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# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** DOBRIANSKY, PAULA: FILES

**Withdrawer**

RBW 9/4/2012

**File Folder** POLAND - DEBT RESCHEDULING (3)

**FOIA**

M434

**Box Number** 3

KINSTETTER

52

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
142732	REPORT	RE. POLAND [PG. 2 ONLY] <b>PAR 6/5/2017 M434/3</b>	1	8/19/1982	B1 B3
142734	CABLE	090103Z DEP 82 <b>R 1/24/2020 M1745/1</b>	1	9/9/1982	B1 B3
142737	MEMO	PAULA DOBRIANSKY TO WILLIAM CLARK RE. NSC MEETING 9/30/82 <b>R 3/2/2018 M434/3</b>	2	9/29/1982	B1
142739	MEMO	CLARK TO RR RE. NSC MEETING 9/30/82 <b>R 3/2/2018 M434/3</b>	3	ND	B1
142740	PAPER	RE. U.S. PRIVATE SECTOR INITIATIVE - POLAND <b>R 3/2/2018 M434/3</b>	3	ND	B1
142741	TALKING PTS.	RE. 9/30/82 NSC MEETING <b>R 3/2/2018 M434/3</b>	2	ND	B1
142742	REPORT	RE. POLAND <b>R 7/8/2015 M434/3</b>	1	10/6/1982	B1
142743	MEMO	JOHN POINDEXTER TO RICHARD PIPES/ROGER ROBINSON RE. SECRETARY SHULTZ'S EVENING REPORT <b>R 7/8/2015 M434/3</b>	1	11/4/1982	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]
- 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.

# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** DOBRIANSKY, PAULA: FILES

**Withdrawer**

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**File Folder** POLAND - DEBT RESCHEDULING (3)

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M434

**Box Number** 3

KINSTETTER

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
142744	REPORT	[PGS. 10-13 ONLY, W/INSERTS]	6	12/8/1982	B1
142745	CABLE	WARSAW 1190 <b>R 7/8/2015 M434/3</b>	1	2/4/1983	B1
142746	REPORT	RE. POLAND <b>PAR 3/30/2018 M434/3</b>	2	2/28/1983	B1
142747	PAPER	RE. POLISH DEBT RESCHEDULING <b>R 7/8/2015 M434/3</b>	3	ND	B1
142748	REPORT	[PG. 3 ONLY] <b>PAR 3/30/2018 M434/3</b>	1	3/9/1983	B1
142749	CABLE	250145Z MAR 83 <b>R 1/24/2020 M1745/1</b>	1	3/25/1983	B1
142750	REPORT	[PG. 2 ONLY] <b>PAR 6/5/2017 M434/3</b>	1	3/27/1983	B1 B3
142751	PAPER	RE. POLISH DEBT <b>R 7/8/2015 M434/3</b>	2	4/22/1983	B1

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THE WHITE HOUSE  
WASHINGTON

5259

*Dobriansky Poland*  
*Debt*

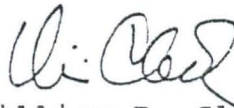
MEMORANDUM FOR THE HONORABLE GEORGE P. SHULTZ  
The Secretary of State

THE HONORABLE DONALD T. REGAN  
The Secretary of the Treasury

SUBJECT: Kasten Amendment to Urgent Supplement  
Appropriations for the Polish

The President has approved delegation to the Secretary of State the responsibility for filing with Congress the monthly reports on Polish debt required by Section 205 of the Urgent Supplemental Appropriations Act.

The President also approves the Secretary of State conferring with the Secretary of the Treasury and, as appropriate, with the Secretary of Agriculture and the heads of other interested Executive agencies before providing the written report.



William P. Clark

cc: The Secretary of Defense  
The Secretary of Agriculture  
The Secretary of Commerce  
United States Trade Representative

National Security Council  
The White House

Package # 5259

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	_____	_____	_____
Bud McFarlane	_____	_____	_____
Jacque Hill	_____	_____	_____
Judge Clark	_____	_____	_____
John Poindexter	<u>1</u>	<u>[Signature]</u>	_____
Staff Secretary	<u>2</u>	_____	<u>D</u>
Sit Room	_____	_____	_____
_____	_____	_____	_____

I-Information A-Action R-Retain D-Dispatch N-No further Action

DISTRIBUTION

cc: VP Meese Baker Deaver Other \_\_\_\_\_

COMMENTS

See Tab I which I had in folder in safe. Will this do if we add c.c. to Block, Baldrige, Block + Weinberger?

Yes.

National Security Council  
The White House

Package # 5259

82 AUG 9 12

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	_____	_____	_____
Bud McFarlane	_____	_____	_____
Jacque Hill	_____	_____	_____
Judge Clark	_____	_____	_____
John Poindexter	<u>1</u>	<u>J</u>	_____
Staff Secretary	<u>2</u>	_____	<u>A</u>
Sit Room	_____	_____	_____
_____	_____	_____	_____

I-Information A-Action R-Retain D-Dispatch N-No further Action

DISTRIBUTION

cc: VP Meese Baker Deaver Other \_\_\_\_\_

COMMENTS

~~Pres approved memo~~

Prep memo for Judge to Shultz (cc to Regan, Block, Baldrige, Brock, Weinberger) pending on President's approval. J

NATIONAL SECURITY COUNCIL

URGENT ACTION

August 6, 1982

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY *NAB*

SUBJECT: Kasten Amendment to Urgent Supplement  
Appropriations for the Polish

Attached at Tab I is a memorandum to the President transmitting the memorandum from Secretaries Shultz and Regan concerning the Polish Debt/Default and the Kasten Amendment to the Urgent Supplemental Appropriations Act (Tab A).

Attached at Tab II is a memorandum to Secretaries Shultz and Regan for your signature notifying them that the President has delegated to the Secretary of State the responsibility for filing with Congress the monthly reports on Polish debt required by Section 205 of the Urgent Supplemental Appropriations Act. The memorandum also informs the Secretary of State that he should confer with the Secretary of the Treasury and, as appropriate, with the Secretary of Agriculture and the heads of other interested Executive agencies.

Pipes, Nau, Robinson and Dobriansky concur.

RECOMMENDATION

That you sign the memoranda at Tabs I and II.

Approve ✓ Disapprove \_\_\_\_\_

Attachments

- Tab I Memo to the President
- A Memo fr Shultz and Regan, July 30, 1982
- II Memo to Shultz and Regan

5

THE WHITE HOUSE  
WASHINGTON

URGENT ACTION

August 7, 1982

MEMORANDUM FOR THE PRESIDENT

FROM: WILLIAM P. CLARK *WPC*  
SUBJECT: Kasten Amendment to Urgent Supplement  
Appropriations for the Polish Debt

Attached at Tab A is a memorandum sent to you from Secretaries Schultz and Regan concerning the Polish Debt/ Default and the Kasten Amendment to the Urgent Supplemental Appropriations Act.

RECOMMENDATION

That you approve their recommendation to delegate to the Secretary of State the responsibility for filing with Congress the monthly reports on Polish debt required by Section 205 of the Urgent Supplemental Appropriations Act. Before providing the written report, the Secretary of State shall confer with the Secretary of the Treasury and, as appropriate, with the Secretary of Agriculture and the heads of other interested Executive agencies.

Approve ✓ RR Disapprove \_\_\_\_\_

Attachment

Tab A Memo fr Shultz and Regan, July 30, 82



DEPARTMENT OF STATE  
WASHINGTON

11 15

July 30, 1982

ACTION MEMORANDUM

## MEMORANDUM FOR THE PRESIDENT

FROM: George P. Shultz *WBS*  
Donald T. Regan *DR*

SUBJECT: Polish Debt/Default: Kasten Amendment to the  
Urgent Supplemental Appropriations Act

The Kasten Amendment (Section 205) to the Urgent Supplemental Appropriations Act P.L. 92-216, July 18, 1982 (Tab A), prohibits the Commodity Credit Corporation (CCC) or any other U.S. agency for the remainder of fiscal year 1982 from paying to U.S. banks funds to cover guaranteed loans to Poland unless Poland is formally declared in default or unless the President reports monthly to the Speaker of the House and to the President of the Senate on the manner in which such payments serve the national interest of the United States. Attached at Tab B is a schedule of payments for which lenders are expected to file claims for the remainder of the fiscal year.

You have determined that declaring Poland in default at the present time is not in the U.S. economic or foreign policy interest. The rationale for this decision remains valid:

- The best way to keep pressure on the Polish Government -- and indirectly on the Soviet Government -- is to insist that Poland pay its debts to the West in a timely manner.
- Poland is making some payments to Western creditors (about \$100 million in May) and is receiving no new credits. Accordingly, there is a flow of financial resources from Poland to the West. The drain on the Polish economy, together with our economic sanctions, is forcing the Jaruzelski regime to pay a heavy price for the suppression of human rights and freedom in Poland.

-- In contrast, a declaration of default, while not legally absolving the Polish government of its debt obligations would give Poland a political excuse to stop repayment. Thus, Poland would save money. Moreover, such unilateral action would shatter the NATO consensus on Polish debt and would, therefore, be highly divisive for the Western alliance.

For the above reasons, the Administration should avoid declaring Poland in default at the present time by filing the necessary reports. To streamline the process, we suggest that you delegate the monthly reporting responsibility to the Secretary of State.

Recommendation

That you delegate to the Secretary of State the responsibility for filing with Congress the monthly reports on Polish debt required by Section 205 of the Urgent Supplemental Appropriations Act. Before providing the written report, the Secretary of State shall confer with the Secretary of the Treasury, and as appropriate, with the Secretary of Agriculture and the heads of other interested Executive agencies.

