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File Folder POLAND - DEBT RESCHEDULING (4)

FOIA

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53

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
142752	REPORT	[PG. 2 ONLY] R 5/31/2017 M1746/1	1	5/11/1983	B1
142753	PAPER	RE. POLISH DEBT R 7/8/2015 M434/3	6	ND	B1
142754	REPORT	[PGS. 7 AND INSERT ONLY] D 5/31/2017 M1746/1	2	6/18/1983	B1
142755	REPORT	[PG. 4 ONLY] D 5/31/2017 M1746/1	1	7/9/1983	B1
142756	CABLE	WARSAW 6280 R 7/8/2015 M434/3	1	7/11/1983	B1
142757	REPORT	D 5/31/2017 M1746/1	1	7/11/1983	B1
142758	REPORT	RE. POLAND R 3/2/2018 M434/3	1	7/13/1983	B1
142759	PAPER	RE. SIG PAPER ON POLAND R 3/2/2018 M434/3	3	ND	B1
142760	CABLE	RE. WARSAW 6484 R 7/8/2015 M434/3	1	7/15/1983	B1

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142761	PAPER	RE. POLISH DEBT RESCHEDULING <i>R 3/2/2018 M434/3</i>	3	ND	B1
142762	MEMO	ROGER ROBINSON TO WILLIAM CLARK RE. POLAND AND DEBT RESCHEDULING <i>R 3/2/2018 M434/3</i>	2	7/27/1983	B1
142763	MEMO	CLARK TO RR RE. POLAND AND DEBT RESCHEDULING <i>R 3/2/2018 M434/3</i>	2	ND	B1
142764	MEMO	THE SECRETARY TO RR RE. POLAND AND DEBT RESCHEDULING <i>R 7/8/2015 M434/3</i>	1	7/26/1983	B1
142765	MEMO	CLARK TO GEORGE SHULTZ RE. POLAND AND DEBT RESCHEDULING <i>R 7/8/2015 M434/3</i>	1	ND	B1
142766	MEMO	CLARK TO RR RE. PARIS CLUB MEETING <i>R 7/8/2015 M434/3</i>	1	ND	B1
142767	MEMO	DOBRIANSKY TO CLARK RE. PARIS CLUB MEETING <i>R 7/8/2015 M434/3</i>	1	8/1/1983	B1
142768	MEMO	THE SECRETARY TO RR RE. PARIS CLUB MEETING <i>R 7/8/2015 M434/3</i>	1	7/30/1983	B1

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142769	MEMO	DOBRIANSKY TO CLARK RE. PARIS CLUB MEETING [COPY OF DOC. 142767] <i>R 7/8/2015 M434/3</i>	1	8/1/1983	B1
142770	MEMO	CLARK TO RR RE. PARIS CLUB MEETING [COPY OF DOC. 142766] <i>R 7/8/2015 M434/3</i>	1	ND	B1
142771	MEMO	THE SECRETARY TO RR RE. PARIS CLUB MEETING [COPY OF DOC. 142768] <i>R 7/8/2015 M434/3</i>	1	7/30/1983	B1

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POCANI
DEBT
5/11/83

142752

may occur, but will be relatively minor, as neither country wants war. PDRY support for an insurgency in North Yemen has diminished considerably, and officials favoring accommodation with Sanaa are in ascendance in Aden. (SECRET/EXDIS)

5. USSR: ANDROPOV COURTS THE SCANDINAVIAN PEACE GALLERIES

Answering questions submitted by some Finnish groups, Andropov yesterday said the USSR was prepared to consider "quite substantial" measures applying to its territory adjacent to any Nordic nuclear weapon-free zone.

INR Comment: Andropov's statement may have been designed to blunt the outcry in Scandinavia over continuing Soviet submarine incursions. His offer was more forthcoming than Brezhnev's 1981 statement that the USSR did not rule out consideration of "some" measures. (CONFIDENTIAL)

6. POLAND: BANKS CONSIDER MULTI-YEAR RESCHEDULING

Western banks are considering a multi-year rescheduling plan for Poland's 1983-85 debt, according to a US banker. Under the proposal, if the Poles fail to meet certain performance criteria during 1983, terms for 1984 and 1985 will become less favorable.

INR Comment: Warsaw has been pushing for a multi-year agreement covering an even longer period. The new plan might provide a framework for compromise since it covers a three-year period and gives the Poles an incentive for agreeing to and complying with conditions imposed by the banks. (CONFIDENTIAL/NOFORN)

7. KENYA: MOI GOVERNMENT MAY BE IN TROUBLE

Kenyan government actions in recent weeks have shown a "lack of proportion and loss of confidence," Embassy Nairobi reports. President Moi and other Kenyan authorities overreact to criticism, while Moi alleges that the UK is in league with Kenyan dissidents to overthrow him. Moi has also antagonized the politically and economically important Kikuyu tribe. If he maintains this posture, President Moi may provoke a serious crisis. (CONFIDENTIAL/EXDIS)

8. JORDAN: AMERICAN OFFICES BOMBED IN AMMAN

Homemade gunpowder bombs damaged the offices of two private American organizations in Amman on May 9. No one was injured. The previously unknown "Military and Revolutionary Committee of Jordan-Mouab" has claimed responsibility.

INR Comment: Jordanian security recently arrested some young Palestinians, unaffiliated with any Palestinian organization, who planned to bomb our embassy in Amman. Other youths, disgruntled by PLO setbacks, may have resorted to violence to express their frustration. (CONFIDENTIAL)

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NLRR M1746 #142752

Shapiro
POLAND
DEBT

2



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

JUN 18 1983

MEMORANDUM FOR THE HONORABLE RICHARD R. BURT
ASSISTANT SECRETARY, BUREAU OF
EUROPEAN AFFAIRS

Subject: Polish Debt Rescheduling

I thought it would be helpful to share with you a Treasury staff paper which sets forth the numerous issues and interests we will have to deal with in the pending Polish debt rescheduling exercise. It is clear to me that either with us or without us, official creditors will decide in Paris next month to reopen debt rescheduling negotiations, unless widespread violence occurs during or immediately after the Pope's ongoing visit.

In this regard, I believe that if we continue to insist on making Polish debt rescheduling conditional on political actions, we will be isolated in the Paris Club and will not share in any debt service payments the Poles may make to western creditors. Nor is it likely under these circumstances that we will obtain any political concessions from the Poles.

A more sensible approach would be for us to acquiesce with a Paris Club decision to enter into rescheduling negotiations -- since they are going to go ahead anyway -- and make an issue out of the Polish need for new money.

As you know, without new financing the \$1 billion in foreign exchange the Poles expect to earn in 1983 will be insufficient to do more than just about cover their obligations under the 1981 and 1982 bank rescheduling agreements. Thus, it is questionable what a rescheduling alone by the creditor governments would accomplish, apart from relieving Poland of the responsibility of paying a portion of the nearly \$14 billion they owe to the West in 1983.

