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FOIA MARKER

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Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: Scowcroft, Brent, Collection
Series: USSR Chronological Files
Subseries: Soviet Power Collapse in Eastern Europe Files

OA/ID Number: 91124
Folder ID Number: 91124-008

Folder Title:
Soviet Power Collapse in Eastern Europe (October 1989) [1]

Stack:	Row:	Section:	Shelf:	Position:
G	34	3	3	3

Withdrawal/Redaction Sheet

(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01a. Memo	Robert L. Hutchings to Brent Scowcroft Re: Your Meeting with Polish Deputy Prime Minister Leszek Balcerowicz, September 26, 1989, 11:30 a.m. - 12:00 noon (2 pp.)	9/25/89	(b)(1)	C
01b. Report	Government report Re: Leszek Balcerowicz [FOIA Exemptions Redacted] (1 pp.)	9/7/89	(b)(1), (b)(3)	C
01c. Memo	Robert L. Hutchings/Adrian A. Basora to Brent Scowcroft Re: Poland's Economic Reform Program (2 pp.)	9/23/89	(b)(1)	C
01d. Cable	Re: Poland - Meeting with Finance Minister Balcerowicz: Transmittal of GOP Economic Program Document (6 pp.)	9/22/89	(b)(1)	C
02a. Coversheet	G. Philip Hughes to Distribution List Re: [Classified Subject] (1 pp.)	n.d.	(b)(1)	S
02b. Memo	Re: Brent Scowcroft to Distribution List Re: [Classified Subject] (1 pp.)	10/2/89	(b)(1)	S
02c. Report	Re: Poland's Economic Plight:... (7 pp.)	n.d.	(b)(1)	S
02d. Memo	Adrain Basora/Timothy E. Deal to Brent Scowcroft Re: [Classified Subject] (1 pp.)	10/2/89	(b)(1)	S

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Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Files
Series: USSR Chronological Files
Subseries: Soviet Power Collapse in Eastern Europe Files
WHORM Cat.:
File Location: Soviet Power Collapse in Eastern Europe (October 1989) [1]

Pinksheet Number: cap1051
OA/ID Number: 91124-008
Date Closed: 3/18/2009
FOIA/Sys Case #: 2009-0275-S
Re-review Case #:
P-2/P-5 Review Case #:

Withdrawal/Redaction Sheet

(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
03a. Memo	Brent Scowcroft to POTUS Re: New Assistance (1 pp.)	10/4/89	(b)(1)	S
03b. Memo	Brent Scowcroft to POTUS Re: New Assistance for Poland (2 pp.)	10/4/89	(b)(1)	S
03c. Report	Re: Poland's Economic Plight:... (6 pp.)	n.d.	(b)(1)	S
04a. Memo	Brent Scowcroft to POTUS Re: Messages on Poland (1 pp.)	n.d.	(b)(1)	S
04b. Memo	Robert Blackwill to Brent Scowcroft Re: Economic Assistance for Poland (1 pp.)	9/30/89	(b)(1)	S
04c. Draft	Re: Draft Remarks for the President (5 pp.)	n.d.	(b)(1)	S
04d. Memo	Robert L. Hutchings to Brent Scowcroft Re: Press Release on Poland (1 pp.)	9/30/89	(b)(1)	S
04e. Memo	G. Philip Hughes to James W. Cicconi Re: Press Release on Poland (1 pp.)	n.d.	(b)(1)	S
05a. Memo	Robert L. Hutchings to Brent Scowcroft Re: Presidential Messages on Poland (1 pp.)	9/29/89	(b)(1)	S
05b. Memo	Brent Scowcroft to POTUS Re: Messages on Poland (1 pp.)	n.d.	(b)(1)	S

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Doc. No. / Type	Subject/Title	Date	Restriction	Classification
05c. Message	Re: Message from President Bush to President Mitterrand (2 pp.)	n.d.	(b)(1)	S
05d. Message	Re: Message from President Bush to Chancellor Kohl (2 pp.)	n.d.	(b)(1)	S
05e. Message	Re: Message from President Bush to Prime Minister Andreotti (2 pp.)	n.d.	(b)(1)	S
05f. Message	Re: Message from President Bush to Prime Minister Mulroney (2 pp.)	n.d.	(b)(1)	S
05g. Message	Re: Message from President Bush to Prime Minister Kaifu (2 pp.)	n.d.	(b)(1)	S
05h. Message	Re: Message from President Bush to EC Commission President Delors [FOIA restrictions redacted] (2 pp.)	n.d.	(b)(1)	S
05i. Message	Re: Message from President Bush to Prime Minister Thatcher (3 pp.)	n.d.	(b)(1)	S
05j. Message	Re: Text of Message Dated 4 September 1989 from the Prime Minister to the President (5 pp.)	9/4/89	(b)(1)	C
05k. Memo	Robert L. Hutchings to Brent Scowcroft Re: Presidential Messages to Jaruzelski and Mazowiecki (1 pp.)	9/29/89	(b)(1)	C
05l. Memo	G. Philip Hughes to J. Stapleton Roy Re: Presidential Messages to President Jaruzelski and Prime Minister Mazowiecki (1 pp.)	n.d.	(b)(1)	C

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05m. Message	Re: Message to President Jaruzelski (2 pp.)	n.d.	(b)(1)	C
05n. Message	Re: Message to Prime Minister Mazowiecki (2 pp.)	n.d.	(b)(1)	C
05o. Letter	Prime Minister Mazowiecki to POTUS (2 pp.)	9/25/89	(b)(1)	
05p. Memo	Timothy E. Deal/Adrian Basora to Brent Scowcroft Re: Poland: Possible Assistance in the Fourth Quarter (2 pp.)	9/29/89	(b)(1)	C
06a. Outline	Re: Drop-By Meeting with West German Defense Minister Gerhard Stoltenberg (1 pp.)	10/10/89	(b)(1)	C
06b. Memo	Robert L. Hutchings to Brent Scowcroft Re: Your Meeting and the President's Drop-by with FRG Defense Minister Gerhard Stoltenberg, Octobewr 10, 1989, 3:00 - 3:30 p.m. (2 pp.)	10/7/89	(b)(1)	C
06c. Outline	Re: Drop-by Meeting with West German Defense Minister Gerhard Stoltenberg (1 pp.)	10/10/89	(b)(1)	C
06d. Talking Points	Re: Points To Be Made for Drop-By with West German Defense Minister Stoltenberg (1 pp.)	n.d.	(b)(1)	C
06e. Talking Points	Re: Points To Be Made for Drop-By with West German Defense Minister Stoltenberg (1 pp.)	n.d.	(b)(1)	C
06f. Report	Government Report (2 pp.)	5/5/89	(b)(1)	S

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P-2/P-5 Review Case #:

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CHRON FILE 7155 Add-on

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506
September 25, 1989



INFORMATION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: ROBERT D. BLACKWILL *MB*

FROM: ROBERT L. HUTCHINGS *RLH*

SUBJECT: Your Meeting with Polish Deputy Prime Minister
Leszek Balcerowicz, September 26, 1989,
11:30 a.m. - 12:00 noon

Natl Sec Advisor
has seen

Balcerowicz will be accompanied by Economics Minister Witold Trzeciakowski, another key Solidarity economist here for the IMF and World Bank meetings. Together they will be the key figures in developing Poland's economic reform strategy.

Our memorandum of September 22 (Tab II) described the economic reform package Balcerowicz and Trzeciakowski brought with them to the IMF/World Bank and their meetings with you, Secretary Brady, and Deputy Secretary Eagleburger, as well as with Senator Dole and others on the Hill. They have also presented a supplementary economic memorandum that calls for Western economic assistance, in the context of an IMF agreement, including \$750 million from the IMF and \$1 billion from the industrialized countries.

Both Brady and Eagleburger were very impressed with the caliber of these men and the determination with which they are addressing Poland's economic mess. They have not come to Washington to demand immediate economic assistance but rather to lay out their plans and medium-term needs.

By this time you will have seen just how radical these proposed reforms would be. It would be interesting to know from Balcerowicz whether there is a broad consensus behind this approach, how he and his government propose to cope with the enormous social and economic upheaval it would entail, and how he feels Moscow will react to such a head-long rush to jettison the socialist economic system.

He will need to hear from you that we want to be responsive to Poland's call for assistance, though he is expecting no firm guarantees or hard figures. He will understand fully our view that new assistance must be tied to reform and an IMF agreement,

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and will be receptive to the idea of a close dialogue (via a Presidential Mission, e.g.) so that we can assist in formulating a Polish economic reform and know how best to deploy our support.

SM
Eric Melby concurs.

Attachments

Tab I Biography

Tab II Poland's Economic Reform Program

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Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01b. Report	Government Report [FOIA Exemptions Redacted] (1 pp.)	9/7/89	(b)(1), (b)(3)	C

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Series: USSR Chronological Files
Subseries: Soviet Power Collapse in Eastern Europe Files
WHORM Cat.:
File Location: Soviet Power Collapse in Eastern Europe (October 1989) [1]

Document Partially Declassified
 (Copy of Document Follows)
 By SCS on 5/4/18

Date Closed: 3/18/2009	OA/ID Number: 91124-008
FOIA/SYS Case #: 2009-0275-S	Appeal Case #:
Re-review Case #:	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #: 2012-1491-MR (515.01)
AR Disposition:	MR Disposition: Released in Part
AR Disposition Date:	MR Disposition Date: 6/8/2015

RESTRICTION CODES

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

(b)(1) National security classified information
 (b)(2) Release would disclose internal personnel rules and practices of an agency
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 (b)(4) Release would disclose trade secrets or confidential or financial information
 (b)(6) Release would constitute a clearly unwarranted invasion of personal privacy
 (b)(7) Release would disclose information compiled for law enforcement purposes
 (b)(8) Release would disclose information concerning the regulation of financial institutions
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P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
 P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]

Leszek BALCEROWICZ
(Phonetic: bahltsenROvitch)

POLAND

Minister of Finance – Designate;
Deputy Prime Minister – Designate

One of Poland's young, up-and-coming economists, Leszek Balcerowicz is an associate of prominent Solidarity economist Ryszard Bugaj. He maintained a high profile during the negotiations to develop an economic reform program for Poland after martial law was imposed in 1981. At that time he headed one of several government-appointed teams to study the economic situation, but the program his group proposed was rejected for being too radical—Balcerowicz is a strong supporter of free enterprise. In 1982 he resigned from the Polish United Workers' Party (PZPR), probably because he was disillusioned with the party's unwillingness to implement meaningful reform. He also supports political and social changes: in 1988 he signed the "letter of the 30," which appealed to the government to allow freedom of association. (b)(3)

Balcerowicz was born in 1947. He is a graduate of the M.B.A. program at St. John's University in New York and holds a Ph.D. in economics from the Central School of Planning and Statistics in Warsaw. He has been a professor at the latter school since 1978. He has also been head researcher at the Institute of Economic Development since that time. In addition, he has worked at the Institute of International Economic Relations (1970-80) and at the Department of Economic Policy in the Institute of Basic Problems of Marxism and Leninism attached to the PZPR Central Committee (1978-80). During 1981-82 he was vice president of the Polish Economics Society. He is the author of many publications on the economic aspects of advanced technology. (b)(3)

Balcerowicz speaks fluent English. Married, he has three children. (b)(3)

LDA M 89-14939
7 September 1989



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2012-1491-MR
SCS 6/8/2015

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20508

7525 Add-on

September 23, 1989

INFORMATION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: ROBERT D. BLACKWILL/DEANE E. HOFFMANN *RB* *DH*

FROM: ROBERT L. HUTCHINGS/ADRIAN A. BASORA *RLH* *HAB*

SUBJECT: Poland's Economic Reform Program

As Bob Hutchings told you over the telephone today, the Polish Government has prepared a document (Tab I) outlining its reform program and the foreign economic assistance it envisions. The program is for radical surgery. It calls for price decontrol, along with termination of subsidies, a cutback of wage indexation and monetary growth and other anti-inflationary measures. This would be followed by rapid conversion to a market economy, privatization of many state-owned enterprises, creation of a stock exchange, and swift movement to a convertible currency. The document is only an outline, though it promises that details and a timetable are being prepared urgently.

The linkage of this plan to an IMF agreement is implied but not spelled out clearly, nor would this outline be nearly enough for the IMF to pass judgment on. The document makes both a World Bank structural adjustment loan and bilateral economic assistance an essential component of the reform program. Specifically, the Polish plan calls for "a substantial stabilization loan from the industrialized countries", to coincide with the introduction of the stabilization measures. While the timing of these measures and the connection to an IMF stabilization program are not entirely clear, it seems likely that Balcerowicz has in mind more than simple "bridge loans" (which in the US case are off-budget but for a term of only six months). For the US to respond positively would thus presumably require the commitment of substantial amounts of ESF from the already-strained 150 account. The amounts and details are not spelled out, but based on the very ambitious goals laid out in the rest of the program, and on the magnitude of previous appeals by Solidarity, he is presumably thinking in terms of hundreds of millions of dollars, and perhaps a few billion. Also requested is Paris Club relief from all debt service payments for the next 12 months, followed by a significant and permanent debt reduction.

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The Presidential Mission will give us an opportunity to discuss the plan with the Poles in more detail. Clearly it needs to be thought through fully before implementation. In any case, we must make sure it is consistent with IMF goals and the advice of our experts' team. Balcerowicz' presentation of his radical and seemingly courageous plan in Washington, starting this weekend, will clearly affect the situation in Congress regarding further assistance to Poland.

Concurrence by: Eric Melby

Attachment

Tab I Memorandum on the Economic Reform Program in Poland

<DIS>SIT: BLACKWILL HUTCHINGS VAX

<PREC> IMMEDIATE<CLAS> ~~CONFIDENTIAL~~<OSRI> RUEHWR<DTG> 221455Z SEP 89
<ORIG>FM AMEMBASSY WARSAW
<TO>TO RUEHC/SECSTATE WASHDC IMMEDIATE 9293
RUEATRS/DEPTREASURY WASHDC IMMEDIATE
INFO RUEHBS/AMEMBASSY BRUSSELS PRIORITY 5407

<SUBJ>SUBJECT: POLAND - MEETING WITH FINANCE
- MINISTER BALCEROWICZ: TRANSMITTAL
- OF GOP ECONOMIC PROGRAM DOCUMENT

<TEXT>

~~CONFIDENTIAL~~ SECTION 01 OF 05 WARSAW 13100
BRUSSELS FOR USEC

E.O. 12356: DECL: OADR

TAGS: EFIN, IMF, IBRD, PL

SUBJECT: POLAND - MEETING WITH FINANCE

- MINISTER BALCEROWICZ: TRANSMITTAL

- OF GOP ECONOMIC PROGRAM DOCUMENT

REF: WARSAW 13002

1. ~~CONFIDENTIAL~~ - ENTIRE TEXT.