Attachments:

- Tab A - Kasten Amendment
- Tab B - Payment Schedule

Expected Payouts to Lenders  
to Poland for Remainder of  
Fiscal Year 1982

Commodity Credit Corporation  
\$(millions)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Remainder of July	14.5	4.8	19.3
August	25.4	4.2	29.6
September	20.4	2.3	22.7

Export-Import Bank

Total, July 19 through September 30, 1982: \$614,000.

Section 205 of P.L. 92-216

Effective upon enactment of this Act and for the remainder of fiscal year 1982, notwithstanding any other provision of law, no funds may be paid out of the Treasury of the United States or out of any fund of a Government corporation to any private individual or corporation in satisfaction of any assurance agreement or payment guarantee or other form of loan guarantee entered into by any agency or corporation of the United States Government with respect to loans made and credits extended to the Polish People's Republic, unless the Polish People's Republic has been declared to be in default of its debt to such individual or corporation or unless the President has provided a monthly written report to the Speaker of the House of Representatives and the President of the Senate explaining the manner in which the national interest of the United States has been served by any payments during the previous month under loan guarantee or credit assurance agreements with respect to loans made or credits extended to the Polish People's Republic in the absence of a declaration of default.

# National Security Council The White House

Package # 5259

32 32 32  
32 32 32

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	_____	_____	_____
Bud McFarlane	<u>1</u>	<u>m</u>	_____
Jacque Hill	_____	<u>✓</u>	_____
Judge Clark	<u>2</u>	_____	_____
John Poindexter	_____	_____	_____
Staff Secretary	_____	_____	_____
Sit Room	_____	_____	_____

\_\_\_\_\_

I-Information   **A-Action**   R-Retain   D-Dispatch   N-No further Action

### DISTRIBUTION

cc: VP   Meese   Baker   Deaver   Other \_\_\_\_\_

### COMMENTS

# National Security Council The White House

Package # 5259

82 11 3 6 P 21 56

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	_____	_____	_____
Bud McFarlane	_____	_____	_____
Jacque Hill	_____	_____	_____
Judge Clark	_____	_____	_____
John Poindexter	_____	_____	_____
Staff Secretary	_____	_____	_____
Sit Room	_____	_____	_____

\_\_\_\_\_  
 I-Information    A-Action    R-Retain    D-Dispatch    N-No further Action

### DISTRIBUTION

cc: VP    Meese    Baker    Deaver    Other \_\_\_\_\_

### COMMENTS

SC/S PROFILE

UNCLASSIFIED

ID 8205259

RECEIVED 31 JUL 82 10

TO PRESIDENT

FROM SHULTZ, G

DOCDATE 30 JUL 82

REGAN, D ✓

30 JUL 82

KEYWORDS: INTL FINANCE

EXIM BANK

POLAND

CONGRESSIONAL

CM

SUBJECT: KASTEN AMENDMENT TO URGENT SUPPLEMENT APPROPRIATIONS FOR THE POLISH DEBT

ACTION: PREPARE MEMO FOR CLARK

DUE: 02 AUG 82 STATUS S FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

BAILEY

PIPES

ROBINSON

MYER

NAU

DOBRIANSKY

KIMMITT

*RWR*

WHEELER

*Agree in the state (for the time being, anyway) NP*

*8/3/82*

COMMENTS

REF# 8222083

LOG

NSCIFID

(, M /

CTION OFFICER (S)

ASSIGNED

ACTION REQUIRED

DUE

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SUBJECT: KASTEN AMENDMENT TO URGENT SUPPLEMENT APPROPRIATIONS FOR THE POLISH DEBT

ACTION: PREPARE MEMO FOR CLARK

DUE: 02 AUG 82 STATUS S FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

BAILEY

PIPE

ROBINSON

MYER

NAU

DOBRIANSKY

KIMMITT

WHEELER

*RWR  
to handle  
- we concur*

*Concur  
w/ Regan-Shultz  
recommendat.*

*PD  
8/2/82*

COMMENTS

REF# 8222083

LOG

NSCIFID

( M / )

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ISC/S PROFILE

UNCLASSIFIED

ID 8205259

RECEIVED 31 JUL 82 10

TO PRESIDENT

FROM SHULTZ, G

DOCDATE 30 JUL 82

REGAN, D

30 JUL 82

KEYWORDS: INTL FINANCE

EXIM BANK

POLAND

CONGRESSIONAL

CM

SUBJECT: KASTEN AMENDMENT TO URGENT SUPPLEMENT APPROPRIATIONS FOR THE POLISH DEBT

ACTION: PREPARE MEMO FOR CLARK

DUE: 02 AUG 82 STATUS S FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

BAILEY

PIPE

ROBINSON

MYER

NAU

DOBRIANSKY

KIMMITT

WHEELER

*RWR*  
*concur!*

COMMENTS

REF# 8222083

LOG

NSCIFID

( M / )

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO

ISPATCH \_\_\_\_\_ W/ATTCH FILE \_\_\_\_\_ (C)

POLAND  
8/19/82 DEBT

NLRR M434/3#142732

BY AW NARA DATE 6/5/17

4. POLAND: TALKS WITH BANKS PROGRESS

15  
14273:

Poland and its commercial creditors cleared a major hurdle last week by agreeing on key elements in the rescheduling of Poland's 1982 commercial debt obligations and in the provision of short-term trade credits. October 20 was set as a target date for concluding the agreement. Meanwhile, Brazilian-Polish bilateral rescheduling talks made some progress without reaching final agreement, according to

INR Comment: The Poles apparently agreed to the bankers' terms to avoid triggering the "cross default" clause in last year's rescheduling agreement. This agreement required "substantial progress" in the 1982 talks by September 10 or the 1981 agreement could lapse. (TOP SECRET [REDACTED] NOFORN)

E.O. 12958  
As Amended  
3.3 b1  
1982

5. IRAN-IRAQ WAR: IRAQ ATTACKS KHARG ISLAND

According to Baghdad radio, Iraq struck the Kharg Island oil installation yesterday as a warning to Iran to stop shelling Basra. The press report stated that the Iraqis avoided attacking tankers to give them a "last chance" to stop taking off Iranian oil.

INR Comment: The alleged avoidance of tankers at Kharg probably reflects poor bombing rather than Iraqi intent. Two merchant ships have been hit recently, and Kharg was bombed in mid-July. (CONFIDENTIAL)

6. CHINA: PLANS TO ABOLISH PARTY CHAIRMANSHIP

Senior Vice Premier Wan Li, a close associate of Deng Xiaoping, told a visiting Japanese group yesterday that the upcoming 12th Party Congress will abolish the posts of party chairman and vice chairman and create the position of party secretary general, according to a Japanese news service.

INR Comment: These changes will strengthen Deng's power and succession arrangements as Hu Yaobang, his protege and party chairman, is certain to be chosen secretary general. Moreover, Deng also appears to have succeeded in maneuvering elderly vice chairmen, unsympathetic to his reform program, into prestigious but less influential advisory positions. (CONFIDENTIAL)

7. AFGHANISTAN: DANGERS OF THE UN INITIATIVE

The UN peace initiative for Afghanistan may threaten US policy objectives in the area, Embassy Kabul reports. UN negotiator Cordovez has achieved little so far, but has skillfully kept up the appearance of forward movement. The initiative itself, however bankrupt in substantive terms, might thus become the predominant issue in the international politics of the Afghanistan question. If this occurs,

--the Soviets could take advantage of the initiative to divert attention from their aggression and continued military occupation;

~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL  
MESSAGE CENTER

142734  
Mand  
1 Sept. 82  
16

PAGE 01 DIA WASHINGTON DC// 8190 DTG: 090103Z SEP 82 PSN: 023979  
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USDAO WARSAW PL

~~CONFIDENTIAL~~ NOFORN

DIADIN 251-14A (AS OF: 1850 EDT 8 SEP 82)  
SUBJ: DIA DEFENSE INTELLIGENCE NOTICE (DIN) (U)

POLAND: DEBT RESCHEDULING. (U)

1. (C) WESTERN BANKS HAVE AGREED IN PRINCIPLE TO RESCHEDULE  
POLAND'S COMMERCIAL (PRIVATE) DEBT OBLIGATIONS DUE THIS YEAR.

2. (C/NOFORN) THE PLAN IS SIMILAR TO THE 1981 AGREEMENT IN THAT  
95 PERCENT OF THE PRINCIPAL (\$2.2 BILLION) WILL BE DEFERRED FOR A  
4-YEAR PERIOD, DURING WHICH TIME INTEREST ON THE PRINCIPAL MUST BE  
SERVICED, THEN REPAID OVER THREE AND ONE-HALF YEARS. THE REMAINING  
5 PERCENT OF THE PRINCIPAL (\$118 MILLION) IS TO BE PAID IN TWO  
INSTALLMENTS IN AUGUST AND NOVEMBER OF 1983. ALSO, INTEREST DUE  
THIS YEAR FROM PREVIOUS LOANS MUST BE PAID IN FULL IN THREE INSTALL-  
MENTS BY MARCH 1983.

3. (C/NOFORN) THE AGREEMENT IS ONLY WITH WESTERN BANKS, NOT WITH  
OFFICIAL CREDITORS. AFTER MARTIAL LAW WAS DECLARED, OFFICIAL CREDI-  
TORS REFUSED TO EXTEND NEW CREDITS OR RESCHEDULE THE 1982 DEBT.  
INTEREST PAYMENTS HAVE BEEN KEPT CURRENT ON THE 1981 COMMERCIAL  
DEBT BUT VIRTUALLY HALTED ON THE \$4.5 BILLION OWED TO GOVERNMENTS.