Thus, Poles will probably ask for new financial assistance in conjunction with a rescheduling and it is likely the pressures will mount to accomodate them. Apart from making it clear that the United States is not prepared to respond to this request we should absolutely insist on the Poles' getting a significant

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BY: RW NARA DATE: 9/4/12

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-2-

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amount of the needed new financing from the Soviets. While the Poles have received economic assistance from the U.S.S.R., the amount provided in 1982 was substantially below the 1981 level. Any new Western financial inputs could enable the Soviets to further reduce their economic support. In short, the West should not put itself in the position of substituting for Soviet economic and financial aid to Poland, as this would be tantamount to providing indirect assistance to the Soviets.

(Signed) Marc E. Leland
Marc E. Leland
Assistant Secretary
International Affairs

Attachment

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(with Secret attachment)

~~SECRET~~

4

OUTLINE FOR POLISH DEBT SCENARIO

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NLRR 142753 #142753

BY RW NARA DATE 7/8/15

A. BackgroundUnited States

1. President approved step-by-step approach linked to political liberalization.
2. Have discussed with allies... little support for linkage They are willing to go ahead and reschedule without political linkage.
3. Two opposing schools of thought: one argues we must maintain allied unity even if it means rescheduling with-
out political conditionality; another argues that it is not in our interest to proceed with rescheduling absent political conditionality.

ISSUE:

Do we proceed with debt rescheduling to preserve Allies' unity and possibly collect a little money with little or no political conditionality; or

Do we absent ourselves from rescheduling?

Poland

4. Politically Jaruzelski is continually being challenged by hardliners who argue that modest liberalization and reform measures have not and will not work.
5. Hardliners would also argue for debt moratorium.

Thusfar, Jaruzelski has managed to prevail on political and economic issues.
6. Economically Poland can generate about \$1 billion in hard currency to service debts. Presently this money being used to service the 1981 and 1982 bank agreements. If Poles get new credits, these may be used to buy imports which otherwise would have been paid for in cash. If so this frees up foreign exchange to pay debts.
7. Under present rescheduling agreements with banks, Poland is a net provider of funds (banks are net takers). It is expensive for Poland to continue to give up hard

Classified by M. E. Leland
Review for Declassification
on 6/2/91

~~SECRET~~

currency. In a policy context, they see no light at end of tunnel by negotiating an agreement for 1983 which repeats this behavior.

ISSUE:

What more do the Poles want and need out of a rescheduling other than being allowed the privilege of paying ten cents on the dollar on debts.

ISSUE:

Would the Poles be willing to share their \$1 billion in hard currency with official creditors even if it means abrogating the 1982 and/or possibly the 1981 bank rescheduling agreement.

Banks

8. Banks are being paid on the terms of the 1981 and 1982 rescheduling agreement... they are getting their 5 percent principal, and 100 percent interest and are providing new loans equal to 50 percent of interest receipts.
9. The large banks have done their math and know they cannot get more money out of Poland. Nevertheless, some banks, (the small ones) are inclined to try to continue to collect interest (so that they do not have to meet the requirement to provide additional reserves for these loans).
10. Banks want the governments to get back into Poland as a first step to help normalize relations. Yet they are probably unwilling to share with govts the \$1 billion in hard currency they receive from the Poles. They are also unwilling to be a net provider of funds.

ISSUE:

What would banks reaction be to governments taking part of the \$1 billion in hard currency now going exclusively to the banks.

ISSUE:

What will the small banks do when they realize that Poles cannot provide more hard currency to the banks? That the Poles cannot repeat a 1982 agreement in 1983?

6

Allies

11. Thus far our Allies have held together on Polish debt rescheduling sanction, primarily by the impetus of the political ministers.
12. Some months ago, the European political ministers crossed over to join their finance ministers in arguing the case for debt rescheduling absent political conditionality. Whereas the European finance ministers want to try to collect some small amount through rescheduling, the political ministers see rescheduling as a means to begin a process of normalization and to strengthen the hands of the moderates in the Jaruzelski regime.

ISSUE:

What price would we pay if we absented ourselves from a rescheduling without political linkage.

13. To make a rescheduling work, in the sense of helping to restore the economic viability of the contry, new money must be put into the economy. Presumably, once the books of the European export credit agencies are cleared for 1982 and 1983 via a rescheduling, they will be willing to put up new money. We are not prepared to do so at this time.

ISSUE:

Would the Europeans be willing to put up new money while we are not? If so, for how long and for what amounts?

B. The Numbers

14. In 1983 the Poles are expected to earn \$1 billion on current account before payment of interest.

Government "Catch-up"

15. It will take approximately \$ 60 million for the Poles to complete their down payments on 1981 govt rescheduling (i.e., the ten percent not rescheduled)

and \$200 million to pay interest due in 1982 on the amounts rescheduled in 1981

\$260 million subtotal to service 1981 debt through 1982

16. It will take..... \$420 million in down payments for 1982 debt rescheduling assuming a govt. rescheduling on the same terms as 1981.

\$680 million total to service 1981 and 1982 govt. debts to allow govts. to catch-up with banks as of the end of 1982.

Servicing debt in 1983

17. In addition to the above amounts, it will take an additional \$8.2 billion to service original loan contract debts in 1983 (i.e., before debt rescheduling).

for the banks \$2.3 billion in principal and \$600 million in interest

for Paris club govts \$1.8 billion in principal and \$1.1 billion in interest

for other creditors \$1.8 in principal and \$500 million in interest.

18. It will also take \$ 228 million for the Poles to service the 1981 bank agreement in 1983

and \$ 837 million for the Poles to service the 1982 bank agreement in 1983

\$1065 million total required to service the banks on 1981 and 1982 agreements in 1983.

19. It will take \$200 million to service the 1981 govt. agreement in 1983 and \$200 million to service the hypothetical 1982 agreement in 1983.

20. Summary Table:

Gov't catch-up thru end 1982	\$ 680 million
Service original loan contracts in 1983	8,200 million
Service 1981 and 1982 bank rescheduling in 1983	1,065 million
Service govt 1981 and 1982 rescheduling in 1983	<u>400 million</u>

Total

\$10,345

C. Debt Rescheduling the Issues and Choices

Assuming:

- 1) that the Poles do not declare a moratorium;
- 2) that violence does not occur either before or after the Pope's visit;
- 3) that we declare "victory" on political conditions so that linkage is not an issue;
- 4) and that the Europeans understand and agree to the U.S. not putting in any new money at this time;

there are several issues to be addressed and choices to be made. The two major issues -- and it is hard to determine which has to be dealt with first -- are:

- 1) do we reschedule 1982 and 1983 government debt separately with a sufficient interval between the two or do we reschedule 1982 and 1983 as part of one package. The argument for lumping the two together rests primarily on the view that the Europeans will only be able to provide new money once their books have been cleared for 1982 and 1983 (is this correct). The argument for separate reschedulings rests primarily on the view that we would want to see progress on payments on 1982 and economic reform before proceeding with 1983. There is also the realistic point that the Poles simply do not have enough foreign exchange of their own to service government and bank reschedulings simultaneously including a 1983 rescheduling.
- 2) How do we establish an effective liaison with the banks so that the Poles do not play us off against one another. A sub-set of issues relates to the banks willingness to sit still on 1983 rescheduling while governments catch-up through 1982 and their willingness, if necessary, to share some of the Polish \$1 billion in hard currency with the governments even if it means less than full servicing of their 1981 and 1982 agreements.