2. AS INDICATED IN REFTTEL, GOP HAS PREPARED A
DOCUMENT OUTLINING ECONOMIC REFORM MEASURES
AND THE ROLE FOR FOREIGN ASSISTANCE FOR
PRESENTATION DURING BILATERALS WITH TREASURY
SECRETARY BRADY, ACTING SECRETARY EAGLEBURGER
AND UNDERSECRETARY MCCORMACK. TEXT OF DOCUMENT
FOLLOWS:

**MEMORANDUM ON THE ECONOMIC REFORM PROGRAM
IN POLAND AND THE ROLE FOR FOREIGN
FINANCIAL ASSISTANCE**

THIS DOCUMENT OUTLINES THE POLICY INTENTIONS
OF THE GOVERNMENT OF POLAND (GOP), AND
EXPLAINS POLAND'S URGENT NEEDS FOR FOREIGN
FINANCIAL ASSISTANCE. THE GOP IS NOW INTEN-
SIVELY PREPARING THE DETAILS AND TIMETABLE
OF ITS ECONOMIC PROGRAM, SO THAT THE
ELEMENTS OF THE PROGRAM DESCRIBED HEREIN
ARE PROVISIONAL AND SUBJECT TO MODIFICATION.
NONETHELESS, THE GOP LOOKS FORWARD TO
INTENSIVE DISCUSSIONS WITH THE INTERNATIONAL
COMMUNITY IN THE COMING WEEKS, AS PART OF THE
PROCESS OF POLICY FORMULATION, AND THE PURPOSE
OF THIS DOCUMENT IS TO FACILITATE SUCH DIS-
CUSSIONS.

I. BASIC AIMS OF THE ECONOMIC REFORM
THE GOVERNMENT OF POLAND INTENDS TO TRANSFORM
THE POLISH ECONOMY INTO A MARKET ECONOMY, WITH
AN OWNERSHIP STRUCTURE CHANGING GRADUALLY IN
THE DIRECTION OF THAT FOUND IN THE ADVANCED
INDUSTRIAL ECONOMIES. SUCH A TRANSFORMATION
FROM A CENTRALLY PLANNED ECONOMY TO A MARKET
ECONOMY HAS NO HISTORICAL PRECEDENT, AND THE
GOP IS AWARE OF THE PROFOUND CONCEPTUAL,
INSTITUTIONAL, AND FINANCIAL BARRIERS THAT MUST
BE OVERCOME IN ORDER TO ACHIEVE SUCCESS. THE
GOP WILL REQUIRE THE GOODWILL AND ACTIVE
ASSISTANCE OF ALL SOCIAL GROUPS IN POLAND AND
OF THE INTERNATIONAL COMMUNITY IN ORDER THAT
POLAND MAY ARRIVE PEACEFULLY, SAFELY, AND

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THE TRANSFORMATION OF THE POLISH ECONOMY MUST BE CARRIED OUT IN EXTREMELY ADVERSE ECONOMIC CIRCUMSTANCES. THE AVERAGE LIVING STANDARDS IN POLAND ARE BELOW THOSE OF 10 YEARS BEFORE, AND ABSOLUTE POVERTY HAS RISEN SHARPLY. THE ECOLOGICAL CRISIS IN MANY PARTS OF THE COUNTRY IS OF A CATASTROPHIC DIMENSION. IN RECENT MONTHS, A FINANCIAL COLLAPSE HAS LED TO THE OUTBREAK OF OPEN HYPERINFLATION, WHICH IS GRAVELY THREATENING SOCIAL STABILITY, AND IS ITSELF UNDERMINING THE FINANCIAL SYSTEM. FOR THE FIRST TIME SINCE 1982, THE LEVEL OF PRODUCTION IS DECLINING ABRUPTLY.

IN VIEW OF THE DEPTH OF THE ECONOMIC CRISIS, AND THE SCOPE OF THE REFORMS THAT POLAND SEEKS TO CARRY OUT, THE GOP IS COMMITTED TO UNDERTAKING A PROGRAM OF COMPREHENSIVE AND RAPID ECONOMIC CHANGE. THIS COMPREHENSIVE PROGRAM WILL HAVE THREE ELEMENTS:

- A) MONETARY AND PRICE STABILIZATION,
- B) STRUCTURAL ADJUSTMENT,
- C) FOREIGN ECONOMIC ASSISTANCE AND A REDUCTION OF EXTERNAL DEBT.

SUCCESS WILL REQUIRE A COORDINATED AND RAPID ADVANCE ON ALL THREE FRONTS. WE SEE MONETARY AND PRICE STABILIZATION AS AN IMMEDIATE TASK AND
~~C O N F I D E N T I A L~~ SECTION 02 OF 05 WARSAW 13100
BRUSSELS FOR USEC

E.O. 12356: DECL: OADR

TAGS: EFIN, IMF, IBRD, PL

SUBJECT: POLAND - MEETING WITH FINANCE

A PRECONDITION FOR STRUCTURAL ADJUSTMENT. THIS ADJUSTMENT REQUIRES A MAJOR EFFORT TO BE SPREAD OVER MANY YEARS. THE SEQUENCE OF STAGES FOR POLICIES IS THUS AS FOLLOWS:

- (I) IN THE COURSE OF THE NEXT THREE MONTHS OR SO A SERIES OF PRIOR ACTIONS WILL BE UNDERTAKEN TO ENSURE EFFECTIVENESS OF THE INSTRUMENTS OF FISCAL, INCOMES AND MONETARY POLICIES. THE GOVERNMENT HAS ALREADY PROPOSED TO CHANGE THE EXISTING LAW ON INDEXATION SO AS TO MAKE IT LESS INFLATIONARY;
- (II) ONCE THESE NECESSARY PREPARATIONS ARE COMPLETED, A PACKAGE OF STRONG MEASURES INTRODUCED AT ONE GO TO BEGIN TO SOLVE THE STABILIZATION PROBLEM;
- (III) AS NEARLY ALL PRICE CONTROLS ARE TO BE REMOVED AT THE BEGINNING OF STAGE (II), THE RIGHT PRICE ENVIRONMENT WILL BE CREATED FOR MARKET-INDUCED STRUCTURAL CHANGES TO TAKE PLACE.

-
A) MONETARY AND PRICE STABILIZATION

THE KEY STEPS IN STAGE (II) OF THE PROGRAM WILL BE THE FOLLOWING:

A SHARP REDUCTION OF THE GOVERNMENT'S BUDGET DEFICIT, BY ELIMINATING CURRENT SUBSIDIES;
THE UNIFICATION OF THE EXCHANGE RATE, INVOLVING A LARGE DEVALUATION OF THE OFFICIAL EXCHANGE RATE AND THE CONVERTIBILITY OF THE CURRENCY;
THE RESTRICTION OF DOMESTIC CREDIT CREATION INTENDED TO REDUCE SHARPLY THE GROWTH RATE OF MONEY SUPPLY;

RESULT IN INTEREST RATES THAT ARE HIGHER THAN
THE RATE OF INFLATION;

AN INCOMES OR MONETARY POLICY DESIGNED TO KEEP
WAGE GROWTH BELOW INFLATION DURING THE PROCESS
OF SUBSIDY REDUCTION;

A FUNDAMENTAL REFORM OF THE TAX SYSTEM OVER THE
COURSE OF THE NEXT YEAR;

A TRANSFORMATION OF PART OF THE DEFENSE INDUSTRY
TO CIVILIAN PRODUCTION.

THESE MEASURES WILL PERMIT A SHARP REDUCTION
IN THE GROWTH OF DOMESTIC CREDIT TO THE GOVERN-
MENT AND STATE ENTERPRISES AND, THUS, WILL
PROVIDE THE BASIS FOR SUSTAINED PRICE AND EX-
CHANGE RATE STABILITY. AT THE SAME TIME,
MOST OF THE EXISTING PRICE CONTROLS WILL BE
RELAXED OR ELIMINATED, TO ALLOW FOR THE
NECESSARY ADJUSTMENTS IN RELATIVE PRICES.

THE GOP RECOGNIZES THAT THE FISCAL, MONETARY,
AND EXCHANGE RATE MEASURES JUST DESCRIBED ARE
LIKELY TO LEAD TO A SHORT PERIOD OF "CORRECTIVE
INFLATION," EVEN THOUGH THEY WILL ELIMINATE THE
THE UNDERLYING MONETARY EXPANSION NOW GENERATING
THE HYPERINFLATION. AFTER THE CORRECTIVE PRICE
INCREASE AND THE IMPROVEMENT IN THE BUDGET AT
THE BEGINNING OF STAGE (II), IT WILL BE NECESSARY
IN EARLY 1990 TO STABILIZE DOMESTIC CREDIT, THE
NOMINAL EXCHANGE RATE, AND WAGES, IN ORDER TO
BREAK THE INERTIAL INFLATION AND RETURN THE
ECONOMY TO PRICE STABILITY.

THE PROSPECTS FOR EXCHANGE RATE STABILITY, AND
THEREFORE OVERALL WAGE AND PRICE STABILITY, WILL
BE GREATLY ENHANCED IF THE ANTI-INFLATION PROGRAM
IS INTRODUCED IN CONJUNCTION WITH THE EXTERNAL
FINANCIAL ASSISTANCE, AS HAS BEEN CONFIRMED BY
THE STABILIZATION EXPERIENCES OF OTHER COUNTRIES.
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E.O. 12356: DECL: OADR

TAGS: EFIN, IMF, IBRD, PL

SUBJECT: POLAND - MEETING WITH FINANCE

B) STRUCTURAL ADJUSTMENT

- THE STRUCTURAL ADJUSTMENT OF THE ECONOMY WILL
BE OF A FUNDAMENTAL CHARACTER, AND WILL INVOLVE
AMONG OTHER THINGS, THE FOLLOWING ELEMENTS. THE
ADMINISTRATIVE AND FISCAL RESTRICTIONS THAT STILL
REMAIN AND IMPEDE THE DEVELOPMENT OF PRIVATE FIRMS
WILL BE QUICKLY ELIMINATED. A SIGNIFICANT PORTION
OF THE EXISTING STATE ENTERPRISE SECTOR WILL BE
PRIVATIZED, THROUGH EFFORTS BEGINNING IMMEDIATELY
AND EXTENDING OVER SEVERAL YEARS. A REFORM OF THE
TAX SYSTEM WILL BE DESIGNED TO ENSURE THAT
ENTREPRENEURIAL EFFORT IS NOT STIFLED. CAPITAL
MARKETS WILL BE DEVELOPED TO IMPROVE THE ALLOCATION
OF FINANCIAL SAVINGS THROUGHOUT THE ECONOMY.

- CURRENTLY, APPROXIMATELY ONLY 10 PERCENT OF NON-
FARM ECONOMIC ACTIVITY IS IN THE PRIVATE SECTOR.
THROUGH A COMBINATION OF CREATING NEW PRIVATE FIRMS
AND PRIVATISING EXISTING ENTERPRISES, THE GOVERNMENT
WILL AIM TO INCREASE SUBSTANTIALLY THE SHARE OF
PRIVATE PARTICIPATION IN THE ECONOMY.

SECTOR ACTIVITY. THE GOVERNMENT WILL TAKE THE FOLLOWING STEPS TO IMPROVE THE BUSINESS CLIMATE FACED BY PRIVATE FIRMS:

- -- TAX REFORM TO SIMPLIFY TAXES AND LOWER THE MARGINAL TAX RATES FACED BY FIRMS AND INDIVIDUALS OPERATING IN THE PRIVATE SECTOR;
- -- UNIFICATION OF THE EXCHANGE RATE AND FULL CONVERTIBILITY;
- -- AN IMMEDIATE ELIMINATION OF IMPORT AND EXPORT LICENSING FOR MOST GOODS IN INTERNATIONAL TRADE;
- -- CREATION OF A STOCK EXCHANGE;
- -- CREATION OF PRIVATE BANKS, AND ENCOURAGEMENT OF FOREIGN BANKING PARTICIPATION IN THE POLISH ECONOMY.

--

- 2) PRIVATISATION OF STATE ENTERPRISES. THE GOVERNMENT WILL QUICKLY PREPARE LEGISLATION TO GUIDE THE PROCESS OF PRIVATISATION OF THE STATE SECTOR. THE BASIC DESIGN OF PRIVATISATION IS LIKELY TO BE ALONG THE LINES CARRIED OUT BY OTHER COUNTRIES IN RECENT YEARS: AUCTIONS OF ENTERPRISE SHARES, WITH SPECIAL PURCHASE RIGHTS RESERVED FOR THOSE DIRECTLY AFFECTED BY PRIVATISATION, I.E. WORKERS AND MANAGERS. OTHER METHODS OF PRIVATISATION WILL ALSO BE EXPLORED IN ORDER TO FACILITATE THE PROCESS. IN ADDITION TO AUCTIONING SHARES, SOME SHARES MAY BE DISTRIBUTED DIRECTLY TO WORKERS AND MANAGERS IN ORDER TO IMPROVE WORK INCENTIVES WITHIN THE FIRM DURING THE FIRM'S TRANSITION TO MORE COMPLETE PRIVATISATION.

--

3) IMPROVING THE EFFICIENCY OF PUBLIC SECTOR ENTERPRISES. PRIVATIZATION WILL NECESSARILY TAKE TIME, AND WILL INVOLVE ONLY A PART OF THE STATE SECTOR. FIRMS THAT REMAIN IN THE STATE SECTOR MUST BE MADE TO FUNCTION ON A NORMAL MARKET BASIS. TO ACCOMPLISH THIS, THE "SOFT BUDGET CONSTRAINT" WHICH NOW DISTORTS THE INCENTIVES OF STATE ENTERPRISES WILL BE "HARDENED" THROUGH VARIOUS MEASURES, INCLUDING THE CREATION AND ACTIVE USE OF A NEW BANKRUPTCY CODE, TO GUIDE THE REORGANIZATION OR LIQUIDATION OF LOSS-MAKING ENTERPRISES.

4) THE REALLOCATION OF RESOURCES AMONG SECTORS. IN ADDITION TO THE INSTITUTIONAL CHANGES JUST DESCRIBED, THE GOP WILL MAKE PREPARATION TO EASE SECTORAL CHANGES IN THE ECONOMY THAT WILL BE THE RESULT OF THE TRANSFORMATION TO A MARKET SYSTEM. POLAND HAS DEVOTED EXCESSIVE RESOURCES TO HEAVY INDUSTRY AND INSUFFICIENT RESOURCES

~~CONFIDENTIAL~~ SECTION 04 OF 05 WARSAW 13100
BRUSSELS FOR USEC

E.O. 12356: DECL: OADR

TAGS: EFIN, IMF, IBRD, PL

SUBJECT: POLAND - MEETING WITH FINANCE
TO SERVICES, THE PRODUCTION OF CONSUMER GOODS,
AND HOUSING CONSTRUCTION. THE TIGHTENING OF
FINANCIAL CONDITIONS FACING ENTERPRISES IS
EXPECTED TO INDUCE A SCALING-DOWN OF INVESTMENT
IN HEAVY INDUSTRY, AND SOME BANKRUPTCIES, AND
THEREBY TO FREE RESOURCES FOR OTHER USES. IN

YEARS.

BECAUSE OF THE PROSPECT FOR LARGE-SCALE WORKER REALLOCATIONS, IT WILL BE NECESSARY TO ESTABLISH SYSTEMS OF UNEMPLOYMENT COMPENSATION, SEVERANCE PAYMENTS, AND WORKER RETRAINING TO FACILITATE THE PROCESS WITH A MINIMUM OF SOCIAL CONFLICT. IN ADDITION, IT WILL BE NECESSARY TO IMPROVE THE MARKET FOR HOUSING RENTALS AND PURCHASES IN ORDER TO INCREASE THE GEOGRAPHICAL MOBILITY OF WORKERS. TAX LAWS WILL BE CHANGED TO FACILITATE THE RESALE OF HOUSES.