4. (C/NOFORN) THE MOST SIGNIFICANT FEATURE IN THE PLAN IS THAT  
BANKS WILL EXTEND SHORT-TERM TRADE CREDITS TO POLAND EQUAL TO 50  
PERCENT OF INTEREST PAYMENTS MADE. THESE CREDITS CAN ONLY BE USED  
TO IMPORT GOODS FROM THE COUNTRY OF THE SPECIFIC BANK'S ORIGIN.  
THIS PROVISION IS EXPECTED TO KEEP THE POLISH "PUMP PRIMED," BUT  
THE EXTENT TO WHICH THE POLES USE THOSE CREDITS WILL EQUALLY LESSEN  
THEIR ABILITY TO MEET INTEREST PAYMENTS.

5. (C/NOFORN) COMMENT: THIS AGREEMENT HAS NOT YET BEEN CONCLUDED,  
BUT IT MOST LIKELY WILL BE LATER THIS FALL. DESPITE THE FAVORABLE  
TERMS IN THE PLAN, WARSAW MAY NOT BE ABLE TO MEET EVEN THE IN-  
TEREST PAYMENTS. POLAND'S TOTAL DEBT FOR 1982 IS ESTIMATED AT  
\$10.4 BILLION. IT IS CALCULATED THAT EARNINGS FROM EXPORTS AND  
SERVICES WILL ONLY ACCOUNT FOR ABOUT \$6.5 BILLION, PROVIDED IMPORTS  
ARE CUT TO ZERO. THIS FIGURE WILL BE GREATLY REDUCED AFTER IMPORTS  
AND OTHER ESSENTIAL EXPENDITURES ARE DEDUCTED, LEAVING LITTLE FOR  
DEBT SERVICE. ALTHOUGH THE INDIVIDUAL WESTERN BANKS ARE QUITE  
LIKELY TO SIGN THE FINAL AGREEMENT IN ORDER TO EXTRACT SOME HARD  
CURRENCY FROM WARSAW, IT IS DOUBTFUL POLAND WILL BE ABLE TO MEET  
ITS OVERALL DEBT OBLIGATIONS. WHILE THE PROPOSED AGREEMENT WILL  
FACILITATE IMPORTS OF ESSENTIAL RAW MATERIALS FROM THE WEST, IT  
WILL NOT SUFFICE TO IMPROVE POLAND'S ECONOMIC DILEMMA.

PREPARED BY: MS D. CAGAN, JSI-2C

DECLASSIFIED

NLRR M1745 #142734  
BY RW NARA DATE 1/24/2020

~~CONFIDENTIAL~~

~~SECRET~~

System II  
90778

MEMORANDUM

NATIONAL SECURITY COUNCIL

September 29, 1982

Poland  
Debt  
17  
142737

~~SECRET~~

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: PAULA DOBRIANSKY (M)

SUBJECT: NSC Meeting, September 30, 1982, 11:00 a.m.,  
Cabinet Room

There are two agenda items for this meeting:

1. Polish Debt
2. Private Sector Initiative for Poland

Polish Debt

Sec. Regan will report on the results of the SIG-IEP discussion Tuesday on this issue. The U.S. and other government creditors are negotiating the settlement of the 1981 debt, but have not engaged in discussions with the Poles over rescheduling the 1982 debt because our Polish sanctions prohibit this. The SIG-IEP recommends that we do not change U.S. policy at this time.

Private Sector Initiative

On Tuesday, the SIG-IEP recommended that the private sector initiative be remanded for further staffing. This decision seems to be predicated upon a narrow perspective of the initiative. That is, some of the principals were not properly briefed (i.e. they were unaware of the broad domestic support the initiative has received) and thus, recommended further staffing of an initiative they apparently did not understand. There also appeared to be some sentiment to kill the initiative as now defined and replace it with the usual food aid programs to Poland a la CARE and CRS. Therefore, it is necessary to enunciate clearly at the NSC what the initiative is, what are its objectives, and how it fits in with our policies toward Poland. It is also necessary to bring to the fore the pros and cons of the initiative so that they can be fairly weighed and evaluated. Lastly, it must be made clear that even though this is a private sector assistance program, it fits within the context of our humanitarian aid as all goods will be purchased by the private sector and will be distributed by the Church.

DECLASSIFIED

~~SECRET~~

~~SECRET~~

DECLASSIFY ON: OADR

NLRR M434/3 #142737  
BY RW NARA DATE 3/2/88

Our recommendation is that the initiative be pursued through the establishment of a Presidential Commission and preferably with participation by our allies, but unilaterally, if necessary. Embassy Warsaw has expressed our sentiment succinctly, "We welcome the initiative because it conveys the possibility of movement in Polish-American relations -- and because it could strongly reinforce the only large private agricultural sector in Eastern Europe, demonstrate the efficiencies of private agriculture and assure a more abundant food supply to the Polish people." Specifically, the initiative will enable the Administration to project an image of U.S. willingness to explore new ways of tackling the Polish problem but without compromising the integrity of our sanctions policy. As Bud stated in an earlier note to me, the initiative will refocus public attention on what we do support -- the Polish people -- and what we do not support -- the Polish government. We have strong indications that the initiative, as structured, would be supported by our allies.

Your talking points for the meeting are at Tab II.

RECOMMENDATION:

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

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

Norman Bailey, Henry Nau and Dennis Blair concur.

Attachments

Tab I	Memo to President
	Tab A      Agenda
	Tab B      Issue/Options Paper
Tab II	Talking Points

## THE WHITE HOUSE

WASHINGTON

~~SECRET~~ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: WILLIAM P. CLARK

SUBJECT: NSC Meeting, 11:00 a.m., September 30, Cabinet Room

DECLASSIFIED  
 NLRR M484/3 #142739  
 BY PW NARA DATE 3/2/88

There are two items on the agenda (Tab I):

1. Polish Debt
2. Private Sector Initiative for Poland

Polish Debt

Don Regan will report on the results of the SIG-IEP discussion last Tuesday on this issue. The U.S. and other governments are negotiating a settlement of the 1981 debt, but have not entered into negotiations over 1982 rescheduling. In the meantime, private banks have been partially successful in rescheduling the 1982 debt. Our Polish sanctions prohibit the USG from entering into negotiations for the 1982 debt and the SIG-IEP has concluded that this policy should be continued.

Private Sector Initiative for Poland

Issue: Whether the Administration should endorse a U.S. private sector initiative which would attempt to bolster the Polish private sector -- with primary emphasis on agriculture. Whether a Presidential Commission should be established to develop and spearhead the private sector aid program.

Facts: The proposed private sector initiative would entail the U.S. private sector developing and implementing a humanitarian aid program through the Polish Church to bolster the Polish private sector -- with emphasis on agriculture. Although it features commodities other than food, the initiative fits within the context of humanitarian aid, as all goods will be purchased by the private sector and distributed by the Polish Church. The initiative was conceived prior to the Polish Church's recommendation for a five-year \$2.02 billion "Poland Recovery Plan" to aid the private sector, but coincides and responds to the Church's proposals. In the short-term, the initiative will engender a positive image of American flexibility which would put the Polish government in a "no win" situation and will respond to the Polish Church's

~~SECRET~~  
 DECLASSIFY ON: OADR

Prepared by:  
 Paula Dobriansky

proposals; in the long-term, it will strengthen the largest private agricultural sector in Eastern Europe and demonstrate the efficiencies of private agriculture.

It is suggested that a Presidential Commission, which could provide a necessary vehicle for mobilizing private sector aid efforts, be established to spearhead this effort. It would devise an aid program commensurate with donations received from the U.S. private sector and the use of some \$28 million worth of our reserve zlotys.

The Polish-American community and various private sector organizations support the program. The Polish people would perceive it as a manifestation of continued American interest in their well being; we also have strong indications that the initiative, as structured, would be supported by our allies. According to the Church, the Polish government would not hinder such assistance.

Discussion: Some of the pros of pursuing this initiative include: it upholds the Administration's policy toward Poland; it is strongly endorsed by the Polish-American community; it will refocus public attention on what we do support -- the Polish people -- and what we do not support -- the Polish government. Some of the cons include: Poland's immediate humanitarian needs cannot be satisfied by a broad long-term plan designed to restructure its private agricultural sector; since donations must come from the private sector, there is no certainty that amounts will be sufficient; the use of zlotys does not provide sufficient resources of the right kind; the allies might misconstrue the intent of the initiative.

Your guidance is needed on whether the proposal should be rejected completely, pursued through the establishment of a Commission and with participation by our allies but unilaterally if necessary, or should be staffed further. The recommendation of the SIG-IEP was to remand the proposal for further staffing; NSC's recommendation is to pursue the initiative through the Commission.

An issues/options paper is at Tab B for your information.

Recommendation:

OK      No

- \_\_\_    \_\_\_    1. Reject the proposal entirely
- \_\_\_    \_\_\_    2. Pursue the initiative through the establishment of a Presidential Commission, preferably with participation by our allies but unilaterally if necessary
- \_\_\_    \_\_\_    3. Remand the proposal for further staffing
  - a. the idea of a Presidential Commission be developed further and/or
  - b. a different structure to implement the program be designed

Attachments

Tab A      Agenda  
Tab B      Issues/Options Paper



National Security Council Meeting

September 30, 1982

A G E N D A

- |    |   |                 |
|----|---|-----------------|
| 1. | Polish Debt Situation                                       | Secretary Regan |
| 2. | Polish Private Sector Initiative<br>(discussion of options) | Secretary Regan |

## U.S. Private Sector Initiative -- Poland

## Issue/Options Paper

Issue: Whether the Administration should endorse a U.S. private sector initiative which would assist and attempt to bolster the Polish private sector -- with primary emphasis on agriculture. Whether a Presidential Commission should be established to develop and spearhead the private sector aid program.