Once these issues are addressed and resolved we come down to the mundane issues:

- 1) what types of economic conditionality to impose and instruments for monitoring;
- 2) developing an effective MFN clause for third country creditors and CEMA

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-6-

- 3) no discrimination by the Poles in paying Paris club creditors regardless of their inputs of new money and developing effective monitoring and enforcement provisions.

Note: Harvey is doing a separate paper on these three questions and will get them down early next week.

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Review for Declassification
on 6/2/91

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~~CONFIDENTIAL~~ WARSAW 6280

E.O. 12356: DECL: OADR
TAGS: EFIN, PL
SUBJECT: BANK RESCHEDULING: POLISH FEARS OF DEFAULT

1. ~~CONFIDENTIAL~~ - ENTIRE TEXT.)

2. BRITISH AMBASSADOR WAS CALLED TO THE FOREIGN
MINISTRY SATURDAY, JULY 9, TO RECEIVE A DEMARCHE FROM
VICE FOREIGN MINISTER KUCZA RE POSSIBLE MOVES BY
WESTERN BANKS TO DECLARE POLAND IN DEFAULT.
THE GERMAN AMBASSADOR WAS CALLED IN JULY 11. WE HAVE
NOT HEARD THAT THE FRENCH OR OTHER AMBASSADORS HAVE
BEEN SUMMONED. WE HAVE NOT BEEN CALLED IN.

3. KUCZA INFORMED THE BRITISH AMBASSADOR THAT THE
POLISH GOVERNMENT HAS BEEN TOLD BY CITIBANK THAT
SEVERAL WESTERN BANKS ARE PREPARING TO DECLARE POLAND IN
DEFAULT AND SEIZE POLISH ASSETS IN THE WEST. KUCZA
SAID THAT THE POLISH GOVERNMENT IS REGARDING SUCH
ACTION AS AN UNFRIENDLY ACT GIVEN THE PROGRESS
WHICH HAS BEEN MADE IN RESCHEDULING TALKS WITH
PRIVATE BANKS. HE SAID POLAND HAS TAKEN A REASONABLE
ATTITUDE DURING THESE NEGOTIATIONS AND HAS REDUCED
THE PROPOSED TERMS OF RESCHEDULING FROM 20 YEARS TO
16 YEARS. HE CLAIMED PROGRESS WAS MADE AT ZURICH
AT THE LAST MEETING AND FURTHER PROGRESS IS ANTICIPATED
AT THE NEXT MEETING SCHEDULED TO TAKE PLACE IN WARSAW
JULY 13 AND 14. KUCZA CONCLUDED HIS PRESENTATION BY
REQUESTING THAT THE BRITISH GOVERNMENT DISSUADE
BRITISH BANKS FROM SEIZING POLISH ASSETS.

4. THE BRITISH AMBASSADOR ASSURED KUCZA THAT HE WOULD
REPORT THE VICE MINISTER'S REMARKS. HE ADDED THAT THE
POLISH GOVERNMENT SHOULD BE AWARE OF THE FACT THAT
BRITISH BANKS ARE COMPLETELY INDEPENDENT OF HMG IN THIS
MATTER.

5. KUCZA MADE THE SAME PITCH TO THE GERMAN AMBASSADOR.
HE INCLUDED A TWIST WE DID NOT PICK UP FROM THE BRITISH,
THAT THE BANKING INITIATIVE WAS IN THE FORM OF SEEKING
"SPECIAL LEGISLATION" TO FACILITATE SEIZURE OF POLISH
ASSETS ABROAD. THE GERMAN AMBASSADOR, LIKE HIS BRITISH
COLLEAGUE, GAVE NO SUBSTANTIVE RESPONSE, BUT PROMISED TO

6. COMMENT: THE EMBASSY CONSIDERS THE PROSPECT
OF A DECLARATION OF DEFAULT ON THE PART OF WESTERN
BANKS EXTREMELY UNLIKELY. FIRST, WESTERN FINANCIERS
UNDERSTAND WELL AND ARE THE FIRST TO ADMIT (IN PRIVATE
CONVERSATIONS) THAT DEFAULT IS PRIMARILY USEFUL
AS A THREAT, NOT AS AN ACTUAL WEAPON. SECOND, POLAND'S
ASSETS IN THE WEST ARE EXTREMELY MODEST COMPARED TO THE
LEVEL OF DEBT. THIRD, IF BANKERS SHOULD FEEL SO
DESPERATE AS TO REACH FOR THIS EXTREME MEASURE, IT WOULD
NOT BE DURING A SERIES OF MEETINGS WITH THE POLES, BUT
ONLY AFTER THE FAILURE AND CESSATION OF SUCH NEGOTIATIONS.
(N.B. MAJOR BANKERS INVOLVED IN THE POLISH DEBT SITUATION
HAVE ALWAYS RECOGNIZED THAT THERE EXISTED THE
POSSIBILITY OF SMALLER, PRIMARILY REGIONAL (AND, IN
THEIR ESTIMATION, LESS SOPHISTICATED) BANKS REACHING
UNILATERAL DECISIONS TO DECLARE DEFAULT. WE DOUBT
ANY RESPONSIBLE WESTERN BANKER WOULD MAKE SUCH A DIRECT
THREAT AT THIS TIME. THIS DOES NOT PRECLUDE, HOWEVER,
THE DISTINCT POSSIBILITY THAT ONE OF THEM SAID TO THE
POLES THAT, IF THE GOP DID NOT DROP ITS UNREALISTIC
DEMANDS AND GET DOWN TO SERIOUS NEGOTIATION OF A
RESCHEDULING AGREEMENT FOR 1983, THERE WERE MEMBERS OF
THE CREDITORS' GROUP WHO WERE SUFFICIENTLY FRUSTRATED
TO SERIOUSLY CONSIDER PULLING THE PLUG.

7. THE POSSIBILITY OF BANKS SEEKING LEGISLATION
NOT ALREADY ON THE BOOKS COMPLICATES THE ANALYSIS
OF WHAT MIGHT BE GOING ON. WE UNDERSTAND THAT THE
U.K. HOUSE OF LORDS NOT LONG AGO INTERPRETED U.K.
LEGISLATION ABOUT RELATIONSHIPS BETWEEN STATE-OWNED
COMPANIES OF THE SAME COUNTRY IN SUCH A WAY AS TO
MAKE IT IMPOSSIBLE TO SEIZE ASSETS OF ONE FOR THE DEBTS
OF ANOTHER, I.E. STATE-OWNED COMPANIES ARE SEPARATE

ENTITIES. NEVERTHELESS, THE ACT OF SEEKING SUCH
LEGISLATION, EVEN IF THE LAW ITSELF WERE NOT INVOKED
IN THE POLISH CASE, WOULD CERTAINLY BE VIEWED BY THE GOP
AS AN ADDITIONAL ELEMENT OF FIRE UNDER THE FRYING PAN.
END COMMENT.
EILGIS
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NLRN M434/3 #142756

BY RW NARA DATE 7/8/15

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FILE - DOCAWD
DEBT
142758
15

DEPARTMENT OF INTELLIGENCE AND RESEARCH - ANALYSIS - JULY 13, 1983

POLAND: ATTITUDES ON DEBT-RESCHEDULING

Polish officials and the representatives of Western banks will resume talks today in Warsaw on Poland's 1983 debt obligations. Some bankers are optimistic about the chances of reaching an agreement. Meanwhile, Warsaw is looking for Western governments to reopen Paris Club negotiations on official debt.