-
C. FOREIGN ECONOMIC ASSISTANCE AND A REDUCTION OF EXTERNAL DEBT.

- THE GOP IS INTENT ON WORKING CLOSELY WITH THE INTERNATIONAL COMMUNITY IN THE PREPARATION AND IMPLEMENTATION OF THE ECONOMIC REFORM PROGRAM. INDEED, THE GOP BELIEVES THAT FOREIGN ASSISTANCE - BOTH TECHNICAL AND FINANCIAL - IS NECESSARY FOR THE SUCCESS OF POLAND'S STABILIZATION AND REFORM PROGRAM.

- THE GOP ALSO DESIRES A RAPID NEGOTIATION OF A STRUCTURAL ADJUSTMENT LOAN FROM THE WORLD BANK. THE WORLD BANK'S INDUSTRIAL AND STRUCTURAL ADJUSTMENT LOANS WOULD BE VITAL IN SUPPORTING THE REALLOCATION OF RESOURCES FROM THE STATE SECTOR TO THE PRIVATE SECTOR, AND FROM HEAVY INDUSTRY TO SERVICES AND CONSTRUCTION. THE GOP WOULD ALSO LIKE TO HAVE TECHNICAL ASSISTANCE IN SEVERAL AREAS, INCLUDING: PRIVATIZATION, CREATION OF A STOCK EXCHANGE, ESTABLISHMENT AND SUPERVISION OF A PRIVATE BANKING SECTOR.

- IN ADDITION TO THE IMF AND WORLD BANK SUPPORT, THE GOP URGENTLY APPEALS FOR A SUBSTANTIAL STABILIZATION LOAN FROM THE INDUSTRIAL COUNTRIES, TO COINCIDE WITH THE INTRODUCTION OF THE STABILIZATION MEASURES OUTLINED EARLIER. THE PURPOSE OF SUCH A STABILIZATION LOAN WILL BE TO REPLENISH POLAND'S LIMITED RESERVES AND THUS TO ENHANCE THE CHANCE OF SUCCESS.

- IN ADDITION TO THESE FORMS OF SUPPORT, THE GOP APPEALS FOR RELIEF FROM DEBT SERVICE PAYMENTS DURING THE NEXT 12 MONTHS, TO BE FOLLOWED BY SIGNIFICANT AND PERMANENT DEBT REDUCTION IN THE FUTURE. THIS APPEAL IS DIRECTED IN PARTICULAR AT THE PARIS CLUB. POLAND WILL ALSO REQUEST RELIEF ON ITS DEBT WITH THE CMEA COUNTRIES.

- WITH RESPECT TO THE COMMERCIAL BANKS, POLAND WILL SEEK A NEW AGREEMENT WHICH WILL REFLECT POLAND'S LIMITED ABILITY TO SERVICE MEDIUM AND LONG-TERM COMMERCIAL BANK DEBT.

- POLAND LOOKS FORWARD TO CLOSER ECONOMIC INTEGRATION IN TRADE AND FINANCE WITH THE EUROPEAN COMMUNITY. IN THE COURSE OF FUTURE NEGOTIATIONS WITH THE EUROPEAN COMMUNITY, POLAND WILL SEEK TO REDUCE BARRIERS TO TRADE AND FINANCIAL FLOWS WITH THE EC. AS A MATTER

LIBERALIZE THE RULES GOVERNING THE IMPORTS,
FINANCIAL FLOWS, AND FOREIGN DIRECT INVESTMENT,
AND IN RETURN INTENDS TO SEEK GREATER ACCESS
FOR POLISH EXPORTS TO THE EC.

END TEXT

~~CONFIDENTIAL~~ SECTION 05 OF 05 WARSAW 13100

BRUSSELS FOR USEC

E.O. 12356: DECL: OADR

TAGS: EFIN, IMF, IBRD, PL

SUBJECT: POLAND - MEETING WITH FINANCE
DAVIS

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CHRON FILE

WASHFAX RECEIPT

THE WHITE HOUSE

C

MESSAGE NO. _____ CLASSIFICATION ~~SECRET~~ PAGES 8

FROM G. PHILIP HUGHES
(NAME) (EXTENSION) (ROOM NUMBER)

MESSAGE DESCRIPTION Economic Asst To Poland
LOG # 7833

TO (AGENCY)	DELIVER TO:	DEPT/ROOM NO.	EXTENSION
STATE	Stapleton Roy	EXEC SEC	
DOD	George Cole	EXEC SEC	
Commerce	Craig Helsing	EXEC SEC	
TREASURY	Emily Walker	EXEC SEC	

REMARKS _____

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PER E.O. 13526
2009-1004-MR
SCS 4/18/13

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CHRON FILE

7833

THE WHITE HOUSE
WASHINGTON

4

October 2, 1989

MEMORANDUM FOR THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF DEFENSE
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF LABOR
THE DIRECTOR, OFFICE OF MANAGEMENT & BUDGET
THE CHAIRMAN, COUNCIL OF ECONOMIC ADVISERS

SUBJECT: Economic Assistance to Poland (S)

Attached is a revised version of the paper sent to you on September 29 which reflects your comments and suggestions. (S)


Brent Scowcroft

Attachment
Tab A Poland's Economic Plight: An Evaluation

DECLASSIFIED
PER E.O. 13526
2009-1004-MR
SCS 4/18/13

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Declassify on: OADR

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Poland's Economic Plight: An Evaluation of the
Proposed Reform Program and Possible U.S. Assistance Measures

Political and Economic Situation in Poland

The establishment of the first noncommunist government in Poland is truly historic. Prime Minister Mazowiecki has a chance to gain the public trust that is needed for the difficult economic steps ahead, but the honeymoon is undoubtedly of limited duration. The public is weary of chronic economic distress and the standard of living is actually lower today than 10 years ago. Any further significant decline in the economic well-being of the population would likely bring labor unrest and demands that could strangle incipient economic reforms. Mazowiecki's government is walking a treacherous path between hard-line communists who count on unrest to provide a pretext for a crackdown and radical workers who are determined to maintain the welfare state at whatever cost.

Economic reform will require a substantial overhaul of the government's management of the economy. The new Solidarity-led government must rein in inflation and secure worker tolerance, if not support, for tough measures that will affect them adversely. At a minimum, this will mean budgetary and enterprise financial discipline and replacement of Communist party-affiliated plant managers and economic officials, who lack managerial or technical expertise. In addition, the government must introduce incentives into the system, including encouragement of private enterprises; educate the public on the need for reform; and quickly get and maintain consensus within the government on the recently announced economic reform program.

Poland's Reform Program and the Requested Foreign Assistance

The reform program outlined by the new Finance Minister in meetings with senior U.S. officials calls for radical surgery. The plan envisions sharp reductions in the budget deficit, monetary growth and domestic credit; removal of price controls; devaluation of the zloty and movement toward convertibility; and policies designed to hold wage growth below inflation. Over the medium-term the government plans to eliminate restrictions on private sector activity; privatize large sectors of the state enterprise sector; reform the tax system; and create a stock exchange and private banks with foreign participation encouraged.

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To carry out the program, the Poles have requested foreign economic assistance in addition to an IMF program which the Poles hope to conclude toward year's end. The Poles want Western governments to: (a) provide \$490 million in grants to cover a fourth quarter cash shortfall for 1989; (b) extend \$1 billion in stabilization or stand-by loans in 1990; and (c) offer at least a three-year moratorium on official debt repayments.

Assessment of the Plan and Requested Assistance

The Polish economic situation is extremely complex and unique, involving both the problems of run away inflation and the difficulties of restructuring a nonmarket economy. Not only is the overall price level rising dramatically, requiring an economic stabilization program, but there is no recent history of appropriate relative prices. This necessitates a far-reaching structural adjustment plan. Relative prices will be critical, for example, in determining where to allocate investment.

Structural adjustment, involving the transition to a market economy, cannot take place in the midst of hyperinflation, so macroeconomic stabilization is a prerequisite for success of subsequent measures. The Polish stabilization plan is radical, but this is not unusual for a stabilization plan. While further details will need to be specified, the basic elements seem quite sensible.

There is concern that a radical stabilization will result in large (30 percent) reduction in real wages as wage indexation is removed and prices jump following a devaluation and further removal of price controls. The available data, which suggest that real wages have risen by more than 30 percent over the past year, are likely to overstate the current real wage level. Especially in urban areas, there are severe shortages of many goods. Stabilization and improvement in distribution could help urban workers, even if it resulted in a large measured real wage cut.

The Polish Plan calls for three types of foreign assistance:

- (1) The requested \$490 million would come in advance of an IMF stand-by and would need to be available in December. The Poles have arrived at the figure in the following way: They estimate that their fourth quarter cash shortfall will total \$880 million. They are requesting \$490 million to cover principal and interest due on unsecured debt and for imports of basic goods, including grain and pharmaceuticals. The remaining \$390 would be covered by already announced

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Western food assistance and deferral of interest payments on their London Club debt (commercial debt).

(2) The Poles want a \$1 billion fund for currency stabilization. The money would have to be available in the January-March time-frame and would come after an IMF standby was negotiated. The fund might substantially improve the likelihood of successful economic stabilization. The amount is not excessive. A smaller amount will be less effective.

A currency stabilization fund would function primarily to strengthen the credibility of the authorities in implementing the comprehensive macroeconomic stabilization program. Such a program is designed to restore stability in the face of extreme inflationary pressures and a balance of payments crisis. The \$1 billion lends credibility to the authorities' commitment to stable prices and a stable currency by enabling them to defend against speculative attacks. The very fact of a G-7 backed fund would build faith in the zloty. This may be a critical factor in the success of macroeconomic stabilization. For instance, the successful Israeli stabilization of 1985 included a U.S. currency stabilization loan of \$1.5 billion over 2 years.

The money could be extended as loan or grant. Grants would probably be more effective since the West would then not add to Poland's heavy indebtedness. If the funds were not needed (if there were no run on the zloty), the grants could be used to augment the Enterprise Fund. This approach might also silence critics in Congress -- led by Paul Simon -- who wish to enhance the Enterprise Fund by \$300 million per year over three years. We do, however, have the option of using loans for the stabilization fund.

The \$1 billion figure for Poland represents the equivalent of about 2 months of Polish convertible currency imports. The size of the proposed fund relative to GDP is substantially smaller than the Israeli stabilization loan. The proposed loan to Poland is about 3.3 percent of GDP, while the loan to Israel was roughly 7.5 percent of GDP.

(3) The Polish Plan also calls for at least a 3-year moratorium on official debt repayments. The rationale is that Poland will require "time out" from transferring resources abroad so as to begin restructuring the economy. The resources can be used for investment domestically. A "time out" is likely to be an important component of getting the Polish economy on its feet. The United States has already indicated willingness to support early and generous

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treatment of Polish debts in the Paris Club in advance of an IMF agreement.

The United States and other countries already have proposed a wide range of short term and longer term measures. However, many measures, for example, to encourage private investment, are unlikely to be successful without macroeconomic stabilization. Medium and longer-term measures should be supported and encouraged. As the Polish Plan recognizes, the first steps should focus on a well formulated macroeconomic stabilization program.

The U.S. Response

We need to act quickly to regain the initiative. The announcement by the President of expanded U.S. assistance would give the Poles hope and underscore our confidence in the new Polish government as it embarks on the painful path of economic reform. The House Foreign Affairs Committee intends to act Wednesday on both the Administration's pending Polish legislation and on a modified Simon-Cranston bill. If we do not counter with an effective legislative package of our own, the likely result will be adoption of a modified version of the Simon bill. Simon's bill has already been reported out of Senate Foreign Relations and is ready to go to the Senate floor. The following measures could constitute the U.S. response:

1. \$200 Million Grant for Economic Stabilization

In response to Poland's request for a \$1 billion stabilization fund the United States could offer \$200 million in grants to promote longer-term economic growth in Poland. Such grants would be contingent upon Poland reaching agreement with the IMF, our Economic Summit partners joining us in reaching the \$1 billion target for the fund, and the recommendation of the President's mission (see below). No U.S. resources would be disbursed from this stabilization fund until the experts' mission had reported to the President and we had coordinated use of the money with both the Polish Government and the G-24. One potential use of the fund would be to bolster Polish foreign currency reserves (balance of payments support) and provide a cushion against a collapse of the zloty. The advantages of such a grant are:

- It responds to Poland's specific requests.
- It would provide immediate economic support to the new Solidarity-led government as it attempts to implement economic reforms.

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- It would allow the Administration to regain the initiative from Congressional critics who favor more costly, but less focused aid measures.

The \$490 million request is more problematic because the funds are required in advance of an IMF stand-by and cuts against our insistence on conditionality. The request might be handled through some combination of private sector contributions of funds for imports and public encouragement of commercial debt rescheduling.

2. Presidential Mission

In addition to the \$200 million grant for stabilization purposes, the President could dispatch a high-level mission to Poland. Such a Presidential Mission would have both symbolic and substantive objectives. It would symbolize an enhanced U.S. commitment to assist Poland in the most effective way possible and demonstrate the President's continuing personal involvement. Substantively, its mandate would be to:

- Contact economic leaders in the private and public sectors and further relationships already established by the visits of Secretary Mosbacher and the Agriculture Department to Poland;
- Establish the cooperative framework for channeling U.S. expertise, public and private, into the sectors where it is needed most and likely to be most productive.
- Coordinate this activity with the Polish stabilization program.
- Establish mechanisms and organizational arrangements to facilitate the gathering of reliable data from which priorities for the sectors key to Poland's economic growth established and specific opportunities for technical assistance and investment of private capital can be identified;
- Recommend a follow-through program with specific timelines and goals under which the appropriate experts will develop necessary data and identify specific technical assistance needs and investment opportunities.
- Offer recommendations on how the \$200 million provided by the U.S. as part of the stabilization funds might be spent most effectively.

The Mission would report to the President who would then brief Congress and selected world leaders and make his recommendations. It would also share its findings with the 24-nation Concerted Action Group. Either at the time of his statement outlining the new package or at the time that the

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mission reports to him the President could announcement that he is naming a senior level U.S. Coordinator for Poland to coordinate follow-on activities. The Coordinator would be responsible for coordinating U.S. public and private sector efforts and be the main contact with Poland and other countries, relevant international organizations, the Congress, and the media.

The \$200 million stabilization grant and the Presidential Mission focus on different issues, but they are actually closely interrelated. It is essential that the United States response be cast in a coordinated economy-wide perspective. The \$200 million grant would provide for stability of prices which is essential if economic reforms at the micro level are to be successful. The important initiatives resulting from Secretary Mosbacher's mission -- new cooperative frameworks, private sector agreements, and follow-up investment missions -- which will be developed as part of the Presidential Mission will have a lasting impact only if overall economic stability is achieved. Moreover, reductions in real wages and changes in relative prices, which are likely to result from the indexation reforms and the stabilization effort, have important implications for how firm-specific or sector-specific cooperation might best take place. Experiences with market reforms in China and Chile in recent years suggest the potential for failure if the individual reforms are not coordinated and sequenced in a proper fashion.

Expertise provided by the proposed U.S. Coordinator and coming from his team on the ground in Poland would eventually provide for a proper integration of all parts of the program. But in the meantime, it is essential that the Presidential Mission focus on how macroeconomic stabilization efforts and likely relative price changes interact with the many promising individual initiatives that will result from the Mission.

