsider the implementation of your Government's decree while our two countries jointly examine how best to approach questions relating to emigration. If you would find it useful, I would be pleased to send a personal envoy to Bucharest to discuss with you privately the implications under U.S. law of the new Romanian education repayment decree and related matters of mutual interest, including continuance of the Agreement on Trade Relations between our two countries. In addition, I would like to suggest that we authorize our respective representatives to hold a second meeting on emigration questions in the very near future.

I deeply believe and trust that with patience and understanding on both sides we will be able to resolve this potentially damaging problem so that we can resume our mutually beneficial relationship.

Sincerely,

Ronald Reagan

His Excellency  
 Nicolae Ceausescu  
 President of the Socialist  
 Republic of Romania  
 Bucharest

## THE WHITE HOUSE

WASHINGTON

~~SECRET~~

MEMORANDUM FOR THE HONORABLE GEORGE P. SHULTZ  
The Secretary of State

SUBJECT: Termination of MFN for Romania

The President has reviewed your memorandum concerning the termination of Romania's Most-Favored-Nation status. He concurs with your proposals:

- That a Presidential announcement be issued stating his intention to terminate the Jackson-Vanik waiver for Romania, thereby terminating MFN and other benefits, effective June 30, 1983.
- That as part of the annual Jackson-Vanik recommendation to Congress, he recommend continuation of his waiver authority for an additional year beginning July 3, 1983.
- And, that before a Presidential announcement is issued, State inform the Governments of Israel, The Federal Republic of German, Romania, and the GATT membership of our decision to terminate Romania's MFN status.

William P. Clark

~~SECRET~~

Declassify on: OADR

DECLASSIFIED

NLRR M452/A #153809  
BY RW NARA DATE 6/2/15