* * *

\$14 billion

Warsaw has apparently dropped its insistence on a multi-year rescheduling package. Consequently, the talks will focus on 1983 obligations only. The percentage of 1983 maturities to be rescheduled and the portion of interest payments to be recycled back to the Poles remain at issue. The banks have proposed the rescheduling of 95 percent of the principal, while the Poles are requesting that 98 percent be rescheduled. In addition, the banks are willing to recycle up to 60 percent of interest payments due, while Warsaw is holding out for 75 percent.

Some members of the working group representing the banks believe the Poles may now feel they have pushed bankers to the limit on rescheduling terms. In late June a delegation from one major bank bluntly informed Finance Minister Nieckarz of the banks' frustration with the lack of progress thus far. Bank negotiators reportedly used equally direct language to reject the Polish position at the last formal meeting in Zurich on June 29-30.

Warsaw's hard line is not merely a negotiating stance. Knowledgeable observers are concerned that Poland will ultimately be unable to meet its rescheduled obligations if it does not receive better terms than the banks allowed under the 1981 and 1982 agreements. The general unavailability of new credit has forced Poland to rely on export earnings as the main source of hard currency. Trade results through April, however, have been disappointing; the surplus recorded was only about half of the amount reported during the January-April period last year.

Paris Club members are watching for improvements in the political situation in the aftermath of the Pope's visit. The announcement of an official date for the ending of martial law could be the catalyst for renewed talks on Poland's official debt. The Poles undoubtedly would use the resumption of negotiations to press for new credits. Moreover, they would probably renew their IMF and World Bank applications.

DECLASSIFIED
NLRR M434/3 #142758
BY RW NARA DATE 3/2/18

7/1983

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DRAFT

142759

16

SIG Paper on Poland

Issue

On July 29, 1983, Poland's official creditors will meet in Paris to decide whether or not to enter into debt rescheduling negotiations. We have told the Allies and the Poles that if a vast majority of the political prisoners are released the United States would agree to participate in the rescheduling negotiations.

Poland is expected to take some political steps on or before July 22, their national day. Release of political prisoners may be one of those measures.

I. Background

1. The Polish Debt and Financial Situation

At the end of 1982, Poland's hard currency debt and arrears totaled \$27 billion. Of this amount \$1.9 billion is owed to U.S. Government agencies (EXIM \$.2 billion, CCC \$1.7 billion, and AID \$.006 billion) and \$1.2 billion to U.S. banks. The external debt will continue to increase owing primarily to accrued interest and by 1985 the total will climb to about \$35 billion as a result of compounding.

We estimate that some \$14 billion in debt payments are due in 1983; \$4.5 billion of this amount is arrears from 1982. The Poles expect to earn \$1 billion net in foreign exchange in 1983. About \$1 billion is needed to service the 1981 and 1982 rescheduling agreements with the banks. This means that the Poles will have little money to meet any payment due under new rescheduling agreements concluded in 1983 unless creditors provide large parts of that money themselves or there is a reallocation of the \$1 billion so that banks and governments share in the Polish payments. (This could force a renegotiation of the bank agreements.)

The official creditors received no payment in 1982 and some, including the U.S., have not collected the full 10 percent not rescheduled in 1981 as well as the interest due in 1982 and 1983 due on the portion of debts which were rescheduled. Commercial banks, who rescheduled 95 percent of principal only for 1981 and 1982 were paid the non-rescheduled principal and all the interest due for those years. Banks and the Poles are negotiating on 1983 debt and we understand they are close to an agreement along the lines of the 1982 agreement.

DECLASSIFIED

Classified by M. E. Leland
Review for Declassification
on 7/15/91

NLRR M434/3 #142759

~~SECRET~~

BY PW NARA DATE 3/2/83

2. Discussions with our Allies and Presidential Guidance

Toward the end of 1982, the Europeans began to press for rescission of the agreement among Poland's official creditors not to reschedule the Poles' debts. As the pressure continued to mount, we confronted the possibility that the neutrals and our NATO allies alike might reschedule without us.

The concerned U.S. Government agencies began to consider how we might modify our position, without departing sharply from the policies we have been following since the December 1981 crackdown in Poland. This process culminated in the President's approval (April 28, 1983) of a new strategy on the Polish debt issue. The strategy was designed to: (1) maintain continuity with our past policy, (2) recapture control for the United States of the negotiating situation, and (3) maintain Allied solidarity. In essence, it envisioned a step-by-step approach, under which progress on rescheduling and eventual normalization of Western economic relations with Poland would be linked to political liberalization by the Poles. It also called for an approach to the Poles by the end of May -- prior to the Pope's visit.

This proposal was not well received by the Europeans. In bilateral discussions and at meetings of the Paris Club and NATO all indicated that they wanted to proceed without a political linkage; likewise, all but two countries (the U.K. and Canada) opposed the approach to the Poles before the Pope's visit even without linkage. We conceded on the latter point.

The issue will come up again at a meeting of the Poland's official creditors on July 29 in Paris. It is highly likely that the Europeans will press at the meeting for entering into rescheduling negotiations with the Poles -- without political pre-conditions or political linkage. Moreover, they may be prepared to agree among themselves to proceed even if we refuse to go along.

At that meeting, we can expect the Europeans will discuss the nature and parameters of rescheduling--a year by year approach vs. a multi-year rescheduling, conditionality, new money, assurances of non-discriminatory treatment of creditors in any payments the Poles may make, etc. We also anticipate that the creditors will decide to send a Task Force to Poland during the first week in September to undertake the economic and financial work preparatory to the rescheduling negotiations.

II. Possible Outcomes

If we stick to our insistence that release of the political prisoners is a non-negotiable condition for U.S. participation in a rescheduling, we can foresee three alternative actions the Poles might take in this regard. They are outlined below, along with possible U.S. response keyed to our current policy:

1. If the Poles release a sufficient number of the prisoners, then we can participate in the debt rescheduling negotiations -- in a step-by-step approach.

2. If the number of prisoners released is not quite sufficient to satisfy our criteria, or if the Polish measures are unclear or require a test of time to ascertain their meaningfulness, we can tell the creditors that:

--we are inclined to participate, but need more time to assess the Polish measures;

-- we will provide a definitive answer in September; and

-- in the meantime, we wish to participate in creditor discussions and all task force work in preparation for a rescheduling.

3. If the Polish measures are clearly insufficient, we can tell the creditors that we will not participate in a rescheduling. We can expect they will proceed without us.