In developing this program for U.S. assistance to Poland, we should not draw attention away from Hungary. Poland has reached a new stage of reform with the selection of a non-communist government, but Hungary is also in the midst of fundamental political and economic change. Multiparty elections will likely be held next year, and the Hungarians have long had the most market-oriented economy in Eastern Europe. We need to take account too of the Hungarian's recent decision to allow East German refugees to emigrate to the FRG -- a decision that strained Hungarian relations with its conservative Warsaw Pact allies. Hungary's economic problems are not as severe as Poland's and the difficulties are of a different character. Effective aid to Hungary may rest heavily on technical assistance and private investment -- though debt restructuring may be necessary at some point too. The Hungarians have already

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developed an economic reform plan, and we should be prepared to respond after the elections next year.

Allied coordination is a key element of an effective Western assistance program for Poland and Hungary. In reasserting U.S. leadership we must be careful that our initiatives are cast not as "made in America" but as our contribution to the Western effort. The President sponsored the concept of concerted action at the Paris Summit and endorsed the G-24 meetings. The U.S. must not be seen as backing away from a concerted effort. When the President decides on our new package, he should send letters to his counterparts describing our new initiative and asking that they contribute to the \$1 billion fund. We might also instruct U.S. ambassadors in allied capitals to reiterate the need for Western support of a Paris Club rescheduling and other elements of the President's extant program.

The President could make an announcement of the new package early this week. At that time, the President might also issue invitations to President Jaruzelski and Prime Minister Mazowiecki to visit the United States.

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506
October 2, 1989

*make
revised
for*

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: DEANE E. HOFFMANN/ROBERT D. BLACKWILL *RB*

FROM: ADRIAN BASORA/TIMOTHY E. DEAL *AAB*

SUBJECT: Economic Assistance to Poland

Attached at Tab I is a memorandum to the Principals who have participated in the discussions on the Polish initiative, transmitting a revised version of the paper (Tab A) sent to them on September 29 to reflect their comments and suggestions.

Concurrence by: Condi Rice. *CR*

RECOMMENDATION

That you sign the memorandum at Tab I.

Attachments

Tab I Memo to the Agencies
Tab A Poland's Economic Plight: An Evaluation

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Declassify on: OADR

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NSC/S PROFILE

RECORD ID: 8907805
RECEIVED: 02 OCT 89 09

CHRON FILE

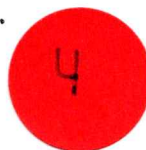
TO: PRESIDENT

FROM: SCOWCROFT

DOC DATE: 02 OCT 89
SOURCE REF:

KEYWORDS: POLAND

ECONOMIC ASSISTANCE



PERSONS:

SUBJECT: NEW ASSISTANCE TO POLAND

ACTION: NOTED BY PRES DUE DATE: 05 OCT 89 STATUS: C
STAFF OFFICER: RICE LOGREF:
FILES: PA NSCIF: CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION

FOR CONCURRENCE

FOR INFO
RICE

DECLASSIFIED
White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By cap NARA, Date 3/18/09

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSMDC CLOSED BY: NSMDC DOC 2 OF 2

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RECORD ID: 8907805

ACTION DATA SUMMARY REPORT

DOC ACTION OFFICER

001 SCOWCROFT
002

CAO ASSIGNED ACTION REQUIRED

Z 89100409 FWD TO PRES FOR DECISION
X 89100509 NOTED BY PRES

DECLASSIFIED

White House Guidelines

E.O. 12958, SEC 3.4 (B) September 11, 2006

By Cap NARA, Date 3/18/09

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~~CONFIDENTIAL~~

THE PRESIDENT HAS SEEN 10/4/89

THE WHITE HOUSE

W/ *From the desk of*

George Bush

Brent

Please add

sentences on

"Economic Committee on
Policy" plus whatever else
remains

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROF

SUBJECT: New Assistance

Purpose. To respond to government for

Background. The Administration held extensive talks with the Polish Finance Minister last week who presented an

Per Gates, this was done.

reform. The Poles now appear to have a strict program of economic reform. They will conclude negotiations with the IMF by the end of the year. They have asked for a \$1 billion fund for economic reform, which is not available at the time that the IMF will request an agreement from the IMF.

JWC 10/4/89

dly that the U.S. would reform moves ahead. The of a non-communist government decision to implement market-stitute a major step forward ange there.

Administration is under pressure
more for Poland. Paul Simon's

b111 which would allocate \$300 million per year over 3 years for the Enterprise Fund has considerable support. The Republican leadership is anxious to see the Administration regain the initiative.

DECLASSIFIED
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2009-1004-MR
SCS 4/25/13

We have developed a package that we believe meets both the needs of the Poles and the immediate political demands of the Hill. You would announce your intention to ask Congress for an additional \$200 million for assistance to Poland as the U.S. contribution to the West's \$1 billion response to the request. The money would be available when the Poles sign an IMF agreement. U.S. experts would also work with the Poles to determine the best use of the fund.

~~CONFIDENTIAL~~

Declassify on: OADR

~~CONFIDENTIAL~~

cc: Vice President
Chief of Staff

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

THE PRESIDENT HAS SEEN 10/4/89

THE WHITE HOUSE
WASHINGTON

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT
SUBJECT: New Assistance for Poland

Purpose. To respond to the request of the new Mazowiecki government for aid to Poland.

Background. The Administration held extensive talks with the Polish Finance Minister last week who presented an outline for economic reform. The Poles now appear ready to implement a strict program of economic reform and intend to conclude negotiations with the IMF by the end of the year. They have asked the West to establish a \$1 billion fund for economic stabilization available at the time that they implement reforms. Poland will request an additional \$700 million from the IMF.

We have said repeatedly that the U.S. would respond as Poland's reform moves ahead. The formation in Poland of a non-communist government and the leadership's decision to implement market-oriented reforms constitute a major step forward in the process of change there.

As you know, the Administration is under pressure from the Hill to do more for Poland. Paul Simon's bill which would allocate \$300 million per year over 3 years for the Enterprise Fund has considerable support. The Republican leadership is anxious to see the Administration regain the initiative.

We have developed a package that we believe meets both the needs of the Poles and the immediate political demands of the Hill. You would announce your intention to ask Congress for an additional \$200 million for assistance to Poland as the U.S. contribution to the West's \$1 billion response to the request. The money would be available when the Poles sign an IMF agreement. U.S. experts would also work with the Poles to determine the best use of the fund.

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2009-1004-MR
SCS 4/25/13

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Declassify on: OADR

~~CONFIDENTIAL~~

cc: Vice President
Chief of Staff

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

You would also announce that you are sending a Presidential Mission of economic and technical experts to help the Poles determine their long-term economic assistance needs. The Mission would report back to you.

RECOMMENDATION.

That you approve a \$200 million grant for additional assistance to Poland.

Approve _____

Disapprove _____

That you approve the Presidential Mission.

Approve _____

Disapprove _____

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Poland's Economic Plight: An Evaluation of the
Proposed Reform Program and Possible U.S. Assistance Measures

Political and Economic Situation in Poland

The establishment of the first noncommunist government in Poland is truly historic. Prime Minister Mazowiecki has a chance to gain the public trust that is needed for the difficult economic steps ahead, but the honeymoon is undoubtedly of limited duration. The public is weary of chronic economic distress and the standard of living is actually lower today than 10 years ago. Any further significant decline in the economic well-being of the population would likely bring labor unrest and demands that could strangle incipient economic reforms. Mazowiecki's government is walking a treacherous path between hard-line communists who count on unrest to provide a pretext for a crackdown and radical workers who are determined to maintain the welfare state at whatever cost.

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PER E.O. 13526

2009-1004-MR
SCS 4/18/13

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To carry out the program, the Poles have requested foreign economic assistance in addition to an IMF program which the Poles hope to conclude toward year's end. The Poles want Western governments to: (a) provide \$490 million to cover a fourth quarter cash shortfall for 1989; (b) extend \$1 billion in stabilization or stand-by loans in 1990; and (c) offer at least a three-year moratorium on official debt repayments.

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The Polish economic situation is extremely complex and unique, involving both the problems of run away inflation and the difficulties of restructuring a non-market economy. Not only is the overall price level rising dramatically, requiring an economic stabilization program, but also there is no recent history of appropriate relative prices. This necessitates a far-reaching structural adjustment plan. Relative prices will be critical, for example, in determining where to allocate investment.

Structural adjustment, involving the transition to a market economy, cannot take place in the midst of hyperinflation, so macroeconomic stabilization is a prerequisite for success of subsequent measures. The Polish stabilization plan is radical, but this is not unusual for a stabilization plan. While further details will need to be specified, the basic elements seem quite sensible.

There is concern that radical stabilization will result in a large (30 percent) reduction in real wages as wage indexation is removed and prices jump following a devaluation and further removal of price controls. The available data, which suggest that real wages have risen by more than 30 percent over the past year, are likely to overstate the current real wage level. Especially in urban areas, there are severe shortages of many goods. Stabilization and improvement in distribution could help urban workers, even if it resulted in a large measured real wage cut.

The Polish Plan calls for three types of foreign assistance:

- (1) The requested \$490 million would come in advance of an IMF stand-by and would need to be available in December. The Poles have arrived at the figure in the following way: They estimate that their fourth quarter cash shortfall will total \$880 million. They are requesting \$490 million to cover principal and interest due on unsecured debt and for imports of basic goods, including grain and pharmaceuticals. The remaining \$390 would be covered by already announced Western food assistance and deferral of interest payments on

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their London Club debt (commercial debt). This request might be handled through some combination of private sector contributions of funds for imports and encouragement of commercial debt rescheduling.

(2) The \$1 billion currency stabilization fund would have to be available in the January-March time-frame and would come after an IMF stand-by was negotiated. The fund would substantially improve the likelihood of successful economic stabilization. The amount is not excessive. A smaller amount would be less effective.

A currency stabilization fund would function primarily to strengthen the credibility of the Polish authorities in implementing the comprehensive macroeconomic stabilization program. Such a program is designed to restore stability in the face of extreme inflationary pressures and a balance of payments crisis. The \$1 billion lends credibility to the authorities' commitment to stable prices and a stable currency by enabling them to defend against speculative attacks. The very fact of a G-7 backed fund would build faith in the zloty. This may be a critical factor in the success of macroeconomic stabilization. For instance, the successful Israeli stabilization of 1985 included a U.S. currency stabilization loan of \$1.5 billion over 2 years.

The money could be extended as loan or grant. Grants would probably be more effective since the West would then not add to Poland's heavy indebtedness. If the funds were not needed (if there were no run on the zloty), the grant could be used to augment the Enterprise Fund. This approach might also silence critics in Congress -- led by Paul Simon -- who wish to enhance the Enterprise Fund by \$300 million per year over three years. We do, however, have the option of using loans for the stabilization fund.

The \$1 billion figure for Poland represents the equivalent of about 2 months of Polish convertible currency imports. The size of the proposed fund relative to GDP is substantially smaller than the Israeli stabilization loan. The proposed loan to Poland is about 3.3 percent of GDP, while the loan to Israel was roughly 7.5 percent of GDP.

(3) The Polish Plan also calls for at least a 3-year moratorium on official debt repayments. The rationale is that Poland will require "time out" from transferring resources abroad so as to begin restructuring the economy. The resources can be used for investment domestically. A "time out" is likely to be an important component of getting the Polish economy on its feet. The United States has

already indicated willingness to support early and generous treatment of Polish debts in the Paris Club in advance of an IMF agreement.

As summarized in the accompanying paper, the United States and other countries already have proposed a wide range of short-term and longer-term measures. However, many measures, for example, to encourage private investment, are unlikely to be successful without macroeconomic stabilization. Medium and longer-term measures should be supported and encouraged. However, as the Polish Plan recognizes, the first steps should focus on a well formulated macroeconomic stabilization program.

The U.S. Response

To regain the initiative and provide a coherent framework for expanded U.S. assistance efforts the President could announce soon the next phase in our efforts to assist recovery in Poland. The House Foreign Affairs Committee intends to act Wednesday on both the Administration's pending Polish legislation and on a modified Simon-Cranston bill. The likely result is adoption of the modified Simon bill. Simon's bill has already been reported out of Senate Foreign Relations and is ready to go to the Senate floor. The following measures are for consideration by principals:

1. \$200 Million Grant for Economic Stabilization

In response to Poland's request for a \$1 billion stabilization fund after negotiation of an IMF program in 1990, the United States could offer \$200 million in new grant or loan money for stabilization. We would ask our allies to contribute the remaining \$800 million. The IMF program would probably be used to bolster Polish foreign currency reserves (balance of payments support) and provide a cushion against a collapse of the zloty. The advantages of such a grant are:

- It responds to Poland's specific requests.
- It would provide immediate economic support to the new Solidarity-led government as it attempts to introduce necessary, but painful, economic reforms.
- It would allow the Administration to regain the initiative from Congressional critics who favor more costly, but less focused, aid measures.

2. Presidential Mission

In addition to the \$200 million grant for stabilization purposes, the President could dispatch a high-level mission to

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Poland. Such a Presidential Mission would have both symbolic and substantive objectives. It would symbolize an enhanced U.S. commitment to assist Poland in the most effective way possible and demonstrate the President's continuing personal involvement. Substantively, its mandate would be to:

- Contact economic leaders in the private and public sectors and further relationships already established by the visits of Secretary Mosbacher and the Agriculture Department to Poland;
- Establish the cooperative framework for channeling U.S. expertise, public and private, into the sectors where it is needed most and likely to be most productive.
- Coordinate this activity with the Polish stabilization program.
- Establish mechanisms and organizational arrangements to facilitate the gathering of reliable data from which priorities for the sectors key to Poland's economic growth can be established and specific opportunities for technical assistance and investment of private capital can be identified;
- Recommend a follow-through program with specific timelines and goals under which the appropriate experts will develop necessary data and identify specific technical assistance needs and investment opportunities.

The Mission would report to the President who would then brief Congress and selected world leaders and make his recommendations. At that time he would also announce that he is naming a senior-level U.S. Coordinator for Poland to coordinate follow-on activities. The Coordinator would report to the Secretary of State or his designee. The Coordinator would be responsible for coordinating U.S. public and private sector efforts and be the main contact with Poland and other countries, relevant international organizations, the Congress, and the media.

The \$200 million stabilization grant and the Presidential Mission focus on different issues, but they are actually closely interrelated. It is essential that the United States response be cast in a coordinated economy-wide perspective. The \$200 million grant would provide for stability of prices which is essential if economic reforms at the micro level are to be successful. The important initiatives resulting from Secretary Mosbacher's mission -- new cooperative frameworks, private sector agreements, and follow-up investment missions -- which will be developed as part of the Presidential Mission will have a lasting impact only if overall economic stability is achieved. Moreover, reductions in real wages and changes in relative prices, which are likely to

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result from the indexation reforms and the stabilization effort, have important implications for how firm-specific or sector-specific cooperation might best take place. Experiences with market reforms in China and Chile in recent years suggest the potential for failure if the individual reforms are not coordinated and sequenced in a proper fashion.

Expertise provided by the proposed U.S. Coordinator and coming from his team on the ground in Poland would eventually provide for a proper integration of all parts of the program. But in the meantime, it is essential that the Presidential Mission focus on how macroeconomic stabilization efforts and likely relative price changes interact with the many promising individual initiatives that will result from the Mission.