Background: The proposed private sector initiative would entail the U.S. private sector developing and implementing a humanitarian assistance program through the Polish Church to bolster the Polish private sector -- with emphasis on agriculture. It is meant to be a humanitarian, people-to-people effort, consistent with the Administration's policy toward Poland (government to government aid is suspended, but humanitarian aid is rendered to the Polish people through voluntary organizations with reliable distribution infrastructures). That is, the initiative, which features 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. Moreover, the initiative is meant to uphold your belief in the desirability of promoting free market forces in those countries with non-market economies and strengthening private property ownership. Embassy Warsaw has reported, "We welcome the initiative because it conveys the possibility of movement in Polish-American relations -- and because it could strongly reinforce the only large private agricultural sector in Eastern Europe, demonstrate the efficiencies of private agriculture, and assure a more abundant food supply to the Polish people." Lastly, the initiative was conceived prior to the Polish Church's plea for a five-year \$2.02 billion "Poland Recovery Plan" to aid the private sector, but coincides and responds to the Church's proposals.

Objectives: It will in the short-term (a) engender a positive image of American flexibility which would put the Polish government in a "no win" situation, (b) respond to the Polish Church's proposals, (c) make use of U.S.-owned zlotys worth \$28 million, and in the long-term will (a) strengthen the Polish private sector and (b) promote a more moderate domestic Polish policy as a result of strengthened free market forces.

Implementation: It has been suggested that a Presidential Commission be established to spearhead the initiative. It could draw upon the vast expertise in the private sector and could provide a necessary vehicle for mobilizing private sector aid efforts. In fact, this idea has received support from our private sector. The Commission would be comprised of 12 members drawn from the Polish-American community, labor, academia; the Church, farm associations and agricultural industries, with one member serving as a liaison to the European Community. Its functions would include: assessing the current condition and needs of the Polish private sector, devising

and implementing an aid program commensurate with donations received from the U.S. private sector and the use of up to \$28 million of our reserve zlotys in Poland, and coordinating the program with similar initiatives undertaken by our Allies.

Reactions to Initiative:

1. U.S. Reaction: Positive. Already, the Polish-American community and various organizations support the program (i.e. Polish-American Congress, American Farm Bureau Federation, Catholic Relief Service, Rockefeller Foundation).

2. Polish People: Enthusiastic. Would view this as a manifestation of continued American interest for their well being.

3. Polish Government: Uncertain. However, most speculate that the government would be forced into a "no win" position and would accept the program. Already, according to the Church's reports, the government has indicated it would not hinder such a Church-initiated and -supported program. However, in the event that the Polish authorities prohibit the usage of our zloty reserves or thwart the initiative, propaganda mileage can be reaped. The USG could suspend the initiative and publicly assert that the Polish government is unwilling to assist its own people.

4. Soviet Government: Negative.

5. Allied Reactions: Positive with some countries; others -- contingent upon how the initiative is presented.

Pros/Cons of the Initiative:

- (Pros)
1. Upholds Administration's policy toward Poland.
  2. Responds to the Polish Church's proposals.
  3. Provides an opportunity to cooperate with our allies.
  4. Is strongly endorsed by the Polish-American community, the Church and various U.S. private sector organizations.
  5. Projects the image of U.S. willingness to explore new ways of tackling the Polish problem without compromising the integrity of our sanctions policy.
  6. Will refocus public attention on what we do support -- the Polish people -- and what we do not support -- the Polish government.
  7. Will reinforce the only large private agricultural sector in Eastern Europe and will demonstrate the efficiencies of private agriculture.
  8. Will be widely visible in Poland and thus, will manifest our support for Solidarity and the Church.
- (Cons)
1. Poland's immediate humanitarian needs cannot be satisfied by a broad long-term economic plan designed to restructure its private agricultural sector.

2. Resources (donations) must come from the private sector. There is no certainty that amounts will be sufficient.
3. Polish authorities would perceive this as Western propaganda and would not allow the scheme to succeed.
4. The use of zlotys does not provide sufficient resources of the right kind.
5. If some resources did reach Polish farmers, some benefits might also be accrued to the State agricultural sector.
6. The allies might misinterpret the initiative.

Options:

1. Reject the proposal entirely.
2. Pursue the initiative through the establishment of a Presidential Commission, preferably with participation by our allies but unilaterally if necessary.
3. Remand the proposal for further staffing:
  - a. the idea of a Presidential Commission be developed further and/or
  - b. a different structure to implement the program be designed.

TALKING POINTS

For the September 30, 1982 NSC Meeting

Issue One: Polish Debt Situation

-- Secretary Regan, would you like to introduce this issue?

Issue Two: Polish Private Sector Initiative

Introduction

- The next agenda item is the private sector initiative for Poland. In an attempt to follow up on your guidance for continued humanitarian aid to Poland, a private sector initiative has been developed. It would entail the U.S. private sector assessing the Polish private sector's needs, and developing and implementing a humanitarian aid program through the Polish Church so as to reinforce the only large private agricultural sector in Eastern Europe -- that of Poland. The initiative, which features commodities other than food, fits within the context of humanitarian aid, as all goods will be purchased by the private sector and distributed through the Polish Church. The initiative conforms with the current Administration's policy toward Poland (the suspension of government-to-government aid but the continuation of humanitarian assistance to the Polish people) and thus, should stand and be evaluated on its own merits.
  
- Today's meeting will focus on the SIG-IEP's assessment of the initiative. Secretary Regan, would you like to provide the SIG's evaluation?

Interim Points

- Objectives of Initiative: (Short-term) Engender a positive image of American flexibility which would put the Polish government in a "no win" situation, respond to the Polish Church's proposals, make use of U.S.-owned zlotys, (long-term) strengthen the Polish private sector and promote a moderate domestic Polish policy as a result of strengthened free market forces.
  
- Pros of the Initiative:
  1. Upholds the Administration's policy toward Poland
  2. Responds to the Polish Church's proposals
  3. Provides an opportunity to cooperate with our allies
  4. Is strongly endorsed by the Polish-American community

5. Projects the image of U.S. willingness to explore new ways of tackling the Polish problem without compromising the integrity of our sanctions policy
6. Will refocus public attention on what we do support -- the Polish people -- and what we do not support -- the Polish government
7. Will reinforce the only large private agricultural sector in Eastern Europe and will demonstrate the efficiencies of private agriculture
8. Will be widely visible in Poland and thus will manifest our support for Solidarity and the Church

Conclusions:

- Contingent upon the discussion, mention that there are three options for decision:
  - a. Reject the proposal entirely
  - b. Pursue the initiative through the establishment of a Presidential Commission, preferably with participation by our allies but unilaterally if necessary
  - c. Remand the proposal for further staffing:
    - (1) the idea of a Presidential Commission be developed further and/or
    - (2) a different structure to implement the program be designed
- If Option C is endorsed, recommend a 3 week time-frame.

POLAND -  
DEBT  
RES.

BUREAU OF INTELLIGENCE AND RESEARCH - ANALYSIS - OCTOBER 6, 1982

1. POLAND: COMMERCIAL DEBT RESCHEDULING

Poland and its commercial creditors hope to sign by October 20 an agreement to reschedule Poland's 1982 principal repayments. Warsaw should be able to pay the \$370 million in interest (a third of the 1982 total) required for a formal signing. But administrative delays in verifying interest due to individual creditors and in paying the 500 banks involved suggest that the target date may slip.

28  
142742

\* \* \*

The rescheduling accord would allow the Poles to defer until 1986 payments on 95 percent of the \$2.4 billion in principal owed the banks this year. The five percent of principal not rescheduled is to be paid in August and October 1983. Separate agreements would govern payment of interest and the recycling of half of these payments back to Warsaw in the form of short-term trade credits. The Poles must pay the remaining interest due this year on December 20, 1982 and March 20, 1983.

The agreement on trade credits requires that the Poles use the new loans to purchase Western goods needed by Polish export industries. The funds must be used to finance goods from the country of the lending bank. A senior Polish official has indicated that the US banks' share of the trade credits would be \$50-70 million. The Poles intend to use the funds to finance imports of US grain--to support exports of processed meats--and industrial goods. Meanwhile, some US banks have drawn on Polish assets to obtain payment of interest on CCC loans, arousing concern by other banks that the action threatens creditor unity on the credit facility.

Warsaw asserts, and banking reports generally confirm, that it has paid all interest required by the 1981 commercial rescheduling agreement. The Poles generated the necessary funds by boosting exports, particularly of coal, and by cutting imports. This resulted in a trade surplus with the West, which was officially reported to total \$860 million through August. The use of residual credit lines, largely covering grain purchases from Canada and France, also helped free funds for debt service. This surplus should enable Warsaw to pay the first interest tranche to the banks this month.

Payment of the remaining interest is more uncertain, although the short-term credit facility relieves some of the pressure on Poland's meager hard currency resources. The outlook for a substantial trade surplus through the end of the year is not promising, given soft Western markets and the effect of import cutbacks on Poland's ability to produce goods for export. Moreover, the Poles have few credit lines remaining and will have to trade largely on a cash basis.