Alternatively, we can tell the other governments that we were extremely disappointed in the Polish measures, that we hope that additional measures will be taken which will permit us to participate at a later date. In the meantime, we wish to participate in the creditor discussions and task force preparatory work without prejudice as to what our ultimate decision may be.

Classified by M. E. Leland
Review for Declassification
on 7/15/91

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POC(AWD)
DEBT

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

19
142760

PAGE 01 WARSAW 6484 DTG: 151231Z JUL 83 PSN: 048712
EOB744 AN010283 TOR: 196/1348Z CSN: HCE870

BANKS DO NOT APPEAR FROM THE WARSAW PERSPECTIVE TO HAVE HUNG VERY TOUGH IN THESE NEGOTIATIONS. THE U.S. BANKERS (PROTECT) ONLY CONCEALED IN A PRO FORMA FASHION THE EAGERNESS OF SOME OF THEIR EUROPEAN COLLEAGUES TO GET SOME AGREEMENT ON THE BOOKS. EVEN THE POINT IN PARA 4 ABOVE COULD HAVE BEEN DIRECTED AS MUCH TOWARDS THE EARS IN THE WALLS OF THE HOTEL VICTORIA BAR AS TO THE REST OF US. END COMMENT. WILGIS
BT

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~~CONFIDENTIAL~~ WARSAW 6484

E.O. 12356: DECL: 7/15/89
TAGS: EFIN, PL
SUBJECT: POLISH DEBT RESCHEDULING: NEAR AGREEMENT
REF: WARSAW 6163

1. ~~CONFIDENTIAL~~ ENTIRE TEXT

2. SUMMARY. WESTERN BANKERS AND GOP HAVE ALMOST REACHED AGREEMENT IN PRINCIPLE ON RESCHEDULING POLAND'S 1983 NON-GOVERNMENT DEBT. BOTH SIDES ANTICIPATE ONLY ONE MORE MEETING, IN EARLY AUGUST. END SUMMARY.

3. EMBASSY CONVERSATIONS WITH AMERICAN BANKERS (CITIBANK AND BANK OF AMERICA) AND POLISH OFFICIALS (KARCZ AND MALEC) DURING AND AFTER JULY 13 AND 14 NEGOTIATIONS RESCHEDULING POLAND'S 1983 DEBT TO WESTERN BANKERS HAVE REVEALED THE FOLLOWING DEVELOPMENTS:

- BOTH SIDES FEEL THAT ONE MORE ROUND OF TALKS, PROBABLY IN EARLY AUGUST AND PROBABLY IN VIENNA, WILL WRAP UP THE AGREEMENT IN PRINCIPLE ALONG LINES OF 1982 AGREEMENT BUT MODESTLY BETTER TERMS FROM POLISH VIEWPOINT. U.S. BANKERS SAID THAT IT COULD HAVE BEEN DONE THIS TIME IF THE GOP HAD STOPPED POSTURING.
- DIFFERENCE OVER OVERALL LENGTH OF RESCHEDULING HAS BEEN REDUCED TO STRUGGLE BETWEEN TEN AND TWELVE YEARS.
- DIFFERENCE OVER PERCENTAGE TO BE RECYCLED INTO NEW CREDITS IS DOWN TO FIVE POINT SPREAD AND WILL PROBABLY END SOMEWHERE IN UPPER FIFTIES.
- GRACE PERIOD QUESTION HAS BEEN RESOLVED TO APPARENT MUTUAL SATISFACTION. BANKS WERE UNWILLING TO GRANT LENGTH POLES WERE SEEKING, BUT GAVE POLES THE SAME VALUE BY AGREEING TO GRADUATED PAYMENTS INSTEAD OF FIXED AMOUNT.
- PERCENT OF DEBT TO BE RESCHEDULED IS STILL UNRESOLVED, BUT CLOSE.

4. ONE OF THE U.S. BANKERS SAID THAT, EVEN THOUGH THE DOLLAR VALUE OF OUTSTANDING DIFFERENCES WAS INCONSEQUENTIAL IN RELATIVE TERMS, MOST OF THE GIVE IN THE NEXT MEETING WOULD HAVE TO COME FROM THE GOP SIDE; THAT THE BANKS HAD "GONE AS FAR AS THEY COULD GO."

5. COMMENT: WHILE IT IS TRUE THAT THE GOP, STARTING FROM THE EXTREME, UNREALISTIC POSITION IT MAINTAINED IN RECENT MONTHS, HAS COME FURTHER TOWARD THE BANKS THAN VICE-VERSA, IN FACT THE

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NLRR M434/3 #142760
BY RW NARA DATE 7/8/15

~~CONFIDENTIAL~~

Polish Debt Rescheduling

7/20/83 20
142761

Issue

On July 29, 1983, Poland's official creditors will meet in Paris to decide whether or not to enter into debt rescheduling negotiations. We have told the Allies and the Poles that if a vast majority of the political prisoners are released the United States would agree to participate in the rescheduling negotiations.

Poland is expected to take some political steps on or before July 22, their national day. Release of political prisoners may be one of those measures.

I. Background

1. The Polish Debt and Financial Situation

At the end of 1982, Poland's hard currency debt and arrears totaled \$27 billion. Of this amount \$1.9 billion is owed to U.S. Government agencies (EXIM \$.2 billion, CCC \$1.7 billion, and AID \$.006 billion) and \$1.2 billion to U.S. banks. The external debt will continue to increase owing primarily to accrued interest and by 1985 the total will climb to about \$35 billion as a result of compounding. In fact, if the growth in Poland's net foreign exchange earnings appreciably exceeds the rate of interest on the the stock of debt (i.e., more than double) the stock of debt will continue to grow at least until 1990.

For 1983 we estimate that some \$14 billion in debt payments are due; \$4.5 billion of this amount is arrears from 1982. The Poles expect to earn \$1 billion net in foreign exchange in 1983. About \$1 billion is needed to service the 1981 and 1982 rescheduling agreements with the banks. This means that the Poles will have little money to meet any payment due under new rescheduling agreements concluded in 1983 unless creditors provide large parts of that money themselves or there is a reallocation of the \$1 billion so that banks and governments share in the Polish payments. (This could force a renegotiation of the bank agreements.)

The official creditors received no payment in 1982 and some, including the U.S., have not collected the full 10 percent not rescheduled in 1981 as well as the interest due

Classified by M. E. Leland
Review for Declassification
on 7/18/91

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NLRR M434/3 #142761
BY RW NARA DATE 3/2/18

in 1982 and 1983 due on the portion of debts which were rescheduled. Commercial banks, who rescheduled 95 percent of principal only for 1981 and 1982 were paid the non-rescheduled principal and all the interest due for those years. Banks and the Poles are negotiating on 1983 debt and we understand they are close to an agreement along the lines of the 1982 agreement.

2. Discussions with our Allies and Presidential Guidance

Toward the end of 1982, the Europeans began to press for rescission of the agreement among Poland's official creditors not to reschedule the Poles' debts. As the pressure continued to mount, we confronted the possibility that the neutrals and our NATO allies alike might reschedule without us.