In developing this program for U.S. assistance to Poland, we should not draw attention away from Hungary. Poland has reached a new stage of reform with the selection of a non-communist government, but Hungary is also in the midst of fundamental political and economic change. Multiparty elections will likely be held next year, and the Hungarians have long had the most market-oriented economy in Eastern Europe. We need to take account too of the Hungarian's recent decision to allow East German refugees to emigrate to the FRG -- a decision that strained Hungarian relations with its conservative Warsaw Pact allies. Hungary's economic problems are not as severe as Poland's and the difficulties are of a different character. Effective aid to Hungary may rest heavily on technical assistance and private investment -- though debt restructuring may be necessary at some point too. The Hungarians have already developed an economic reform plan, and we should be prepared to respond after the elections next year.

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NSC/S PROFILE

RECORD ID: 8907282
RECEIVED: 16 SEP 89 11

TO: PRESIDENT

FROM: SCOWCROFT

DOC DATE: 04 OCT 89
SOURCE REF:

KEYWORDS: POLAND

HS

PERSONS: MAZOWIECKI, TADEUSZ

JARUZELSKI, WOJCIECH

SUBJECT: PRES MSG ON POLAND

ACTION: NOTED BY PRES DUE DATE: 04 OCT 89 STATUS: C

STAFF OFFICER: HUTCHINGS LOGREF:

FILES: PA NSCIF: CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION

FOR CONCURRENCE

FOR INFO
HUTCHINGS

DECLASSIFIED
White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By Cop NARA, Date 3/10/09

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSCLG CLOSED BY: NSJRP DOC 3 OF 3

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THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT

SUBJECT: Messages on Poland

*Brent
has in not
needed original
GB
10-4*

Purpose

To inform your G-7 counterparts, EC Commission President Delors and Polish leaders about your initiatives toward Poland.

Background

Pending your decision on a \$200 million grant to help stabilize the Polish economy, we have prepared messages (Tabs A through I) informing the G-7 leaders and Delors of your intentions, including the forthcoming Presidential Mission, and expressing your hope that the G-7 countries will make major contributions to an overall \$1 billion Western stabilization fund. To strengthen the efforts we have already made to develop concerted Western action, the messages link our bilateral initiatives with recommendations for multilateral action through the G-24.

Although alike in substance, the messages have been tailored to the individual recipients. The message to Mrs. Thatcher also responds to her September 4 message on Poland and acknowledges her recent message on her meetings with Gorbachev.

The letters to Jaruzelski and Mazowiecki also contain invitations to them separately to visit the United States at times of mutual convenience.

RECOMMENDATION

That you approve the messages at Tabs A through I for dispatch.

Approve _____ Disapprove _____

DECLASSIFIED
PER E.O. 13526
2009-1004-MR
SCS 4/18/13

cc: Vice President
Chief of Staff

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Declassify on: OADR

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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REDO

September 30, 1989

9/30/89
1515

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

FROM: ROBERT BLACKWILL *RB*

SUBJECT: Economic Assistance for Poland *should announce that too.*

Brent -- You will see we do not include reference to a U.S. coordinator. If Larry Eagleburger could be persuaded to do it, we should announce that too.
Bob Blackwill

Attached is a set of revised documents in keeping with your instructions this morning. They reflect both of the points on which you agreed with Dick Darman, namely, the need to ensure that our allies put up the remaining \$800 million so that the stabilization fund is fully financed, and the concept that there would be an agreement with the Polish government on the conditions for use of the \$200 million US contribution.

As for TD
Tim Deal concurs.

RECOMMENDATION:

That you approve the documents at Tabs I through V.

Approve _____

Disapprove _____

Attachments

Tab I	Presidential Remarks
Tab II	Press Office Statement
Tab III	Letters to G-7 leaders and Delors
Tab IV	Letters to Mazowiecki and Jaruzelski
Tab V	Talking Points for Use with Congressional Leaders
Tab VI	Memo on Possible Fourth Quarter Assistance for Poland

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2009-1004-MR

SCS 4/18/13

4/25/13

DRAFT REMARKS FOR THE PRESIDENT

I want to take a few minutes to talk about new steps I am taking to support the extraordinary progress of democracy in Poland.

No one can doubt this Administration's commitment to supporting this process. Our policy has been to provide support step by step. Last April at Hamtramck I announced a series of economic assistance measures. During my July visit to Poland, I reaffirmed U.S. support when I announced the creation of a \$100 million Enterprise Fund and major initiatives in labor, the environment, management training and exchange programs. The Paris Economic Summit endorsed my proposal for developing concerted Western action in support of Poland.

Now, in light of clearly growing needs, a Solidarity-led government committed to fundamental reform, and our self-evident stake in its success, we must do more.

Forty years of communism have done Poland as much damage as the Second World War, but in a different way. The basic economic problem in Poland is structural. The system does not work and needs redesigning. The existing system has deprived Poland of the key ingredients of success: individual initiative; the free flow of capital, goods, people, and information; the incentives of a free marketplace. Such vital sectors as agriculture, banking, communications, and transportation have been stifled. There are not even valid statistics on which to base recovery

efforts. I believe the United States, the industrialized democracies, and the IMF and World Bank have much to offer in the way of insight, practical experience and technical knowledge. This can make a decisive difference.

Any nation's strength is based on its people--their education, their skills, their creativity, and their courage. We know these human resources are abundantly present in Poland. We need only to help them lift up the dead hand of central planning and statism and build a more open system, with a free market that respects private initiative and liberates their own talents. Such a wholesale structural transformation requires know-how, technical and management skills, and financial expertise, as well as funds to ease the pain of transition.

We believe, and our Western economic allies agree, that Western financial assistance must go hand-in-hand with economic reform and Poland's conclusion of an agreement with the IMF. Working with the IMF, Poland can put together a sound economic recovery program which will restore its creditworthiness and open the way to billions of dollars in new loans and credits.

We are encouraged by the steps Poland is taking in this direction. Last week the new Polish government outlined its economic reform program, which calls for strong anti-inflationary measures and rapid movement toward a market economy. In the context of the successful conclusion of an IMF agreement, the

Polish government has called for \$700 million from the IMF and \$1 billion from the industrialized countries in stabilization assistance. I want to be responsive to that request in two ways. First, I will ask the Congress for substantial new economic support for Poland. As its contribution to the \$1 billion stabilization fund Poland has requested, the United States will extend a \$200 million grant. The grant will be contingent upon Poland reaching agreement with the IMF, and arrangements for its use will be worked out with the Polish Government. We will work with the industrialized democracies -- and particularly our Economic Summit partners -- to ensure complete financing of the \$1 billion fund, since the concept can be effective only if it is fully funded.

This aid is only a short-term measure, however. To be successful, Poland needs to develop its own capacity for sustained economic development. Hence, responding to Poland's request for economic and technical assistance, the United States will make available the best minds and ideas that America has, to help Poland with its awesome task of rebuilding. I am instructing [my Secretaries of Agriculture and Commerce and the Chairman of the Council of Economic Advisers] to lead a Presidential Mission to Poland. This mission will be comprised of experts from finance, agriculture, industry, business, transportation, communications, and labor. Drawing from the best talent in our society -- public and private, business, labor, and academia -- these Americans will work with their

Polish counterparts to help them develop short and long-term plans of action. Americans will be working in Poland through the dark hours of winter to the warmth of next summer, to help build a Western partnership with Poland leading to economic recovery.

The short-term objective of this mission will be to establish -- as soon as possible -- a cooperative framework for channeling U.S. assistance, public and private, directly into the sectors where it is most needed and likely to be most productive. I look to the mission to recommend a detailed follow-on program for a variety of sectors, with specific timetables and goals, which will identify more precisely technical assistance priorities and investment opportunities.

These efforts to help change the long-term structure and performance of the Polish economy are in addition to our efforts to meet the immediate needs of the Polish people. We have pledged over \$100 million in food aid for the Polish people. The first shipments are already on the way. Working with the other industrialized democracies, we will provide the necessary help during this time of special need.

The future of Poland depends on concerted and sustained Western action. No country alone can provide all the help Poland needs. The "Group of 24" industrialized democracies, that emerged from the deliberations of the Paris Economic Summit, is developing a

common Western strategy toward Poland, including assistance worth hundreds of millions of dollars and coordinated emergency food aid. I am confident that increased substantial Western resources for Poland will be forthcoming from this multilateral effort.

In July, I had an opportunity to consult with Poland's leaders and to see the courageous path that they were taking. In order to continue the dialogue, I am inviting President Jaruzelski who hosted me and the new Prime Minister Mazowiecki to visit the U.S. at times convenient for each of them.

[I have discussed these steps with Congressional leaders.]
I welcome the innovative ideas put forward by Congressional leaders of both parties. I want to continue working with Congress to develop a bipartisan approach towards our common goal -- providing swift and effective support to the people and government of Poland.

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1525 Add-on

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

September 30, 1989

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: ROBERT D. BLACKWILL/DEANE HOFFMANN *RB* *DBH*

FROM: *CR for* ROBERT L. HUTCHINGS

SUBJECT: Press Release on Poland

We have prepared an updated White House Statement on our policy toward Poland and Hungary. It focuses mainly on Poland and provides conceptual elaboration to Administration policy from Hamtramck on and would be released at the time of the President's announcement of his new initiative.

CR for
Peter Rodman concurs.

RECOMMENDATION

That you authorize Philip Hughes sign the Tab I memorandum for Cicconi.

Approve _____ Disapprove _____

Attachments

Tab I Hughes Memorandum for Cicconi
Tab A Draft Press Release

DECLASSIFIED
White House Guidelines
E.O. 13526, SEC 3.4 (b), September 11, 2006
By *CAP* NARA, Date *7/20/12*

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

STATEMENT BY THE PRESS SECRETARY

The world has watched with wonder as Poland has moved -- swiftly and peacefully -- to form a new government under Prime Minister Mazowiecki, the first non-Communist government in Eastern Europe in more than forty years. We salute Prime Minister Mazowiecki, President Jaruzelski, Solidarity leader Lech Walesa and so many other distinguished Polish leaders for their courage and wisdom in helping bring about a new beginning for Poland.

From the very start of this Administration, President Bush has taken the lead in supporting reform in Poland and Hungary. At Hamtramck, Michigan, in April, on the day of the signing of the Roundtable Agreement in Poland, the President announced a set of measures to open U.S. markets and encourage private sector loans and investments. In July, he visited Poland and Hungary and spoke before the new, freely elected Polish parliament, as well as to a massive gathering at the Solidarity monument in Gdansk. He announced a further comprehensive package of assistance measures to support Poland's economic and political regeneration, a package which took account of the fact that Poland did not yet have its new government or its new economic policies in place. He announced a similar program during his visit to Hungary, which is also embarked on a promising path of political and economic reform. A few days later, at the Paris Economic Summit, the President proposed and our Summit partners agreed to a plan for concerted Western action to encourage and assist economic reform and democratic change in Poland and Hungary.

In early September, the Administration submitted to Congress a comprehensive legislative proposal that would create a \$100 million Enterprise Fund for Poland and a \$25 million Fund for Hungary, as well as a Labor Initiative and an Environmental Initiative together totalling \$20 million. In addition to this \$145 million proposal and other initiatives we have taken by reprogramming existing resources, we have offered \$100 million in emergency food aid to Poland in the coming fiscal year, in addition to \$8 million in FY 89. In dollar terms, this total package already involves over \$250 million.

We have also moved to encourage new trade and investment, granting both Poland and Hungary access to the U. S. Generalized System of Preferences and authorizing, pending Congressional

action, the Overseas Private Investment Corporation to operate in both countries. On September 18, the President announced that he would grant Hungary permanent Most Favored Nation status, pending passage by the Hungarian parliament of new emigration legislation.

We have engaged the resources and creativity of the private sector, recognizing that the U.S. Government alone could not, and should not, render all the support Poland and Hungary require. On the eve of his trip to those countries in July, the President hosted a White House Symposium in which he urged leaders from the American private sector -- labor leaders, businessmen, educators, and others -- to be actively engaged in supporting economic and political change in Eastern Europe. In mid-September, Commerce Secretary Mosbacher led a U.S. investment mission to Poland and Hungary, where he and American businessmen developed concrete proposals to encourage new private investments, joint ventures, and other forms of expanded U.S. business involvement in redeveloping these two economies.

The dramatic changes in Poland over the past two months have lent new urgency to our efforts. What Poland is doing is historic, in the largest sense of the word. It holds the promise not only of a peaceful transition to democratic rule in Poland, but also of the beginning of the end of Europe's division, toward a Europe whole and free. It is also unprecedented: never before has a country attempted a successful transformation of a state-controlled economic and political system into one of political pluralism, democracy and a market economy. The new Polish government under Prime Minister Mazowiecki has a chance to consolidate the public trust that is needed for the difficult economic steps ahead, but it faces major economic problems.

There is no disagreement that Poland needs, and will have, strong U.S. support. The question is how best to provide that support. We believe, as do our Western economic partners, that Poland can best go forward by reforming its economy and becoming credit-worthy again by reaching early agreement with the IMF on an economic reform plan. We also support a prompt and generous Paris Club rescheduling of Poland's international debt. This, along with agreement with the IMF, will make Poland eligible for IMF and World Bank loans totalling hundreds of millions of dollars annually. It will also give confidence to official and commercial creditors, whose participation in Poland's recovery is vital.

Poland is taking important steps toward reforming its economy. The Administration had a series of meetings last week with key ministers in the new Polish government and reviewed the outlines of their economic reform program. It is an ambitious and bold plan, calling for radical economic reform and rapid movement toward agreement with the IMF. An integral part of the plan is an urgent request for Western economic assistance in helping to stabilize the Polish economy as reforms are implemented. In the

context of an agreement with the IMF, the Poles seek, in addition to IMF and World Bank support, \$1 billion in stabilization funds from the industrialized countries.

In response to Poland's request, the President has decided on two major new steps.

First, he will ask Congress to approve a \$200 million grant for stabilization purposes, which would be the U.S. contribution to the \$1 billion in Western assistance the Poles have requested, and which would be contingent upon conclusion of an IMF agreement. The U.S. will be working closely with its allies to make certain that the entire \$1 billion is available to Poland for this stabilization fund since the concept can be effective only if the fund is fully financed. A program for use of the \$200 million U.S. contribution will be worked out with the Polish government. The President will be ready to work with Congress to develop a strong bipartisan approach toward the common goal of providing prompt and effective support to the government and people of Poland.

Second, in addition to providing urgently needed assistance to help stabilize the Polish economy as reforms are introduced, it is important to develop a longer term strategy to assist Poland's recovery. Toward that end, the President will send to Warsaw within the next few weeks a Presidential Mission including senior U.S. officials and business and academic leaders to discuss with the Polish government its economic plans and evaluate its needs. This mission will focus on those economic sectors where U.S. expertise and experience can be of greatest assistance -- agriculture, business management, financial services and others, pinpointing areas for reform and for productive use of assistance resources. This initial mission will be followed by experts' missions in key economic sectors.