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RW NARA DATE 7/8/15



POCAWD

DEBT

29

NOVEMBER 4 - 1982

Dear Mr. Vento:

I am responding on behalf of the President to your letter of October 13 recommending that he officially declare Poland in default and call in all outstanding U.S. Government loans to Poland.

We believe it is not in the U.S. national interest to adopt such a policy. Continuing to insist that Poland pay its debts to the West in a timely manner is the best way to keep pressure on the Polish Government. Keeping the pressure on Poland has generated a net financial flow from Poland to the West. The drain on the Polish economy, together with our economic sanctions, is forcing the Jaruzelski regime to pay a heavy price for the suppression of human rights and freedom in Poland. By contrast, a declaration of default at this time would be contrary to the national interest of the United States, as it could lead to an illegal repudiation by Poland of its debt obligations, and thereby reduce the financial pressure.

There is another important foreign policy dimension to the Polish debt issue. We and our allies adopted a common approach toward Poland and the USSR at the meeting of the NATO North Atlantic Council in January, including a common position on the Polish debt and credits issues. Our NATO allies strongly agree that the best way to keep sustained pressure on the Polish government is to insist that Poland pay its debts. Should the U.S. unilaterally declare Poland in default, it is highly unlikely that the Europeans, who hold the lion's share of Polish debt, would follow suit. The result would be a severe split in the Western Alliance at a time when the U.S. is intensifying its efforts to secure European cooperation on a unified approach to East-West financial relations.

We, therefore, believe that a precipitous, unilateral declaration of default against Poland would impede or prevent the attainment of important U.S. economic and foreign policy objectives.

With cordial regards,

Sincerely,

Powell A. Moore  
Assistant Secretary for  
Congressional Relations

The Honorable  
Bruce F. Vento,  
House of Representatives.



~~CONFIDENTIAL~~

POLAND  
DEBT  
✓  
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MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

November 4, 1982

MEMORANDUM FOR ~~MR~~ RICHARD PIPES  
ROGER ROBINSON

FROM: JOHN M. POINDEXTER  
SUBJECT: Secretary Shultz's Evening Report of  
The following excerpt is for your information:

Polish Debt - Update. Poland has reached an agreement with private banks which provides for the rescheduling of its 1982 debt and for substantial new private credits equal to half the interest payments received by the banks from Poland. The banks expect the agreement to be signed soon. The NATO consensus to suspend discussions with the Poles on a 1982 official rescheduling remains firm. Meeting in Paris October 25, Poland's Western government creditors agreed to send to the Polish Government a letter confirming the allied position on debt and charging Warsaw with discrimination against Western official creditors with respect to debt repayments. (c)

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- B-1 National security classified information [(b)(1) of the FOIA]
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- 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]
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AM-POLAND-DEBTS

WARSAW, JAN 17, REUTER -- POLAND WILL BE ABLE TO REPAY \$2 BILLION TO ITS WESTERN CREDITORS THIS YEAR, FINANCE MINISTER STANISLAW NIECKARZ TOLD A PRESS CONFERENCE TODAY, THE OFFICIAL NEWS AGENCY, PAP, REPORTED.

ESTIMATES BY WESTERN BANKERS OF THE TOTAL CAPITAL AND INTEREST PAYMENTS DUE THEM IN 1983 HAVE VARIED BETWEEN \$8 AND \$10 BILLION.

HE SAID THE TRADE SURPLUS WITH THE WEST AT THE END OF 1982 WAS \$400 MILLION -- THE FIRST SURPLUS FOR MANY YEARS.

LARGELY AS A RESULT OF A STOP ON CREDITS IMPOSED BY THE WEST IN RESPONSE TO THE DECEMBER, 1981, MILITARY TAKEOVER, POLAND'S IMPORTS FELL BY ABOUT 23 PER CENT. EXPORTS TO THE WEST SHOWED A SLIGHT IMPROVEMENT.

WESTERN GOVERNMENTS HAVE REFUSED TO START TALKS ON RESCHEDULING THEIR POLISH DEBTS OF MORE THAN \$10 BILLION. THE BANKS LAST NOVEMBER RESCHEDULED \$2.4 BILLION OWED THEM FOR 1982.

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Sims  
POLAND  
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~~CONFIDENTIAL~~

POCAWD  
DEBT

NATIONAL SECURITY COUNCIL  
MESSAGE CENTER

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E.O. 12356: DECL: OADR  
TAGS: EFIN, FR, PL  
SUBJECT: POLISH ATTITUDE TOWARD DEBT RESCHEDULING  
REF: A. PARIS 4251; B. STATE 32288; C. 82 WARSAW 10648;  
D. WARSAW 125

1. C - ENTIRE TEXT.

2. WE AGREE WITH PARIS (PARA 7, REF A) AND WASHINGTON (REF B) THAT FOREIGN MINISTER OLSZOWSKI'S JANUARY 31 SPEECH WAS VAUE ON THE SUBJECT OF DEBT RESCHEDULING. WE SEE NOTHING NEW IN THE PASSAGE IN QUESTION, WHICH IS NOT OUT OF LINE WITH THE LONG STATED POLISH POSITION, I.E., THAT POLAND WANTS TO PAY HER DEBTS, BUT REALISTICALLY CAN DO SO ONLY IN THE FRAMEWORK OF A DEBT RESCHEDULING AGREEMENT. POLISH PUBLIC STATEMENTS HAVE NEVER MADE PAYMENT OF POLISH DEBTS DIRECTLY DEPENDENT ON AN IMPROVEMENT IN POLITICAL RELATIONS. POLISH OFFICIALS HAVE STATED THE CONVERSE OF THIS PROPOSITION, I.E., THAT IMPROVED POLISH RELATIONS WITH THE WEST WILL DEPEND INTER ALIA ON OBTAINING A DEBT RESCHEDULING AGREEMENT. POLISH OFFICIALS ALSO HAVE, OF COURSE, COMPLAINED THAT IT IS THE WEST WHICH BLOCKS THE NECESSARY DEBT RESCHEDULING AGREEMENT, AND THAT WESTERN SANCTIONS MAKE IT MORE DIFFICULT FOR POLAND TO EARN THE HARD CURRENCY TO PAY ITS DEBTS.

3. THE MAIN INNOVATION IN THE PUBLIC POLISH POSITION IN RECENT MONTHS IS THAT POLAND IS WORKING UP A NEW POSITION CALLING FOR A MULTI-YEAR AGREEMENTS WITH GOVERNMENTS. ONE OF THE FIRST PUBLIC STATEMENTS TO THIS EFFECT WAS THE RESOLUTION OF THE TENTH PARTY PLENUM ON OCTOBER 27-28 WHICH STATED: "THE FURTHER DEVELOPMENT OF ECONOMIC RELATIONS WITH THE DEVELOPED CAPITALIST COUNTRIES DEPENDS ON THE ABANDONMENT OF THEIR HOSTILE POLICY TOWARDS POLAND AND THE RESOLUTION OF POLAND'S REPAYMENT PROBLEMS ON A LONG-TERM BASIS ACCEPTABLE TO BOTH SIDES" (REF C). PARTY RESOLUTIONS OF THIS SORT ARE SUPPOSED TO BE A GUIDE TO ACTION BY THE GOVERNMENT. VICE PREMIER MADEJ SPOKE OF NEW PROPOSALS COVERING A LONGER PERIOD THAN HITHERTO ON JANUARY 4 (REF D).

4. STANISLAW GEBELA, DIRECTOR OF THE ECONOMIC DIVISION OF THE CENTRAL COMMITTEE OF THE PZPR AND CHAIRMAN OF THE SEJM FOREIGN TRADE COMMITTEE SPOKE ALONG SIMILAR LINES TO RZECZPOSPILITA ON FEBRUARY 3. HE CALLED FOR A "GLOBAL REGULATION OF THE MATTER OF

OUR DEBT. WE SPOKE OF THIS AT THE TENTH PLENUM OF THE CENTRAL COMMITTEE OF THE PZPR AND WE ARE PREPARING IN ACCORDANCE WITH PLENUM RESOLUTIONS NEW INITIATIVES. WE ARE PRESENTLY IN A SERIES OF TALKS WITH PRIVATE BANKS AND WE HAVE PROCLAIMED OUR READINESS FOR A PROMPT BEGINNING OF TALKS WITH GOVERNMENTS OF WESTERN COUNTRIES ON THE MATTER OF GUARANTEED CREDITS. I WOULD NOT WANT TO SPEAK PREMATURELY ABOUT DETAILS, BUT IT IS A QUESTION FOR US EXPECIALLY OF A LONGER TIME HORIZON FOR CREDIT PAYMENTS, AND MORE REALISTIC INTEREST RATES." GEBALA WENT ON TO SAY: " WE ARE NOT CUTTING OFF EITHER GOVERNMENTS OR PRIVATE BANKS FROM ACCESS TO INFORMATION. WE ARE READY TO UNDERTAKE DETAILED TALKS. AN INDICATION OF OUR INTENTIONS IS, AMONG OTHER THINGS, POLAND'S APPLICATION FOR READMISSION TO THE IMF, AND WORLD BANK, AND MEMBERSHIP IN THESE ORGANIZATIONS BEARS AFTER ALL REQUIREMENTS FOR SUBMISSION OF DETAILED INFORMATION AND CONSULTATIONS ON ECONOMIC POLICY."