The concerned U.S. Government agencies began to consider how we might modify our position, without departing sharply from the policies we have been following since the December 1981 crackdown in Poland. This process culminated in the President's approval (April 28, 1983) of a new strategy on the Polish debt issue. The strategy was designed to: (1) maintain continuity with our past policy, (2) recapture control for the United States of the negotiating situation, and (3) maintain Allied solidarity. In essence, it would link our agreement to proceed with rescheduling to human rights progress in Poland.

The issue will come up again at a meeting of the Poland's official creditors on July 29 in Paris. It is likely that the Europeans will press at the meeting for entering into rescheduling negotiations with the Poles -- without political pre-conditions or political linkage. Moreover, they may be prepared to agree among themselves to proceed even if we refuse to go along.

At that meeting, we can expect the Europeans will discuss the nature and parameters of rescheduling--a year by year approach vs. a multi-year rescheduling, conditionality, new money, assurances of non-discriminatory treatment of creditors in any payments the Poles may make, etc. It is likely that the creditors will decide to send a Task Force to Poland during the first week in September to undertake the economic and financial work preparatory to the rescheduling negotiations.

II. Possible Outcomes

If we stick to our insistence that release of the political prisoners is a non-negotiable condition for U.S. participation in a rescheduling, we can foresee three alternative actions the Poles might take in this regard. They are outlined below, along with possible U.S. response keyed to our current policy:

1. If the Poles release a sufficient number of the prisoners, then we can participate in the debt rescheduling negotiations -- in a step-by-step approach.

2. If the number of prisoners released is not quite sufficient to satisfy our criteria, or if the Polish measures are unclear or require a test of time to ascertain their meaningfulness, we can tell the creditors that:

--we are inclined to participate, but need more time to assess the Polish measures;

-- we hope to provide a definitive answer in September; and

-- in the meantime, we wish to participate in creditor discussions and all task force work in preparation for a rescheduling.

3. If the Polish measures are clearly insufficient, we can tell the creditors that we will not participate in a rescheduling. We can expect they will proceed without us.

Alternatively, we can tell the other governments that we were extremely disappointed in the Polish measures, that we hope that additional measures will be taken which will permit us to participate at a later date. In the meantime, we wish to participate in the creditor discussions and task force preparatory work without prejudice as to what our ultimate decision may be.

Classified by M. E. Leland
Review for Declassification
on 7/15/91

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~~Matlock~~

~~PD~~ 23

File -

POLAND

DEBT

142762

MEMORANDUM

NATIONAL SECURITY COUNCIL

July 27, 1983

~~SECRET~~

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: ROGER W. ROBINSON ^{RWR}

SUBJECT: Poland and Debt Rescheduling

Attached (Tab I) is a proposed memorandum from you to the President on the above subject which is self-explanatory. This is in response to Secretary Shultz's memo to the President recommending that we not engage in official debt rescheduling talks until the actual release of the majority of political prisoners (Tab A). It should also be noted that even with the release of these prisoners, debt re-scheduling will not entail the extension of new credits by the USG (until step 4 of the May 13 policy -- restoration of workers rights to form free trade unions). In addition, assuming that our political preconditions are met by Warsaw, we are only agreeing to meet the Poles to "evaluate compliance with the 1981 rescheduling agreement, to reach agreement on a payment schedule for 1981 debt not rescheduled, and to indicate a willingness to discuss the rescheduling of 1982 debt provided the above payment schedules are determined." As the Secretary's proposed approach is consistent with the policy approved by the President on May 13, I recommend we give a green light.

Also attached is a memorandum from you to Secretary Shultz (Tab II) which would be sent in the event the President approves his recommended approach.

Jack Matlock, Norman Bailey and Paula Dobriansky concur.

RECOMMENDATIONS:

That you send the attached memorandum to the President (Tab I) recommending approval of the Shultz approach.

Approve _____

Disapprove _____

~~SECRET~~

DECLASSIFY ON: OADR

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NLRR M43413 #142762
BY RW NARA DATE 3/2/88

That you send the proposed memo from you to Secretary Shultz at Tab II in the event the President approves the Secretary's recommendation.

Approve _____

Disapprove _____

Attachments

- Tab I Memo to President
- Tab A Shultz Memo
- Tab II Memo to Shultz

THE WHITE HOUSE

WASHINGTON

~~SECRET~~ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: WILLIAM P. CLARK

SUBJECT: Poland and Debt Rescheduling

Issue

How should the U.S. respond to calls by the neutrals and some allies to begin official rescheduling talks on the Polish debt?

Facts

Attached (Tab A) is a memo to you from Secretary Shultz on the above subject. The Secretary notes growing pressure among the neutrals and some allies to proceed with the official rescheduling of the Polish debt which may reach a crescendo during the Paris Club meeting of July 29. The four neutrals involved in the Polish rescheduling have communicated through the Swiss on July 22 that they would break ranks and go forward independently with rescheduling talks if necessary. The neutrals and some of our allies referenced Warsaw's announcement that it will release some 585 political prisoners and a successful Papal visit as the underlying rationale for commencing official rescheduling talks at this time.

Discussion

Secretary Shultz refers to the policy approved by you on May 13 which permits the U.S. to take some modest steps (fishing quota and commencing rescheduling talks) if there was a successful Papal visit and the vast majority of political prisoners were released. He acknowledges that the announcement of a major release does not constitute the fulfilling of this precondition. State, therefore, proposes that we inform the Paris Club that we are not prepared to

Prepared by:
Roger W. Robinson

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NLRR M434/3 #142763

BY PW NARA DATE 3/21/18

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participate in rescheduling talks until these prisoners are actually freed. This appropriately puts the ball back in Warsaw's court. At the same time, he recommends that we make clear to the allies and neutrals that "in principle" we are prepared to engage in rescheduling discussions when such a release is implemented.

I recommend that you approve the Secretary's approach so long as we ensure that the integrity of our May 13 policy is strictly preserved. Should Warsaw release the vast majority of prisoners, we would be able to demonstrate that we have exacted major political concessions for agreement to re-schedule and at the same time be equipped to discuss the benefits of rescheduling to the American taxpayers. We would have also avoided any serious erosion of Western unity on this particular sanction and promoted further East to West financial flows. We should not, however, be swayed to proceed with rescheduling solely on the basis of the neutrals or others breaking ranks. No release, no U.S. participation in rescheduling.

RECOMMENDATION:

OK No

- _____ That you approve the approach outlined in the Secretary's memorandum (Tab A).

Attachment
Tab A Shultz Memo

THE SECRETARY OF STATE
WASHINGTON

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142764

July 26, 1983 28 P11: 28

~~SECRET~~

TO: The President
FROM: The Secretary *YPS*
SUBJECT: Poland and Debt Rescheduling

WHITE HOUSE
SITUATION ROOM

As anticipated, Warsaw's move to lift martial law appears to be mostly cosmetic. At the same time, they have announced major releases of political prisoners. In accordance with the policy you approved on May 13, 1983, this is the key factor we are focusing on now. As you will recall, you approved our taking modest steps (fishing quota and beginning rescheduling talks) if there was a successful Papal visit and the vast majority of political prisoners were released.