As the President has said, the future of Poland and Hungary depend on concerted and sustained Western action. These efforts must be complementary, not duplicative, and must be coordinated with the efforts of the IMF and World Bank. That is why the President called on our G-7 economic partners at the Paris Economic Summit to establish new mechanisms for coordinating our efforts. The twenty-four nation "Group for Economic Assistance to Poland and Hungary", which emerged from the Paris Summit, has already met three times and has pledged \$271 million dollars in emergency food aid to Poland. It has also begun to develop a common assistance strategy for Poland and Hungary. Beyond food aid, West Germany, France, Britain, Japan, and several other countries have already announced their intention to provide substantial bilateral assistance. The IMF has indicated it will move quickly in assisting Poland to develop an overall economic stabilization and reform program, and the World Bank is prepared to extend major new credits once an IMF program is in place.

Finally, in order to continue the dialogue with Poland's leaders that he began in July, the President is inviting President Jaruzelski and the new Prime Minister Mazowiecki to visit Washington at times convenient for each of them.

These are the steps the Administration has taken and will be taking in support of democratic change in Poland and Hungary: economic assistance conditioned upon real progress toward reform, business and technical assistance, the opening of investment and trade opportunities, and concerted Western action in conjunction with other industrialized democracies and the international financial institutions. These combined measures constitute an international recovery program that provides broad and substantial Western support for the historic changes now underway in Poland and Hungary.

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7525 Add-on

~~CONFIDENTIAL~~
NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20508

MEMORANDUM FOR JAMES W. CICCONI

SUBJECT: Press Release on Poland

Attached is a draft press release elaborating the President's approach toward Poland and Hungary and specific measures he has taken to support economic reform and democratic change. It is meant to follow the President's announcement of his new initiatives and should be released soon thereafter.

G. Philip Hughes
Executive Secretary

Attachment
Tab A Draft Press Release

DECLASSIFIED
White House Guidelines
E.O. 13526, SEC 3.4 (b), September 11, 2006
By OMP NARA, Date 1/27/12

~~CONFIDENTIAL~~

Declassify on: OADR

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

September 29, 1989

DECLASSIFIED
PER E.O. 13526

2009-1004-MR

SCS 4/18/13

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: ROBERT D. ^{RS}BLACKWILL/DEANE HOFFMANN ^{RS for DA}FROM: ROBERT L. HUTCHINGS ^{RLH}

SUBJECT: Presidential Messages on Poland

At Tabs A through G are messages from the President to his G-7 counterparts as well as EC Commission President Delors, informing them of our intentions regarding Poland and soliciting their contributions to a multilateral \$1 billion stabilization fund. Each message is tailored to the recipient; the message to Prime Minister Thatcher also responds to her letter of September 4 (Tab H).

We will forward briefer messages to Jaruzelski and Mazowiecki for handling via the crosshatch system.

^{RS for DP}
Doug Paal concurs.

RECOMMENDATION

That sign the memorandum to the President and approve the messages at Tabs A through G for immediate dispatch via White House privacy channels.

Approve _____ Disapprove _____

Attachments

Tab I Memorandum to the President

Tab A Message to Mitterrand

Tab B Message to Kohl

Tab C Message to Andreotti

Tab D Message to Mulroney

Tab E Message to Kaifu

Tab F Message to Delors

Tab G Message to Thatcher

Tab H Incoming Message from Thatcher dated September 4

THE WHITE HOUSE
WASHINGTONDECLASSIFIED
PER E.O. 13526

2009-1004-MR

SCS 4/18/13

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT

SUBJECT: Messages on Poland

Purpose

To inform your G-7 counterparts and EC Commission President Delors about your initiatives toward Poland.

Background

Pending your decision on a \$200 million grant to help stabilize the Polish economy, we have prepared messages (Tabs A through G) informing the G-7 leaders and Delors of your intentions, including the forthcoming Presidential Mission, and expressing your hope that the G-7 countries will make major contributions to an overall \$1 billion Western stabilization fund. To strengthen the efforts we have already made to develop concerted Western action, the messages link our bilateral initiatives with recommendations for multilateral action through the G-24.

Although alike in substance, the messages have been tailored to the individual recipients. The message to Mrs. Thatcher also responds to her September 4 message on Poland (attached at Tab H), and acknowledges her recent message on her meetings with Gorbachev. We will also prepare shorter messages for Jaruzelski and Mazowiecki, to be cabled to our Embassy in Warsaw.

RECOMMENDATION

That you approve the messages at Tabs A through G for dispatch via privacy channels pending your decision on aid to Poland.

Approve _____ Disapprove _____

cc: Vice President
Chief of Staff~~SECRET~~

Declassify on: OADR

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Message from President Bush to President Mitterrand
via White House Privacy Channels

Dear Francois,

I am writing to share with you some additional thoughts about the historic developments of the past few weeks in Poland. The formation of a Solidarity-led government under Prime Minister Mazowiecki, and the manner in which this dramatic transformation took place, puts Poland at the forefront of peaceful democratic transition in Eastern Europe.

As we were saying on the phone recently, the events in Poland are historic, with the potential to transform and overcome the post-war division of Europe. Prime Minister Mazowiecki and his government have a unique opportunity to introduce meaningful economic reform, which will pave the way for a more prosperous future. But that opportunity may be short-lived, if the Polish people believe that economic reform simply means more austerity.

My Administration had a series of meetings last week with key ministers in the new Polish government and reviewed the outlines of their economic reform program. As the U.S. delegation noted at last week's meeting of the Group of 24 in Brussels, it is an ambitious and bold plan, calling for radical economic reform and rapid movement toward agreement with the IMF. An integral part of the plan is an urgent request for Western economic assistance in helping to stabilize the Polish economy as reforms are implemented. In the context of an agreement with the IMF, the Poles seek, in addition to IMF and World Bank support, \$1 billion in stabilization funds from the industrialized countries. Our own calculations indicate that this figure is about right. The IMF agreement itself would assure the conditionality that we all agree must be attached to our economic assistance.

I want to be responsive to Poland's request and to encourage the West's concerted action toward that end. I have decided to extend to Poland a \$200 million grant for stabilization purposes, which would be the U.S. contribution to the \$1 billion in Western assistance the Poles have requested. This grant would be contingent upon conclusion of an IMF agreement, and a plan for its use would be worked out with the Polish government. I believe Western assistance for this purpose should take the form of grants rather than loans, which would only add to Poland's enormous external debt. I will be making a formal announcement soon, because I consider it important to act quickly so as to help solidify support within Poland for the new reform program. My announcement will also reaffirm the importance I attach to working together with you and our economic partners to strengthen concerted action in support of Poland's reforms.

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I hope France will make a major contribution to this \$1 billion multilateral stabilization fund to meet Poland's urgent needs. We must do all we can to help the Poles succeed with a reform plan that has IMF approval. A prompt Western commitment to provide \$1 billion in grants upon conclusion of an IMF agreement would be a strong incentive for the Poles to press ahead with their reforms and negotiations with the IMF.

I also plan to send a high-level Presidential mission to Poland consisting of economic and technical experts who would discuss and evaluate Polish needs and plans. On the basis of their report, and after consultation with you, with the EC Commission, and with other major donors, I would then formulate a more detailed plan for how best to structure long term U.S. assistance to Poland. The plan would be designed primarily to stimulate Polish agriculture and private sector development and help to make Poland economically viable as quickly as possible. I will also ask this group to make its findings available to you through the Concerted Action Group.

In that context, I am very gratified by the progress made since the Paris Economic Summit in developing concerted Western action, and by the EC "action plan" announced in Brussels September 26. As the group continues to develop a common general strategy, it will be important for the U.S., France, and the other G-7 countries to take an active leadership role in charting its agenda.

I shall be sharing some of these same thoughts with our other G-7 partners and with Commission President Jacques Delors. I would welcome hearing more about your own plans with respect to Poland, and about the Concerted Action process.

With my warmest personal regards,

Sincerely,

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Message from President Bush to Chancellor Kohl
via White House Privacy Channels

Dear Helmut,

I am writing to share with you some additional thoughts about the historic developments of the past few weeks in Poland. The formation of a Solidarity-led government under Prime Minister Mazowiecki, and the manner in which this dramatic transformation took place, puts Poland at the forefront of peaceful democratic transition in Eastern Europe.

As I was saying to Theo Waigel a few days ago, the events in Poland are historic, with the potential to transform and overcome the post-war division of Europe. Prime Minister Mazowiecki and his government have a unique opportunity to introduce meaningful economic reform, which will pave the way for a more prosperous future. But that opportunity may be short-lived, if the Polish people believe that economic reform simply means more austerity.

My Administration had a series of meetings last week with key ministers in the new Polish government and reviewed the outlines of their economic reform program. As the U.S. delegation noted at last week's meeting of the Group of 24 in Brussels, it is an ambitious and bold plan, calling for radical economic reform and rapid movement toward agreement with the IMF. An integral part of the plan is an urgent request for Western economic assistance in helping to stabilize the Polish economy as reforms are implemented. In the context of an agreement with the IMF, the Poles seek, in addition to IMF and World Bank support, \$1 billion in stabilization funds from the industrialized countries. Our own calculations indicate that this figure is about right. The IMF agreement itself would assure the conditionality that we all agree must be attached to our economic assistance.

I want to be responsive to Poland's request and to encourage the West's concerted action toward that end. I have decided to extend to Poland a \$200 million grant for stabilization purposes, which would be the U.S. contribution to the \$1 billion in Western assistance the Poles have requested. This grant would be contingent upon conclusion of an IMF agreement, and a plan for its use would be worked out with the Polish government. I believe Western assistance for this purpose should take the form of grants rather than loans, which would only add to Poland's enormous external debt. I will be making a formal announcement soon, because I consider it important to act quickly so as to help solidify support within Poland for the new reform program. My announcement will also reaffirm the importance I attach to working together with you and our economic partners to strengthen concerted action in support of Poland's reforms.

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I hope the Federal Republic will make a major contribution to this \$1 billion multilateral stabilization fund to meet Poland's urgent needs, since the concept can be effective only if it is fully funded. We must do all we can to help the Poles succeed with a reform plan that has IMF approval. A prompt Western commitment to provide the full \$1 billion in grants upon conclusion of an IMF agreement would be a strong incentive for the Poles to press ahead with their reforms and negotiations with the IMF.

I also plan to send a high-level Presidential mission to Poland consisting of economic and technical experts who would discuss and evaluate Polish needs and plans. On the basis of their report, and after consultation with you, with the EC Commission, and with other major donors, I would then formulate a more detailed plan for how best to structure long term U.S. assistance to Poland. The plan would be designed primarily to stimulate Polish agriculture and private sector development and help to make Poland economically viable as quickly as possible. I will also ask this group to make its findings available to the Group of 24.

In that context, I am very gratified by the progress made since the Paris Economic Summit in developing concerted Western action, and by the EC "action plan" announced in Brussels September 26. As the group continues to develop a common general strategy, it will be important for the U.S., the Federal Republic, and the other G-7 countries to take an active leadership role in charting its agenda.

I shall be sharing some of these same thoughts with our other G-7 partners and with Commission President Jacques Delors. I would welcome hearing more about your own plans with respect to Poland, as well as your views on our coordination efforts.

I am gratified that you are feeling better, and I look forward to seeing you in the fall.

With my warmest personal regards,

Sincerely,

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Message from President Bush to Prime Minister Andreotti
via White House Privacy Channels

Dear Giulio,

I am writing to share with you some of my thoughts about the historic developments of the past few weeks in Poland. The formation of a Solidarity-led government under Prime Minister Mazowiecki, and the manner in which this dramatic transformation took place, puts Poland at the forefront of peaceful democratic transition in Eastern Europe.

The events in Poland are historic, with the potential to transform and overcome the post-war division of Europe. Prime Minister Mazowiecki and his government have a unique opportunity to introduce meaningful economic reform, which will pave the way for a more prosperous future. But that opportunity may be short-lived, if the Polish people believe that economic reform simply means more austerity.

My Administration had a series of meetings last week with key ministers in the new Polish government and reviewed the outlines of their economic reform program. As the U.S. delegation noted at last week's meeting of the Group of 24 in Brussels, it is an ambitious and bold plan, calling for radical economic reform and rapid movement toward agreement with the IMF. An integral part of the plan is an urgent request for Western economic assistance in helping to stabilize the Polish economy as reforms are implemented. In the context of an agreement with the IMF, the Poles seek, in addition to IMF and World Bank support, \$1 billion in stabilization funds from the industrialized countries. Our own calculations indicate that this figure is about right. The IMF agreement itself would assure the conditionality that we all agree must be attached to our economic assistance.

I want to be responsive to Poland's request and to encourage the West's concerted action toward that end. I have decided to extend to Poland a \$200 million grant for stabilization purposes, which would be the U.S. contribution to the \$1 billion in Western assistance the Poles have requested. This grant would be contingent upon conclusion of an IMF agreement, and a plan for its use would be worked out with the Polish government. I believe Western assistance for this purpose should take the form of grants rather than loans, which would only add to Poland's enormous external debt. I will be making a formal announcement soon, because I consider it important to act quickly so as to help solidify support within Poland for the new reform program. My announcement will also reaffirm the importance I attach to working together with you and our economic partners to strengthen concerted action in support of Poland's reforms.

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2009-1004-MR
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I hope Italy will make a major contribution to this \$1 billion multilateral stabilization fund to meet Poland's urgent needs, since the concept can be effective only if it is fully funded. We must do all we can to help the Poles succeed with a reform plan that has IMF approval. A prompt Western commitment to provide the full \$1 billion in grants upon conclusion of an IMF agreement would be a strong incentive for the Poles to press ahead with their reforms and negotiations with the IMF.

I also plan to send a high-level Presidential mission to Poland consisting of economic and technical experts who would discuss and evaluate Polish needs and plans. On the basis of their report, and after consultation with you, with the EC Commission, and with other major donors, I would then formulate a more detailed plan for how best to structure long term U.S. assistance to Poland. The plan would be designed primarily to stimulate Polish agriculture and private sector development and help to make Poland economically viable as quickly as possible. I will also ask this group to make its findings available to the Group of 24.

In that context, I am very gratified by the progress made since the Paris Economic Summit in developing concerted Western action, and by the EC "action plan" announced in Brussels September 26. As the group continues to develop a common general strategy, it will be important for the U.S., Italy, and the other G-7 countries to take an active leadership role in charting its agenda.

I shall be sharing some of these same thoughts with our other G-7 partners and with Commission President Jacques Delors. I would welcome hearing more about your own plans with respect to Poland, as well as your views on our coordination efforts.

With warm regards,

Sincerely,

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Message from President Bush to Prime Minister Mulroney
via White House Privacy Channels

Dear Brian,

Following up on our talks in Kennebunkport, I want to share with you some additional thoughts about the historic developments of the past few weeks in Poland. The formation of a Solidarity-led government under Prime Minister Mazowiecki, and the manner in which this dramatic transformation took place, puts Poland at the forefront of peaceful democratic transition in Eastern Europe.

The events in Poland are historic, with the potential to transform and overcome the post-war division of Europe. Prime Minister Mazowiecki and his government have a unique opportunity to introduce meaningful economic reform, which will pave the way for a more prosperous future. But that opportunity may be short-lived, if the Polish people believe that economic reform simply means more austerity.