5. IN HIS DECEMBER 29 SPEECH TO THE SEJM, VICE PREMIER OBODOWSKI, NOTING THE IMPORTANCE OF THE 1983-1985 PLAN AND THE IMPORTANCE OF MAINTAINING AN ADEQUATE LEVEL OF IMPORTS TO FACILITATE INDUSTRIAL RECOVERY, STATED: "THIS IS WHY WE INTEND TO SEEK THE MUTUAL WORKING OUT OF A MULTI-YEAR AND NOT, AS UNTIL NOW, A ONE-YEAR CONCEPTION OF RESCHEDULING OUR DEBT PAYMENTS, CREATING MORE STABLE CONDITIONS OF COOPERATION WITH CAPITALIST COUNTRIES. WE EXPECT A REALISTIC APPROACH IN THIS MATTER ON THE PART OF CREDITOR COUNTRIES."

6. MINISTER OF FINANCE NIECKARZ STATED IN THE SEJM ON JANUARY 3: "WE MAINTAIN OUR OFTEN EXPRESSED READINESS TO REOPEN TALKS WITH ALL OUR CREDITORS.

IN THESE TALKS, WE SHALL POSTULATE FULL NORMALIZATION OF CREDIT RELATIONS AS WELL AS THE AIM OF FINDING LONG RANGE SOLUTIONS, TAKING INTO ACCOUNT OUR PROGRAMS FOR COMING OUT OF THE CRISIS AND OUR AIMS AT ECONOMIC DEVELOPMENT IN THE 1980'S. ONLY THROUGH A HEALING AND DEVELOPMENT OF THE ECONOMY WILL POLAND BE IN A POSITION TO MEET ITS OBLIGATIONS IN THE FUTURE."

7. IN SUM, THE ONLY DISCERNIBLE SHIFT IN POLISH PUBLIC RHETORIC ON THE DEBT ISSUE IS THE EMPHASIS THAT ON ANY NEGOTIATION THEY WILL BE SEEKING VERY LIBERAL TERMS AND UNDOUBTEDLY FOR THE SAME 1983-1985 PERIOD THEY HAVE PROPOSED TO BANK CREDITORS. MEENAN BT

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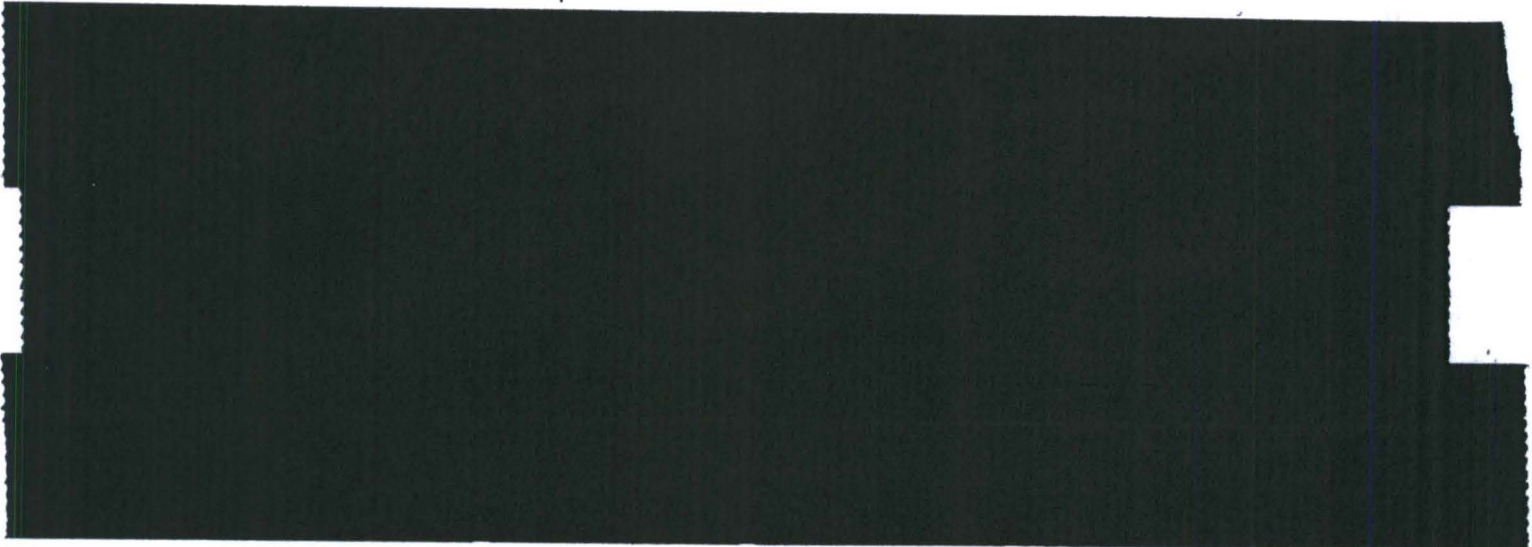
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EXECUTIVE SECRETARIAT  
BUREAU OF INTELLIGENCE AND RESEARCH

CURRENT REPORTS

February 28, 1983



2. EL SALVADOR: ARMY ALLEGEDLY MURDERS 82 PEASANTS

200 army troops murdered 17 Indian peasants in the western department of Sonsonate on February 22, a leader of the victims' agricultural cooperative group told Embassy San Salvador. The soldiers, under the command of a Captain Figueroa Morales, reportedly also killed 65 peasants in the area last week, according to other Embassy sources. Peasant organizations and the government human rights commission were to issue a joint report on the killings yesterday. (CONFIDENTIAL)

3. EGYPT: AGENDA FOR TABA TALKS WITH ISRAEL

The Egyptians will propose a two-item agenda--interim arrangements and procedures for resolution of the dispute--at March 2-7 talks on the disputed Taba border district, Embassy Cairo reports. Foreign Ministry officials expect that both will be discussed simultaneously. Egypt does not know what Israel's reaction to the proposed agenda will be, nor does it have a fall-back position in case of an Israeli rejection. (SECRET/EXDIS)

4. POLAND: BANKS ASK FOR RELIEF ON 1983 DEBT

At a meeting with Western commercial bankers last week, Polish officials continued to push for rescheduling of all obligations due in 1983, approximately \$4 billion. The banks prefer an agreement similar to the one concluded in 1982, which rescheduled 95 percent of the principal due and provided for recycling 50 percent of interest payments.

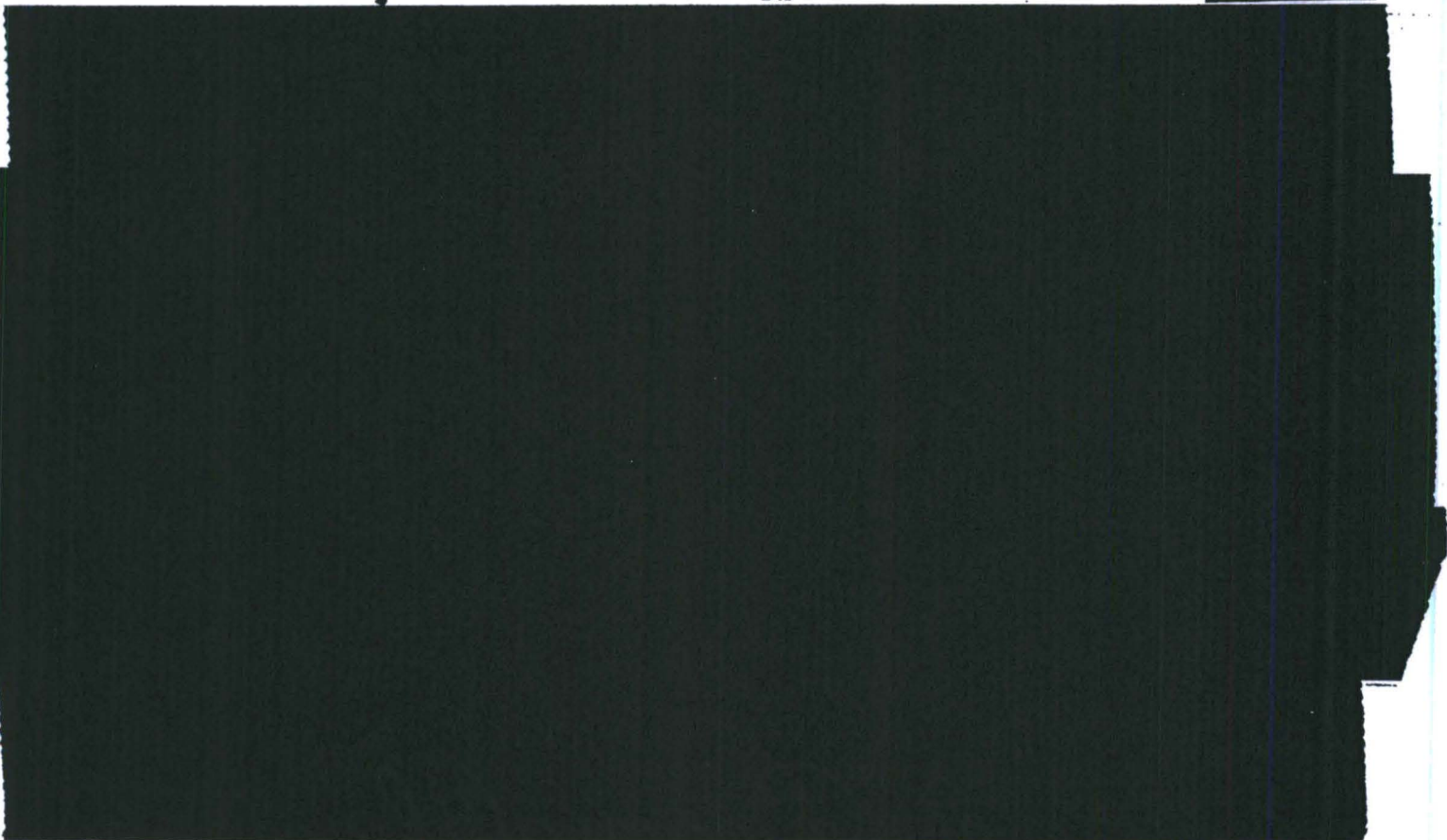
INR Comment: With new credit unavailable and the economy still faltering, Poland will be hard pressed to come up with more money in 1983. It is already committed to pay \$700 million to the banks under 1981 and 1982 rescheduling agreements and \$450 million in interest to

other governments on rescheduled 1981 debts. The banks may have little choice but to reschedule all 1983 principal and interest payments. (CONFIDENTIAL/NOFORN)

5. USSR/NICARAGUA: NEW AIRCRAFT CONTRACT

The Nicaraguan Defense Ministry February 16 issued a \$9 million guarantee to the USSR for the import of aircraft, [REDACTED] provided no information about the contract or the equipment covered by the guarantee.