We can expect to come under increased pressure from many of our Allies and especially the neutrals at the July 29 Paris Club meeting to agree to begin rescheduling talks with the Poles. Indeed, the Swiss, acting as spokesman for the four neutral country-members of the Paris Club, indicated in a formal demarche July 22 that they would proceed on their own with rescheduling if necessary. The neutrals and some of our Allies will point to Warsaw's announcement that it is releasing approximately 585 political prisoners, as well as to the successful Papal visit, as evidence that our prerequisites for beginning such discussions have been met. While preliminary indications are that the release of 585 political prisoners would mean that the vast majority of political prisoners would be free, they are not out yet.

We therefore plan to follow a strategy which puts the onus for releasing them on Warsaw by not acting until they are actually released. In particular, we intend to inform the Paris Club that we are not prepared to enter into debt rescheduling talks until we are satisfied that these prisoners are free. We will make it clear, however, that when the Poles move to release the prisoners, we will be prepared to implement the policy you approved on May 13.

~~SECRET~~
DECL: OADR

DECLASSIFIED

NLRR M434/3 # 142764
BY RW NARA DATE 7/8/15

THE WHITE HOUSE
WASHINGTON

~~SECRET~~

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

SUBJECT: Poland and Debt Rescheduling (U)

The President has reviewed and approved your recommended approach to the debt rescheduling talks outlined in your memorandum to him of July 26. He stressed your point that the actual release of the vast majority of political prisoners must remain a precondition to ~~other~~ ^{US participation 1/2} rescheduling of official debt and that the ball must be placed ~~firmly~~ in Warsaw's court. The event of the neutrals or others breaking ranks and proceeding independently with rescheduling prior to the release of these political prisoners is not sufficient to warrant any change in our original policy approved on May 13, 1983. (S)

FOR THE PRESIDENT:

William P. Clark

~~SECRET~~
DECLASSIFY ON: OADR

DECLASSIFIED
NLRR M434/3 #142765
BY RW NARA DATE 7/8/15

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

POLAND DEBT

Dobriansky's

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President 29
briefed.

J
142766

SECRET

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: WILLIAM P. CLARK

SUBJECT: Paris Club Meeting on Rescheduling the Polish Debt

George Shultz forwarded you a memorandum (Tab A) on the results of the July 29 Paris Club meeting on the Polish debt. He reports that despite firm pressure from all other Paris Club members to commence rescheduling Poland's debt now, we were able to attain agreement to defer implementation of rescheduling for at least a month pending clarification of such issues as the release of the political prisoners. At the meeting, we made it quite clear that we are not prepared to engage in official debt rescheduling talks until the vast majority of the political prisoners is actually freed. In accordance with our May 13 policy, we also indicated that we are prepared "in principle" to participate in rescheduling discussions if such a release is implemented. George notes that the Paris Club will meet again in mid-September, which will give us time to evaluate whether the Polish Government has genuinely fulfilled its commitment on prisoner releases.

Prepared by:
Paula Dobriansky

Attachment:

Tab A Memorandum from George Shultz, July 30, 1983

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NLRR M434/3#142766
BY RW NARA DATE 7/8/15

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MEMORANDUM

NATIONAL SECURITY COUNCIL

~~SECRET~~

August 1, 1983

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: PAULA DOBRIANSKY *PD*

SUBJECT: Paris Club Meeting on Rescheduling the Polish Debt

Secretary Shultz forwarded a memorandum (Tab A) to the President on the results of the Paris Club meeting on rescheduling the Polish debt. Despite strong pressure from all other members of the Paris Club to commence rescheduling Poland's debt, we were successful in obtaining agreement to defer implementation of rescheduling until at least mid-September pending clarification of such issues as the release of political prisoners. At Tab I is a self-explanatory memorandum from you to the President on this subject.

JK
Jack Matlock and Roger *RR* Robinson concur.

RECOMMENDATION

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

Approve ✓ Disapprove _____

Attachments:

- Tab I Memorandum to the President
- Tab A Secretary Shultz's memorandum of July 30, 1983

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Declassify on: OADR

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NLRR M434/3 # 142767
BY RW NARA DATE 7/8/15

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DEPARTMENT OF STATE
WASHINGTON: 19

July 30, 1983

SITUATION ROOM

~~SECRET~~

MEMORANDUM FOR: THE PRESIDENT

FROM: The Secretary *WPS*

SUBJECT: Paris Club Meeting on Rescheduling the Polish Debt

Despite strong pressure from all other members of the Paris Club to go ahead now with rescheduling Poland's debt, we were successful in obtaining agreement on July 29 to defer for about a month implementation of rescheduling "pending elucidation of certain questions." The "certain questions" are, at least from our standpoint, the actual release of the vast majority of political prisoners. We made this crystal clear to the Paris Club, called in the Polish Charge to be certain Warsaw understands our position, and also stated this at our press briefing on Friday. The other creditors, including the UK, emphasized, however, that they expect a positive decision assuming the GOP releases prisoners. They stated that if USG agreement to proceed on rescheduling discussions is not forthcoming, we will face major problems with the Group.

The Paris Club will meet again in mid-September, which will allow us ample time to assess how many prisoners the Poles actually release. We will be watching this situation carefully to determine whether the Poles follow through on their commitment.

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DECL: OADR

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National Security Council
The White House

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Bud McFarlane	<u></u>	<u></u>	<u></u>
Jacque Hill	<u>3</u>	<u><i>✓</i></u>	<u></u>
Judge Clark	<u>4</u>	<u><i>✓</i></u>	<u>A</u>
John Poindexter	<u></u>	<u></u>	<u></u>
Executive Secretary	<u></u>	<u></u>	<u></u>
NSC Secretariat	<u></u>	<u></u>	<u></u>
Situation Room	<u></u>	<u></u>	<u></u>

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Bud McFarlane	_____	_____	_____
Jacque Hill	2	<i>J</i>	_____
Judge Clark	3	_____	ADVANCE
John Poindexter	_____	_____	_____
Executive Secretary	_____	_____	_____
NSC Secretariat	_____	_____	_____
Situation Room	_____	_____	_____
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I-Information A-Action R-Retain D-Dispatch N-No further Action

DISTRIBUTION

cc: VP Meese Baker Deaver Other _____

COMMENTS

Should be seen by: _____
(Date/Time)

Attached
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PDB *[Signature]*

8/2.

Flo, set orig will cover news over today J

Polish debt

5304

142769

34

MEMORANDUM

NATIONAL SECURITY COUNCIL

~~SECRET~~

August 1, 1983

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: PAULA DOBRIANSKY *PD*

SUBJECT: Paris Club Meeting on Rescheduling the Polish Debt

Secretary Shultz forwarded a memorandum (Tab A) to the President on the results of the Paris Club meeting on rescheduling the Polish debt. Despite strong pressure from all other members of the Paris Club to commence rescheduling Poland's debt, we were successful in obtaining agreement to defer implementation of rescheduling until at least mid-September pending clarification of such issues as the release of political prisoners. At Tab I is a self-explanatory memorandum from you to the President on this subject.

Jack Matlock *JM* and Roger Robinson *RR* concur.