My Administration had a series of meetings last week with key ministers in the new Polish government and reviewed the outlines of their economic reform program. As the U.S. delegation noted at last week's meeting of the Group of 24 in Brussels, it is an ambitious and bold plan, calling for radical economic reform and rapid movement toward agreement with the IMF. An integral part of the plan is an urgent request for Western economic assistance in helping to stabilize the Polish economy as reforms are implemented. In the context of an agreement with the IMF, the Poles seek, in addition to IMF and World Bank support, \$1 billion in stabilization funds from the industrialized countries. Our own calculations indicate that this figure is about right. The IMF agreement itself would assure the conditionality that we all agree must be attached to our economic assistance.

I want to be responsive to Poland's request and to encourage the West's concerted action toward that end. I have decided to extend to Poland a \$200 million grant for stabilization purposes, which would be the U.S. contribution to the \$1 billion in Western assistance the Poles have requested. This grant would be contingent upon conclusion of an IMF agreement, and a plan for its use would be worked out with the Polish government. I believe Western assistance for this purpose should take the form of grants rather than loans, which would only add to Poland's enormous external debt. I will be making a formal announcement soon, because I consider it important to act quickly so as to help solidify support within Poland for the new reform program. My announcement will also reaffirm the importance I attach to working together with you and our economic partners to strengthen concerted action in support of Poland's reforms.

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PER E.O. 13526

2009-1005-MR
5/21/2014 MM

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I hope Canada will make an important contribution to this \$1 billion multilateral stabilization fund to meet Poland's urgent needs, since the concept can be effective only if it is fully funded. We must do all we can to help the Poles succeed with a reform plan that has IMF approval. A prompt Western commitment to provide the full \$1 billion in grants upon conclusion of an IMF agreement would be a strong incentive for the Poles to press ahead with their reforms and negotiations with the IMF.

I also plan to send a high-level Presidential mission to Poland consisting of economic and technical experts who would discuss and evaluate Polish needs and plans. On the basis of their report, and after consultation with you, with the EC Commission, and with other major donors, I would then formulate a more detailed plan for how best to structure long term U.S. assistance to Poland. The plan would be designed primarily to stimulate Polish agriculture and private sector development and help to make Poland economically viable as quickly as possible. I will also ask this group to make its findings available to you the Group of 24.

In that context, I am very gratified by the progress made since the Paris Economic Summit in developing concerted Western action, and by the EC "action plan" announced in Brussels September 26. As the group continues to develop a common general strategy, it will be important for the U.S., Canada, and the other G-7 countries to take an active leadership role in charting its agenda.

I shall be sharing some of these same thoughts with our other G-7 partners and with Commission President Jacques Delors. I would welcome hearing more about your own plans with respect to Poland, as well as your views on our coordination efforts.

With my warmest personal regards,

Sincerely,

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Message from President Bush to Prime Minister Kaifu
via White House Privacy Channels

Dear Toshiki,

I am writing to share with you some of my thoughts about the historic developments of the past few weeks in Poland. The formation of a Solidarity-led government under Prime Minister Mazowiecki, and the manner in which this dramatic transformation took place, puts Poland at the forefront of peaceful democratic transition in Eastern Europe.

The events in Poland are historic, with the potential to transform and overcome the post-war division of Europe. Prime Minister Mazowiecki and his government have a unique opportunity to introduce meaningful economic reform, which will pave the way for a more prosperous future. But that opportunity may be short-lived, if the Polish people believe that economic reform simply means more austerity.

My Administration had a series of meetings last week with key ministers in the new Polish government and reviewed the outlines of their economic reform program. As the U.S. delegation noted at last week's meeting of the Group of 24 in Brussels, it is an ambitious and bold plan, calling for radical economic reform and rapid movement toward agreement with the IMF. An integral part of the plan is an urgent request for Western economic assistance in helping to stabilize the Polish economy as reforms are implemented. In the context of an agreement with the IMF, the Poles seek, in addition to IMF and World Bank support, \$1 billion in stabilization funds from the industrialized countries. Our own calculations indicate that this figure is about right. The IMF agreement itself would assure the conditionality that we all agree must be attached to our economic assistance.

I want to be responsive to Poland's request and to encourage the West's concerted action toward that end. I have decided to extend to Poland a \$200 million grant for stabilization purposes, which would be the U.S. contribution to the \$1 billion in Western assistance the Poles have requested. This grant would be contingent upon conclusion of an IMF agreement, and a plan for its use would be worked out with the Polish government. I believe Western assistance for this purpose should take the form of grants rather than loans, which would only add to Poland's enormous external debt. I will be making a formal announcement soon, because I consider it important to act quickly so as to help solidify support within Poland for the new reform program. My announcement will also reaffirm the importance I attach to working together with you and our economic partners to strengthen concerted action in support of Poland's reforms.

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I hope Japan will make a major contribution to this \$1 billion multilateral stabilization fund to meet Poland's urgent needs, since the concept can be effective only if it is fully funded. We must do all we can to help the Poles succeed with a reform plan that has IMF approval. A prompt Western commitment to provide the full \$1 billion in grants upon conclusion of an IMF agreement would be a strong incentive for the Poles to press ahead with their reforms and negotiations with the IMF.

I also plan to send a high-level Presidential mission to Poland consisting of economic and technical experts who would discuss and evaluate Polish needs and plans. On the basis of their report, and after consultation with you, with the EC Commission, and with other major donors, I would then formulate a more detailed plan for how best to structure long term U.S. assistance to Poland. The plan would be designed primarily to stimulate Polish agriculture and private sector development and help to make Poland economically viable as quickly as possible. I will also ask this group to make its findings available to the Group of 24.

In that context, I am very gratified by the progress made since the Paris Economic Summit in developing concerted Western action, and by the EC "action plan" announced in Brussels September 26. As the group continues to develop a common general strategy, it will be important for the U.S., Japan, and the other G-7 countries to take an active leadership role in charting its agenda.

I shall be sharing some of these same thoughts with our other G-7 partners and with Commission President Jacques Delors. I would welcome hearing more about your own plans with respect to Poland, as well as your views on our coordination efforts, and I urge you to join me in giving Poland's new government a chance to succeed. Now is the time for action.

With warm regards,

Sincerely,

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Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
05h. Message	Re: Message from President Bush to EC Commission President Delors [FOIA restrictions redacted] (2 pp.)	n.d.	(b)(1)	S

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Files
Series: USSR Chronological Files
Subseries: Soviet Power Collapse in Eastern Europe Files
WHORM Cat.:
File Location: Soviet Power Collapse in Eastern Europe (October 1989) [1]

Document Partially Declassified
 (Copy of Document Follows)
 By MM on 1/25/2023

Date Closed:	3/18/2009	OA/ID Number:	91124-008
FOIA/SYS Case #:	2009-0275-S	Appeal Case #:	
Re-review Case #:		Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	2012-0275-MR(511.09)
AR Disposition:		MR Disposition:	Released in Part
AR Disposition Date:		MR Disposition Date:	4/7/2016

RESTRICTION CODES

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

(b)(1) National security classified information
 (b)(2) Release would disclose internal personnel rules and practices of an agency
 (b)(3) Release would violate a Federal statute
 (b)(4) Release would disclose trade secrets or confidential or financial information
 (b)(6) Release would constitute a clearly unwarranted invasion of personal privacy
 (b)(7) Release would disclose information compiled for law enforcement purposes
 (b)(8) Release would disclose information concerning the regulation of financial institutions
 (b)(9) Release would disclose geological or geophysical information concerning wells

Deed of Gift Restrictions

C(1) Closed by Executive Order 13526, governing access to national security information
 C(2) Closed by statute or by the agency which originated the information
 C(3) Closed in accordance with restrictions contained in donor's deed of gift [formerly listed as only C]
 PRM. Removed as a personal record misfile

Presidential Records Act - [44 U.S.C. 2204(a)]

P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
 P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]

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2009-1005-MR

Message from President Bush to EC Commission President Delors
1.4(d) [REDACTED] for Ambassador Niles to deliver to Delors

Dear Jacques,

I am writing to share with you some thoughts about the historic developments of the past few weeks in Poland. The formation of a Solidarity-led government under Prime Minister Mazowiecki, and the manner in which this dramatic transformation took place, puts Poland at the forefront of peaceful democratic transition in Eastern Europe.

The events in Poland are historic, with the potential to transform and overcome the post-war division of Europe. Prime Minister Mazowiecki and his government have a unique opportunity to introduce meaningful economic reform, which will pave the way for a more prosperous future. But that opportunity may be short-lived, if the Polish people believe that economic reform simply means austerity.

My Administration had a series of meetings last week with key ministers in the new Polish government and reviewed the outlines of their economic reform program. As the U.S. delegation noted at last week's meeting of the Group of 24 in Brussels, it is an ambitious and bold plan, calling for radical economic reform and rapid movement toward agreement with the IMF. An integral part of the plan is an urgent request for Western economic assistance in helping to stabilize the Polish economy as reforms are implemented. In the context of an agreement with the IMF, the Poles seek, in addition to IMF and World Bank support, \$1 billion in stabilization funds from the industrialized countries. Our own calculations indicate that this figure is about right. The IMF agreement itself would assure the conditionality that we all agree must be attached to our economic assistance.

I want to be responsive to Poland's request and to encourage the West's concerted action toward that end. I have decided to extend to Poland a \$200 million grant for stabilization purposes, which would be the U.S. contribution to the \$1 billion in Western assistance the Poles have requested. This grant would be contingent upon conclusion of an IMF agreement, and a plan for its use would be worked out with the Polish government. I believe Western assistance for this purpose should take the form of grants rather than loans, which would only add to Poland's enormous external debt. I will be making a formal announcement soon, because I consider it important to act quickly so as to help solidify support within Poland for the new reform program. My announcement will also reaffirm the importance I attach to working together with the Commission and our economic partners to strengthen concerted action in support of Poland's reforms.

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I hope other Western countries will make major contributions to this \$1 billion multilateral stabilization fund to meet Poland's urgent needs, since the concept can be effective only if it is fully funded. We must do all we can to help the Poles succeed with a reform plan that has IMF approval. A prompt Western commitment to provide the full \$1 billion in grants upon conclusion of an IMF agreement would be a strong incentive for the Poles to press ahead with their reforms and negotiations with the IMF.

I also plan to send a high-level Presidential mission to Poland consisting of economic and technical experts who would discuss and evaluate Polish needs and plans. On the basis of their report, and after consultation with the Commission and the major donors, I would then formulate a more detailed plan for how best to structure long term U.S. assistance to Poland. The plan would be designed primarily to stimulate Polish agriculture and private sector development and help to make Poland economically viable as quickly as possible. I will also ask this group to make its findings available to the Group of 24.

In that context, I am very gratified by the progress made since the Paris Economic Summit in developing concerted Western action, and by the EC "action plan" announced in Brussels September 26. I appreciate your efforts in helping develop a common general strategy and an effective mechanism for cooperation.

I shall be sharing these same thoughts with my G-7 counterparts. I would welcome hearing more about your own thinking with respect to Poland, as well as your views on our coordination efforts.

With warm regards,

Sincerely,

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Message from President Bush to Prime Minister Thatcher,
via White House Privacy Channels

Dear Margaret,

I have just received your letter describing your talks with President Gorbachev, following up on your helpful discussion with our Charge in Moscow. I am glad you had such a good exchange of views with Gorbachev, and I am grateful for your help in conveying my messages to him.

Let me turn now to Poland. Your letter of September 4, and our recent talk over the telephone, demonstrates that we are thinking very much alike on how we should respond to the historic developments of the past few weeks. The formation of a Solidarity-led government under Prime Minister Mazowiecki, and the manner in which this dramatic transformation took place, is a moving demonstration of Poland's peaceful democratic transition.

You have correctly posed the challenge. Prime Minister Mazowiecki and his government have a chance of acquiring the public trust that is needed to gain support for the difficult economic steps ahead. But the opportunity may be short-lived, as Poles grow impatient with what inevitably will be a difficult, uneven path toward economic reform. The danger is that public impatience and a resumption of spiralling wage demands could threaten the progress made toward democracy, with consequences, as you point out, that go far beyond Poland itself.

Without fueling a sense of urgency or crisis, we need to demonstrate our support as the new Polish government begins to tackle its enormous economic and political challenges. As John Major pointed out in his recent meeting with me, it will be important to keep the spotlight on the need for fundamental economic reform and reaching agreement with the IMF, which along with World Bank loans and a generous rescheduling of the Polish debt will get Poland on the road to recovery. The support we offer -- food aid, equity investment, technical and other assistance -- should be aimed at facilitating the Polish government's ability to press ahead with economic reforms. We must do nothing that would encourage the Poles to believe that the West can relieve them of the need for deep and painful economic measures.

I share the basic thrust of your comments on the need for an exacting but not unbearable IMF program, for a far-reaching Paris Club rescheduling with commensurate action by the commercial banks, and for substantial IBRD lending in the context of an agreed macroeconomic program. I also share your views on the need for training, institution-building, and private equity investment. As you mentioned, the Polish-American Enterprise Fund is designed largely to help catalyze private investment,

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both within Poland and from outside. We also plan some assistance in training and institution-building, but many of the details remain to be worked out.

I also believe that while helping build Poland's economic future, the Western democracies must address its immediate needs in the period of initial economic reform. My Administration had a series of meetings last week with key ministers in the new Polish government and reviewed the outlines of their economic reform program. As the U.S. delegation noted at last week's meeting of the Concerted Action Group in Brussels, it is an ambitious and bold plan, calling for radical economic reform and rapid movement toward agreement with the IMF. An integral part of the plan is an urgent request for Western economic assistance in helping to stabilize the Polish economy as reforms are implemented. In the context of an agreement with the IMF, the Poles seek, in addition to IMF and World Bank support, \$1 billion in stabilization funds from the industrialized countries. Our own calculations indicate that this figure is about right. The IMF agreement itself would assure the conditionality that we all agree must be attached to our economic assistance.

I want to be responsive to Poland's request and to encourage the West's concerted action toward that end. I have decided to extend to Poland a \$200 million grant for stabilization purposes, which would be the U.S. contribution to the \$1 billion in Western assistance the Poles have requested, and which would be contingent upon conclusion of an IMF agreement. I believe Western assistance for this purpose should take the form of grants rather than loans, which would only add to Poland's enormous external debt. I will be making a formal announcement soon, because I consider it important to act quickly so as to help solidify support within Poland around the new reform program. My announcement will also reaffirm the importance I attach to working together with you and our economic partners to strengthen concerted action in support of Poland's reforms.

I hope the United Kingdom will make a major contribution to this \$1 billion multilateral stabilization fund to meet Poland's urgent needs. The Mazowiecki government has concluded that it has but a brief period in which to act, and it has put forward a bold and courageous reform plan. I consider it vitally important that we do all we can to help the Poles succeed with a reform plan that has IMF approval. A prompt Western commitment to provide \$1 billion in grants upon conclusion of an IMF agreement would be a strong incentive for the Poles to press ahead with their reforms and negotiations with the IMF.

I also plan to send a high-level Presidential mission to Poland consisting of economic and technical experts who would discuss and evaluate Polish needs and plans. On the basis of their report, and after consultation with you, with the EC Commission,

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and with other major donors, I would then formulate a more detailed plan for how best to structure long term U.S. assistance to Poland. The plan would be designed primarily to stimulate Polish agriculture and private sector development and help to make Poland economically viable as quickly as possible. I will also ask this group to make its findings available to you through the Group of 24.