INR Comment: Another Nicaraguan ministry issued payment guarantees to the Soviet exporter in 1981 and 1982 for four MI-8 helicopters and two AN-26 aircraft. The helicopters were delivered in December and the transport aircraft are awaiting delivery in Cuba. This guarantee suggests additional purchases of similar aircraft. (TOP SECRET [REDACTED])



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SUBJECT: AGENDA & BACKGROUND PAPERS FOR 10 MAR SIG - IEP

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## THE SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

March 8, 1983

42

UNCLASSIFIED

(With Confidential Attachments)

MEMORANDUM FOR THE VICE PRESIDENT  
THE SECRETARY OF STATE  
THE SECRETARY OF DEFENSE  
THE SECRETARY OF AGRICULTURE  
THE SECRETARY OF COMMERCE  
THE ATTORNEY GENERAL  
THE DIRECTOR, OFFICE OF MANAGEMENT  
AND BUDGET  
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NATIONAL SECURITY AFFAIRS  
ASSISTANT TO THE PRESIDENT FOR  
POLICY DEVELOPMENT  
UNITED STATES TRADE REPRESENTATIVE  
DIRECTOR OF CENTRAL INTELLIGENCE  
CHAIRMAN, EXPORT-IMPORT BANK

SUBJECT Senior Interdepartmental Group on  
International Economic Policy (SIG-IEP)

A meeting of the SIG-IEP is scheduled for Thursday, March 10, at 10:30 a.m., in the Roosevelt Room. The agenda is as follows:

1. Debt Strategy (Treasury oral report),
2. Export-Import Bank Charter (paper attached),
3. Polish Debt (paper attached),
4. Korea Cotton Sales (paper attached),
5. Export Administration Act (paper attached), and
6. East-West Studies (oral presentation by State).

Attendance will be limited to principal, plus one.

*Donald T. Regan*  
Donald T. Regan

Attachments

UNCLASSIFIED  
(With Confidential Attachments)



Polish Debt Rescheduling

Recent Developments

In January the GOP initiated a review of its debt strategy as part of continuing work on its 1983 economic program. This review has been accompanied by public statements and actions which appear to reflect a hardening of the GOP position both with respect to payments owed to governments, including those pursuant to the 1981 rescheduling agreement, and the conditions under which the GOP would enter future official debt reschedulings negotiations. In particular, the recent statement by the Polish Foreign Minister published in Le Monde as well as Karcz's latest letter to the Paris Club chairman suggests that a Western political decision to ease sanctions and lift the embargo on new official credits must accompany the reopening of debt rescheduling negotiations.

This position could well reflect the continued deterioration in the Polish economy and a GOP assessment that an official rescheduling, without renewed access to Western government-backed credits, would not constitute an improvement for Poland over the current de facto moratorium on official debt service payments, and hence not be in the GOP's economic interest. For rescheduling to bring immediate economic benefit to Warsaw, it would have to be accompanied by credits in excess of payments to Western government.

Current GOP negotiations with the Western banks on 1983 debt rescheduling, which began in late January, may also reflect a hardening of the GOP approach to debt rescheduling. It was anticipated that the GOP would probably seek nearly total debt relief in these negotiations. In fact, in its opening proposal which the banks have rejected, the GOP apparently requested that all its debt to the private banks be rescheduled over a 20 year period, which 7 years grace, at a low, fixed moratorium interest rate.

The aforementioned developments have increased the nervousness of the neutral country creditors, who are concerned for budgetary and other reasons about being repaid and fear the GOP may be backing off from future rescheduling agreements. Pressure thus continues from neutral governments (Swiss in particular) to open talks with the GOP on a 1982 rescheduling. So far, any rupture has been avoided by the creditors' agreement to await the full response (not yet received) to the October letter sent by the Polish Creditors Group to Karcz. The letter

Drafted by  
Department of State

requested essential economic data, protested GOP failure to live up to the 1981 Paris Club rescheduling agreement, and also berated the Poles for giving preferential treatment to private bank and other creditors.

Paris Club Discussions

At a Paris Club meeting February 2, the government creditors, including the neutrals, stuck by their policy of not even reconsidering opening 1982 debt rescheduling discussions until the GOP responded to the October creditors' letter and meets its financial obligations pursuant to the 1981 official rescheduling.

At subsequent Paris Club discussions the week of February 28, Karcz' interim reply to the Paris Club Chairman's October 27 letter was discussed. In his letter, Karcz reiterated the GOP position that Western sanctions, including the suspension of normal credit flows, had damaged the Polish economy and made it impossible for Poland to meet its financial obligations to Western government creditors. Karcz asserted that it was not the GOP's intention to discriminate against official creditors, but a question of ability to pay under Western imposed sanctions. Since Karcz promised in his letter to forward the requisite economic information to the Polish creditors group, there was a general creditors' consensus to wait for receipt of the additional information and continue discussions at the next Paris Club session the week of April 11.

Deliberations by EC Ministers

EC Foreign Ministers held a "political cooperation" meeting on March 1 at which they discussed inter alia Polish debt. The ten did not approve a formal statement on the discussions but did take the extraordinary step of publicly disclosing their dissatisfaction with existing policies on Polish debt.

The EC statement, which reached the press, mentioned that Poland has declared a "de facto" one hundred percent moratorium on its official debt obligations since it has failed to pay any interest. There are three basic elements in the EC statement: 1) there is no economic rationale for not rescheduling Poland's debt; 2) the EC wants to discuss Polish debt issues with the other creditors in the near future; and 3) the Poles must fulfill the terms of the 1981 rescheduling agreement as a pre-condition for rescheduling. The EC statement also indicates that there is little time left for the U.S. to complete its "assessment" of the Polish situation to determine what it wants to do.

On the political level, our British, French and German Allies have thus far agreed with our view of the Polish situation and exerted no pressure on us to change our stand against rescheduling. However, the UK also has told us that on economic and financial grounds HMG believes a rescheduling is warranted.

Implications of Rescheduling. GOP foreign exchange earnings in 1983 will total approximately \$1.4 billion from a \$1.0 billion trade surplus and \$0.4 billion in income from invisibles. Assuming a Western bank rescheduling of 1983 debt along the same lines as the 1982 bank rescheduling, GOP hard currency receipts should be adequate to meet interest and principal obligations to the banks under past and present rescheduling agreements, with possibly \$200 to \$300 million remaining to service Paris Club debt. The GOP owes Western governments an estimated \$7.7 billion this year, including \$7.2 billion in unrescheduled obligations due in 1982 and 1983, and approximately \$500 million in interest arrears on the 1981 Paris Club rescheduling. Thus, even with a 100 percent rescheduling of 1982 and 1983 official debt, the Polish Government would probably still be unable to meet its Paris Club, bank and other obligations without receipt of some new government-backed credits.

EC-POLAND: Pressures for Debt Rescheduling

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EC countries are increasingly anxious to begin talks aimed at rescheduling Poland's \$10 billion in debt backed by Western government guarantees. [redacted]

Last week EC Foreign Ministers agreed to discuss with the US and other creditors the need to reschedule overdue payments for \$4 billion owed by Warsaw in 1982. Western governments suspended rescheduling negotiations with Poland in response to martial law, and since December 1981 Poland has refused to make any installment or service payments on officially backed debts. [redacted]

West German Foreign Minister Genscher, who chaired the meeting, contended that the stalemate benefits only Poland because Warsaw makes no payments. The Community wants to bring the issue before the Paris Club--the group of major Western governments responsible for rescheduling officially backed debts--when it meets next month. EC Foreign Ministers want the Club to agree to negotiate simultaneously with Poland on the payment of arrears on the debt rescheduling agreement for 1981 and on ways to reschedule the debt for 1982. [redacted]

Comment: The Foreign Ministers apparently have concluded that refusing to reschedule Warsaw's debt has had little influence on political developments in Poland. West Germany and France in particular previously believed that agreement to reschedule would send the wrong political signal to Polish authorities and weaken Western unity. Community members now agree that this policy created a de facto moratorium on debt repayment that inadvertently rewarded Warsaw and is increasingly difficult to justify to national parliaments. [redacted]

The EC countries probably will increase their informal efforts before the next meeting of the Club to secure US agreement to resume debt rescheduling talks with Poland. EC leaders are likely to discuss developments in Poland and debt rescheduling at their summit meeting in Brussels on 21 and 22 March. [redacted]

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NLRR M439/3 #142748

BY RW NARA DATE 3/30/18

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SERIAL: DIADIN 83-11A  
SUBJ: POLAND: COMMERCIAL DEBT. (U)  
DOI: 24 MAR 83 (AS OF 1850 EST)

TEXT: 1. (C/NF) POLISH OFFICIALS ARE MEETING IN WARSAW WITH REPRESENTATIVES OF WESTERN BANKS TO CONSIDER RESCHEDULING THE 1983 COMMERCIAL (PRIVATE) DEBT, WHILE SOME OFFICIAL (PUBLIC) CREDITORS ARE DISCUSSING THE POSSIBILITY OF RECOVERING AT LEAST SOME OF THEIR LOANS TO POLAND.