RECOMMENDATION

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

Approve _____ Disapprove _____

Attachments:

Tab I Memorandum to the President

Tab A Secretary Shultz's memorandum of July 30, 1983

~~SECRET~~

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DECLASSIFIED

NLRR M434/3 # 142769

BY RW NARA DATE 7/8/15

THE WHITE HOUSE

WASHINGTON

~~SECRET~~INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: WILLIAM P. CLARK

SUBJECT: Paris Club Meeting on Rescheduling the Polish Debt

George Shultz forwarded you a memorandum (Tab A) on the results of the July 29 Paris Club meeting on the Polish debt. He reports that despite firm pressure from all other Paris Club members to commence rescheduling Poland's debt now, we were able to attain agreement to defer implementation of rescheduling for at least a month pending clarification of such issues as the release of the political prisoners. At the meeting, we made it quite clear that we are not prepared to engage in official debt rescheduling talks until the vast majority of the political prisoners are actually freed. In accordance with our May 13 policy, we also indicated that we are prepared "in principle" to participate in rescheduling discussions if such a release is implemented. George notes that the Paris Club will meet again in mid-September which will give us time to evaluate whether the Polish Government has genuinely fulfilled its commitment on prisoner releases.

Prepared by:
Paula Dobriansky

Attachment:

Tab A Memorandum from George Shultz, July 30, 1983

~~SECRET~~

Declassify on: OADR

DECLASSIFIED

NLRR M434/3#142770
BY RW NARA DATE 7/8/15

5304

DEPARTMENT OF STATE

WASHINGTON: 19

July 30, 1983

~~SECRET~~

MEMORANDUM FOR: THE PRESIDENT

FROM: The Secretary *WPS*

SUBJECT: Paris Club Meeting on Rescheduling the Polish Debt

Despite strong pressure from all other members of the Paris Club to go ahead now with rescheduling Poland's debt, we were successful in obtaining agreement on July 29 to defer for about a month implementation of rescheduling "pending elucidation of certain questions." The "certain questions" are, at least from our standpoint, the actual release of the vast majority of political prisoners. We made this crystal clear to the Paris Club, called in the Polish Charge to be certain Warsaw understands our position, and also stated this at our press briefing on Friday. The other creditors, including the UK, emphasized, however, that they expect a positive decision assuming the GOP releases prisoners. They stated that if USG agreement to proceed on rescheduling discussions is not forthcoming, we will face major problems with the Group.

The Paris Club will meet again in mid-September, which will allow us ample time to assess how many prisoners the Poles actually release. We will be watching this situation carefully to determine whether the Poles follow through on their commitment.

~~SECRET~~
DECL: OADR

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BY FW NARA DATE 7/8/15

NSC/S PROFILE

UNCLASSIFIED

FILE Dobriansky
POLAND

ID 8305534

RECEIVED 09 AUG 83 14

TO CLARK

FROM RAC, CHRISTOPHER

DOCDATE 02 AUG 83

37

KEYWORDS: POLAND

HUMAN RIGHTS

SANCTIONS

MP

SUBJECT: LTR TO CLARK FM POMOST RE POLANDS OFFICIAL DEBT

ACTION: ANY ACTION NECESSARY

DUE: 13 AUG 83 STATUS S FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

DOBRIANSKY

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THE WHITE HOUSE
WASHINGTON

38

August 31, 1983

Dear Mr. Rac:

Thank you for your letter of August 2 concerning U.S. sanctions against Poland and, in particular, Polish debt rescheduling.

We are presently in the midst of assessing the current domestic situation in Poland and the implications of the latest actions taken by the Polish Government in July -- the lifting of martial law, the imposition of new legislation and the announced release of political prisoners. Once our assessment is completed, we will determine whether these Polish steps warrant positive reciprocal U.S. action.

Be assured that we are interested in deeds and not words. We will respond only if the Polish Government introduces meaningful liberalization measures and not merely cosmetic gestures. Their actions must represent real progress toward a restoration of the fundamental rights of the Polish people.

This Administration has in no way wavered in its belief that a full range of political and economic reforms, including the restoration of freely formed trade unions, must be fulfilled by the Polish Government before all sanctions can be lifted. In May, the President stated, "We want the Polish people to know that the future of Poland and free trade unions is a matter of deep concern not only to the Administration but to the American people. We pledge our solidarity with them and our vigilance for the restoration of human rights in that country."

Sincerely,



William P. Clark

Mr. Christopher Rac
Executive Committee Coordinator
POMOST
3242 N. Pulaski
Chicago, Illinois 60641

MEMORANDUM

NATIONAL SECURITY COUNCIL

39

August 12, 1983

ACTION

SIGNED

MEMORANDUM FOR WILLIAM P. CLARK

FROM: PAULA DOBRIANSKY RD

SUBJECT: Response to Letter from Christopher Rac of POMOST

At Tab II is a letter from Mr. Christopher Rac, Executive Committee Coordinator of POMOST, recommending that none of the U.S. sanctions against Poland be lifted. At Tab I is a proposed response for your signature.

RECOMMENDATION

That you sign the letter to Mr. Rac at Tab I.

Approve Disapprove

Attachments:

Tab I Proposed response
Tab II Incoming letter from Mr. Christopher Rac,
dated August 2, 1983

AUG 5 1983

2230

POMOST

SOCIO-POLITICAL MOVEMENT

40

Aug. 2, 1983

The Hon. William P. Clark
Assistant to the President for
National Security Affairs
The White House
Washington, D.C. 20500

Dear Judge Clark:

Members of the socio-political movement, Pomost (the Polish for "bridge"), are deeply concerned that negotiations might resume on rescheduling Poland's official debt.

Pomost believes that such a move would be totally without foundation considering that post martial law rules and regulations in Poland are more severe than ever, and that several top opposition leaders will continue to be imprisoned and, undoubtedly, put on trial soon for "anti-state activities."

Judge Clark, our organization has repeatedly urged the Administration to retain the sanctions against the regime in Warsaw until a genuine respect for human rights takes place in Poland.

What has happened in that country since the lifting of martial law makes a mockery of Warsaw's attempts to "normalize" relations with the West.

The spirit of Solidarity, as well as the organization's underground structure, still remains very much alive, while the abuses inflicted upon the suffering people of Poland continue in both subtle and not so subtle ways.

We urge the West to insist upon a full adherence to human rights in Poland, especially in light of the recent affirmation of these rights at the conference in Madrid.

Until this occurs, rescheduling Poland's debt or lifting any of the other sanctions can find no moral justification or defense.

Cordially,

Christopher Rac
Christopher Rac

Executive Committee Coordinator
Pomost

CR/dw

National Security Council
The White House

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System# _____

Package# _____

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	SEQUENCE TO	HAS SEEN	DISPOSITION
Executive Secretary	_____	MMK	_____
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Bud McFarlane	_____	J	_____
Jacque Hill	3	_____	_____
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Executive Secretary	_____	_____	_____
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Situation Room	_____	_____	_____

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

DISTRIBUTION

cc: VP Meese Baker Deaver Other _____

COMMENTS

Should be seen by: _____
(Date/Time)

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