2. (S/NF) THE COMMERCIAL DEBT WAS ALREADY RESCHEDULED FOR 1981 AND 1982, BUT NEGOTIATIONS ON THE OFFICIAL DEBT WERE SUSPENDED FOLLOWING THE IMPOSITION OF MARTIAL LAW IN DECEMBER 1981. BEFORE THEN, OFFICIAL CREDITORS HAD CONCLUDED A RESCHEDULING AGREEMENT FOR 1981. OFFICIAL CREDITORS WHO WERE APPROACHED BY THE POLISH GOVERNMENT ON A NUMBER OF OCCASIONS LAST YEAR TO RESCHEDULE 1982 DEBTS DECLINED BECAUSE OF THE INTERNAL POLITICAL SITUATION.

3. (S/WN/NF) POLAND IS CURRENT ON ITS PAYMENTS TO WESTERN BANKS UNDER THE TENETS OF THE 1981 AND 1982 AGREEMENTS, BUT AN AGREEMENT ON 1983 HAS NOT YET BEEN REACHED. ONE OF THE PRIMARY REASONS POLAND WAS ABLE TO SERVICE PART OF ITS COMMERCIAL DEBT WAS THAT THE ABSENCE OF AN OFFICIAL RESCHEDULING AGREEMENT PERMITTED 100 PERCENT DE FACTO RESCHEDULING OF THE OFFICIAL DEBT. THE HALT IN PAYMENTS TO OFFICIAL LENDERS HAS PERMITTED THE MORE TIMELY PAYMENT OF COMMERCIAL DEBTS.

4. (S/NF) COMMENT: POLAND'S TOTAL HARD CURRENCY DEBT FOR 1983 IS ALMOST \$14 BILLION, AND ITS INTERNAL ECONOMIC SITUATION IS NOT EXPECTED TO IMPROVE TO THE POINT THAT SERVICING THAT DEBT WILL BECOME EASIER. WARSAW WILL MOST LIKELY CONTINUE TO REPAY LOANS TO CREDITORS WHO HAVE EITHER OFFERED OR PROMISED TO OFFER NEW CREDIT EXTENSIONS, WHILE REFUSING TO SERVICE THOSE DEBTS WHERE THERE IS NO SUCH INCENTIVE.

5. (S/NF) THERE IS SOME MOVEMENT AMONG OFFICIAL CREDITORS TO CONVERT THE DE FACTO RESCHEDULING INTO A DE JURE ONE, BUT POLAND'S HARD CURRENCY LIMITATIONS WOULD NECESSITATE THAT A SIGNIFICANT PERCENTAGE OF THE DEBT BE RESCHEDULED. DESPITE THIS LIMITATION, SOME GOVERNMENT LENDERS WOULD LIKE TO COLLECT AT LEAST A PORTION OF WHAT POLAND IS PAYING OUT TO OTHER CREDITORS. EVEN IF ALL PUBLIC AND PRIVATE DEBTS ARE RESCHEDULED COMPARABLE TO THE TERMS OF THE 1981 AND 1982 RESCHEDULING AGREEMENTS, POLAND WILL STILL BE UNABLE TO SERVICE THE NONRESCHEDULED PORTION OF ITS HARD CURRENCY DEBT.

PREP: MS D. CAGAN, JSI-2C  
DECL: OADR

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BY RLW NARA DATE 1/24/2020  
NLRR M1745 #142749

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E.O. 12958-13524  
As Amended  
Sec. 3.3 b(1)(c)

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a Lebanese agent of the Israelis. Gemayel repeated his opposition to partial Israeli withdrawal, arguing that it would lead to de facto partition of the country. (SECRET/EXDIS)

5. POLAND: RESCHEDULING THROUGH 1990 PROPOSED

At a meeting last week with representatives of Western commercial banks, Polish officials proposed that all principal and interest due through 1990 be rescheduled and that payments then be made over a twelve-year period starting in 1990.

INR Comment: The bankers view the proposal as extreme, and most believe the Poles' real objective is a more modest agreement covering payments falling due in 1983-85. (SECRET/NOFORN/NOCONTRACT/ORCON)

6. BRAZIL/CHINA: THE BEGINNINGS OF A NUCLEAR RELATIONSHIP?

Brazil may be preparing to import uranium from China, [REDACTED]

INR Comment: Until now Brazil has purchased its nuclear equipment, materials, and technology from the US, Western Europe, and Japan. The nuclear material, depending upon its enrichment level, could be used in the manufacture of reactor fuel or in laboratory-scale uranium enrichment research. (TOP SECRET [REDACTED])

7. SPAIN PRESSES FOR URGENT ACTION ON EC APPLICATION

Spain reportedly has informed the German ambassador that it may withdraw its application to join the EC unless a concrete schedule for accession is completed during Germany's presidency of the EC Commission. Germany's term in the presidency is due to end on June 30.

Embassy Madrid Comment: Dismal economic prospects and the failure of Spanish diplomatic initiatives on Gibraltar and North Africa have produced a feeling of desperation for progress on the EC issue. Spain may turn to the US for help in resolving the problem. (CONFIDENTIAL/EXDIS)

8. KUWAIT BUYS FRENCH HELICOPTERS FOR IRAQ

The Kuwaiti foreign minister recently asked on behalf of Iraq that the French deliver 10 Gazelle missile-firing helicopters and 500 missiles. A French team has arranged for supply of the equipment in a very short time, presumably from army stocks. The French ambassador told Ambassador Dickman that Kuwait paid nearly 40 million dollars in cash for the equipment.

Ambassador's Comment: This purchase may presage more Iraqi helicopter gunship attacks against Iranian offshore platforms in the Gulf after delivery of the equipment. (SECRET)

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BY RW NARA DATE 6/5/17

CONFIDENTIAL

FILE -  
POCAWI  
DEBT  
SIG-IEP  
(April 22,  
1983)

Paris Club Meeting on Polish Debt Situation

The Paris Club met April 12, 1983, to discuss Polish debt. The U.S. delegate reiterated our analysis that Poland would not be able to pay credits close to what it owes, even assuming a reasonable debt rescheduling. Nearly \$14 billion in debt service is due in 1983, including: \$4.5 billion in arrears from 1982; \$5.9 billion in principal payments under original loan contracts; and \$3.4 billion in interest, including charges on rescheduling agreements. If all creditors were to share Polish payments equally, they would receive about 10 cents for each dollar due them. If instead, Poland pays Western banks the amounts due them in 1983 under the terms of the 1981 and 1982 rescheduling agreements (\$1.1 billion) there will be nothing left (apart from any financing provided by Western creditors) to clear up existing arrearages or to service debt coming due in 1983.

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Under the terms of the 1981 Paris Club Minute the Poles agreed to provide pertinent information and comments on the progress of their economic stabilization program and balance of payments targets. The Poles recently submitted such a report. Our initial review of it indicates that the information provided is inadequate. It was decided to establish a working group to evaluate Polish performance under the 1981 rescheduling and the status of information on the Polish economy. The working group will report its findings to the Paris Club in May. We expect the May meeting to focus on the working group's report and to then consider how to proceed with a rescheduling.

The discussion took place in two channels: informal bilateral talks and plenary rhetoric. Contrary to the normal practice, country representatives took a harder more intense line in the informal bilateral conversations than in their plenary statements. In extensive bilateral discussions the U.S. representative indicated that the U.S. policy review on the sanctions issue, especially on rescheduling, is proceeding and decisions should be made prior to the next Paris Club meeting; we would soon begin consultations with our NATO Allies on this complex issue. All the creditors indicated, with varying degrees of stridency, that their governments are under great pressure to move forward toward rescheduling. For some of our Allies it is a budgetary question; for others a domestic political question of governments not rescheduling being used to bail out the private banks; for the neutrals it is a question of East-West politics interfering in a financial forum. All the creditor country representatives made it clear that they felt there must be progress on this issue at the next meeting to ensure that Paris Club unity is not ruptured.

Classified by S. J. Canner  
Review for Declassification  
on 4/20/89

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NLRR M434/3 # 142751  
BY RW NARA DATE 7/8/15

In plenary discussions, the creditor country representatives made their points in a low-key manner. (This probably reflects the bilateral talks.) The neutrals (Switzerland, Sweden, Austria and Finland) took the hardest line. The Swede made a veiled reference to the long-standing threat that the neutrals will reschedule on their own if the Paris Club doesn't agree to do it soon. The NATO Allies indicated a strong desire to move forward toward rescheduling.

The NSC met on April 8, to discuss a State/NSC options paper on Polish debt rescheduling. It was decided to work out a phased step-by-step approach to a rescheduling that would be linked to political/human rights measures by the Polish Government. Treasury, State and NSC staff are preparing a paper which will suggest a possible proposal to discuss with our Allies in the next few weeks.

Classified by S. J. Canner  
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