In that context, I am very gratified by the progress made since the Paris Economic Summit in developing concerted Western action, and by the "action plan" presented by the EC. As the group continues to develop a common general strategy, it will be important for the U.S., Great Britain, and the other G-7 countries to take an active leadership role in charting its agenda.

I shall be sharing some of these same thoughts with our other G-7 partners and with Commission President Jacques Delors. I would welcome hearing more about your own plans with respect to Poland, as well as your views on our coordination efforts.

With my warmest personal regards,

Sincerely,

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Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
05j. Message	Re: Text of Message Dated 4 September 1989 from the Prime Minister to the President (5 pp.)	9/4/89	(b)(1)	C

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Collection
Series: USSR Chronological Files
Subseries: Soviet Power Collapse in Eastern Europe Files
WHORM Cat.:
File Location: Soviet Power Collapse in Eastern Europe (October 1989) [1]

Date Closed:	3/18/2009	OA/ID Number:	91124-008
FOIA/SYS Case #:	2009-0275-S	Appeal Case #:	
Re-review Case #:		Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
 P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
 P-3 Release would violate a Federal statute [(a)(3) of the PRA]
 P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
 P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
 P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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

PRM. Removed as a personal record misfile.

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

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

September 29, 1989

9/29/89
1345

Brent -- These
assume the \$200mm
grant. if the
President decides
otherwise, we'll
have to revise.

BDS Bladen V

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: ROBERT D. BLACKWILL/DEANE HOFFMANN

FROM: ROBERT L. HUTCHINGS R/LH

SUBJECT: Presidential Messages to Jaruzelski and Mazowiecki

At Tab I is a memorandum from Philip Hughes to State Executive Secretariat forwarding the texts (Tabs A and B) of Presidential messages to Jaruzelski and Mazowiecki, informing them of our intentions and extending separate invitations for each to visit the United States. The message to Mazowiecki acknowledges his incoming message of September 25 (Tab II). The texts should be carried in a cable to Warsaw for handling via the Crosshatch system. | Note.

RECOMMENDATION

That you authorize Philip Hughes to sign the Tab I memorandum to Roy.

Approve _____ Disapprove _____

Attachments

Tab I Hughes Memorandum for Roy
Tab A Message to Jaruzelski
Tab B Message to Mazowiecki
Tab II Incoming Message from Mazowiecki

To be sent only after Presidential decision.

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PER E.O. 13526

2009-1005-MR
5/21/2014 MM

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

MEMORANDUM FOR J. STAPLETON ROY
Executive Secretary
Department of State

SUBJECT: Presidential Messages to President Jaruzelski and
Prime Minister Mazowiecki

Attached are Presidential messages to President Jaruzelski and
Prime Minister Mazowiecki of Poland. They should be forwarded
urgently via a cable to U.S. Embassy Warsaw for handling in the
crosshatch system. There will be no signed originals.

G. Philip Hughes
Executive Secretary

Attachments

Tab A Message to Jaruzelski
Tab B Message to Mazowiecki

DECLASSIFIED
White House Guidelines
E.O. 13526, SEC 3.4 (b), September 11, 2006
By SP NARA, Date 1/30/12

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MESSAGE TO PRESIDENT JARUZELSKI

Dear Mr. President,

You spoke eloquently during my visit about your hopes for Poland's future and the importance of U.S. support for Poland's economic recovery. I assured you that we would help and announced specific measures we would take and are taking. To meet Poland's needs for emergency food supplies, as you know, we are also making available more than \$100 million in food aid in the coming year.

My Administration had a series of meetings last week with key ministers of the new Polish government and reviewed the outlines of the economic reform program they presented. It is a bold and courageous plan, which I hope will lead to early conclusion of an agreement with the IMF. It also calls for \$1 billion in economic stabilization assistance from the industrialized countries in the context of an IMF agreement.

I want to be responsive to Poland's request and to encourage the West's concerted action toward that end. I have therefore decided to request that the U.S. Congress approve a \$200 million stabilization grant for Poland. This grant would be contingent upon Poland's conclusion of an agreement with the IMF, and the terms for its use would be worked out with the Polish Government. This would be the U.S. contribution to the \$1 billion in Western stabilization assistance your government has requested. I will work with our leading economic partners to ensure complete financing of the stabilization fund, since the concept is workable only if fully funded.

I told you during my visit of my desire to assist Poland effectively and promptly. I believe that consultations between experts in the West and those in Poland would be useful to assist your reform efforts and your negotiations with the IMF. I am therefore planning to send a high-level Presidential mission to Poland consisting of economic and technical experts who would discuss and evaluate your needs and plans. On the basis of their report, and after consultations with our Western economic partners, I would then formulate a more detailed plan for how best to structure long term U.S. assistance to Poland. This long term plan would be designed primarily to stimulate agricultural and private sector development and help to make Poland economically strong as quickly as possible.

So much has happened since we met in July. Poland is earning international admiration for its determination to address the difficult steps needed to restore Poland's creditworthiness and put its economy on the road to recovery. I salute you, Mr. President, for your wisdom and realism in launching Poland on the road to reform last April.

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2009-1005-MR
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I hope that you will allow me to return your generous hospitality during my visit to Poland and renew our very useful discussions in light of all that has transpired since July. May I take this opportunity to invite you to visit the United States early in the coming year. I will very much look forward to seeing you again.

With warm regards,

Sincerely,

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~~CONFIDENTIAL~~

MESSAGE TO PRIME MINISTER MAZOWIECKI

Dear Mr. Prime Minister,

I was glad to receive your letter of September 25, and was impressed once again by your determination to press ahead with the economic and political tasks before you. I share your hopes for Poland's future and understand that the success of your efforts will depend, in part, on Western support.

My Administration had a series of meetings last week with your key ministers and reviewed the outlines of the economic reform program they presented. It is a bold and courageous plan, which I hope will lead to early conclusion of an agreement with the IMF. It also calls for \$1 billion in economic stabilization assistance from the industrialized countries in the context of an IMF agreement.

I want to be responsive to Poland's request and to encourage the West's concerted action toward that end. I have therefore decided to request that the U.S. Congress approve a \$200 million stabilization grant for Poland. This grant would be contingent upon Poland's conclusion of an agreement with the IMF, and the terms for its use would be worked out with the Polish Government. This would be the U.S. contribution to the \$1 billion in Western stabilization assistance your government has requested. I will work with our leading economic partners to ensure complete financing of the stabilization fund, since the concept is workable only if fully funded.

The Polish economic reform program also calls for close consultation with the international community as the plan is developed and implemented. I agree that such consultations would be useful to assist your reform efforts and your negotiations with the IMF. I am therefore planning to send a high-level Presidential mission to Poland consisting of economic and technical experts who would discuss and evaluate your needs and plans. On the basis of their report, and after consultations with our Western economic partners, I would then formulate a more detailed plan for how best to structure long term U.S. assistance to Poland. This long term plan would be designed primarily to stimulate agricultural and private sector development and help to make Poland economically strong as quickly as possible.

Having impressed the world with its rapid movement toward democratic change, Poland is now earning international admiration for its determination to address the difficult steps needed to restore Poland's creditworthiness and put its economy on the road to recovery. I salute you for your efforts, and pledge once again our continuing support for Poland's new beginning.

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2009-1005-MR
5/21/2014 MM

I also would welcome the opportunity to meet with you personally, and to discuss your plans for Poland's future and ways the United States might be helpful. May I therefore take this occasion to invite you to visit the United States at an early opportunity. I very much look forward to meeting you.

With warm regards,

Sincerely,

~~CONFIDENTIAL~~

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PER E.O. 13526

EMBASSY
OF THE POLISH PEOPLE'S REPUBLIC
WASHINGTON, D. C.

September 25, 1989

Dear Sir,

I have the honour to ask you kindly to transmit the following message from Mr. Tadeusz Mazowiecki, Prime Minister of the Polish People's Republic addressed to the President of the United States of America:

"His Excellency
George Bush
The President of the United States of America
Washington, D.C.

Dear Mr. President:

I would like to cordially thank you for your congratulations and wishes sent upon my being entrusted with the office of the Chairman of the Council of Ministers by the Sejm of the Polish People's Republic.

I know and value very highly, Mr. President, your friendly interest in the affairs of my homeland. It has been clearly confirmed in the program of economic cooperation between the US and Poland, which you first presented in Hamtramck and then developed during your historic visit to Poland. I am fully aware that major challenges facing our nation have to be resolved by the Poles themselves. However, the implementation of programs announced by you will constitute a significant means of support for us.

The Honorable
Joseph Verner Reed
Chief of Protocol
U.S. Department of State
Washington, D.C.

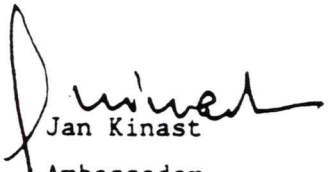
I wish to assure you, Mr. President, that Poland declares itself in favour of a comprehensive development of Polish-American relations. We see a need to broaden their infrastructure.

Please accept, Mr. President, my best wishes of success and prosperity for you personally and for the friendly American nation.

(signed)

Tadeusz Mazowiecki "

I avail myself of this opportunity to renew to you, Sir, the assurances of my highest consideration.


Jan Kinast
Ambassador

POINTS TO BE MADE FOR YOUR MEETINGS
WITH HOUSE AND SENATE LEADERS

-- We welcome the strong interest and many of the innovative ideas that have come from both sides of the aisle for providing new assistance to Poland.

-- We want to develop a bipartisan approach. Turning Polish aid into a domestic political issue would help no one, least of all the Poles.

-- The Administration had meetings last week, as many of you did, with key ministers of the new Polish government. They outlined a bold reform plan, which we believe heads Poland in the right direction.

-- In support of this program, the Mazowiecki government also called on the West to provide \$1 billion in grants or loans to stabilize the Polish economy as reforms are implemented. Our own calculations suggest this figure is not unrealistic.

-- The President wants to be responsive to that request. He will announce that he will ask the Congress to approve a \$200 million grant for stabilization purposes -- contingent upon an agreement with the IMF, which the Polish government expects to conclude within three months.

- o This grant would be our contribution to the \$1 billion stabilization fund Poland has requested. A plan for the use of this \$200 million would be worked out with the Polish government.

- o We will be working closely with our allies to insure financing of the additional \$800 million, since the stabilization fund concept can be effective only if fully funded.

- o We are confident they will come through, given their strong support for Poland's reforms and their conviction that an IMF agreement is vital.

-- There are several advantages to this program:

- o The grant responds to a specific, immediate Polish request, and it is tied to their own commitment to economic reform.

- o Offering the money now but making it contingent on an IMF agreement will be a strong incentive for the Poles to press ahead with the difficult steps they must take.

- o The IMF agreement itself will open the way to new IMF and World Bank credits totalling hundreds of millions of dollars.

o It keeps the U.S. in the lead in a combined Western partnership for Poland. In the long run, Poland needs sustained and concerted action from all the industrialized countries, not just a quick fix from one of us.

-- We do intend to work closely with the new Polish government to support Poland's longer-term economic recovery and development. Here is where the President's second initiative comes in.

-- The President will send a high-level Presidential Mission to Poland consisting of economic and technical experts who would discuss and evaluate Polish needs and plans. Its purpose would be twofold:

o The Mission would offer expert assistance to the Poles in their preparation of an economic reform plan that seems workable to us and meets IMF criteria.

o It would also recommend to the President a long-term strategy for U.S. assistance to Poland. Our strategy would focus on areas where we can be of the most help: agricultural and private sector development, financial services, management training and others.

-- In short, I believe we have a program that meets the objectives we all have of supporting this historic process of change in Poland.

-- The program responds to specific Polish needs and a specific request. It keeps the focus on the need for economic reform and an IMF agreement. It engages our Allies and reaffirms U.S. leadership in a constructive way. And it coordinates our near- and longer-term objectives in a coherent strategy.

-- The President wants your support to build a bipartisan consensus behind a strong new commitment to Poland.

-- (IF ASKED) OMB is looking urgently at how we can fund this program without damaging other vital programs. The Administration cannot accept transferring funds from the research and development budget of the Department of Defense, but will be ready to work with the Congress to find alternative funding sources.

-- (IF ASKED) The Poles just came up with this additional figure of \$490 million to cover their short-term foreign exchange gap, and some that we talked to had not yet heard of it. When we receive details from the Polish Government, we will be discussing this with Warsaw and with our partners in the 24-nation "Group for Economic Assistance to Poland and Hungary" in Brussels.

-- (IF ASKED) With our urging, the IMF will develop with Poland a reform strategy that is not excessively demanding. There is no getting around the tough measures Poland must take, though. An IMF agreement is essential -- not only in opening up hundreds of millions of dollars in IMF and World Bank credits, but also in putting the Polish economy on the road to recovery. Our policy should be to help the Poles reach agreement with the IMF, not offer them a way around it.

-- (IF ASKED) The legislative proposal offered by Senator Simon would amount to considerably more money -- more than the Poles have asked for -- and would put it all in the Enterprise Fund. That Fund, however, is meant for longer-term economic development and would not address Poland's more immediate needs.

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

September 29, 1989

INFORMATION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH:

ROBERT BLACKWILL/DEANE HOFFMANN ^{DH}

FROM:

TIMOTHY DEAL/ADRIAN BASORA ^{TD} ~~AAB~~

SUBJECT: Poland: Possible Assistance in the Fourth Quarter

You asked for our recommendations about how the Administration could respond to Poland's request for immediate financial assistance in the fourth quarter of this year if this is deemed necessary in addition to the proposed \$200 million for the stabilization fund. The Poles claim that they need \$490 million to cover a foreign exchange gap arising from repayment of principal and interest on trade-related credits and short term deposits, interest payments on medium-term restructuring agreements, and necessary imports (grain and medicines).

Our options are limited, but if it were deemed essential we could tap the following four programs up to a combined value of \$105 million:

- (1) Economic Support Fund (ESF): The Foreign Operations Appropriations Bill, which passed the Senate on September 26, contains a \$45 million earmark for ESF or Development Assistance grants for Poland. ESF would provide fast disbursing grants for commodity import programs for items in short supply. If we wished to pursue this possibility, we would support the Senate earmark. The problem with this approach is that OMB had hoped to cover part of the \$200 million stabilization grant through ESF so that DOD would not have to absorb the full \$200 million.
- (2) PL-480: There is \$97 million in the unallocated reserve for FY-90. Finding the appropriate commodities would constrain the amount that could be used for Poland, however, since the program is limited to commodities determined to be in short supply in the U.S. market. Further, about \$30 million will be needed for the Philippines, and too great a drawdown of the

Brent --
As you asked,
Bob Blackwill

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unallocated reserve would leave us with little or no money to respond to food emergencies in other areas. We estimate that it would be very difficult to go beyond \$30 million of additional assistance from this account.

- (3) Section 416(b) commodities: We have already drawn heavily on the butter and other commodities available under this program, and could probably not go much beyond \$10 million from this account without undermining Polish agricultural incentives.
- (4) Food for Progress: This program involves immediate outlays by the Commodity Credit Corporation (CCC), but no new USG budget outlays until the time comes to replenish CCC's capital, which occurs at relatively long intervals and involves billion-dollar multiples driven primarily by domestic agricultural considerations. \$20 million from this account would not pose a problem, according to Agriculture, but significantly larger amounts would.

Since we are considering taking only 20% of the \$1 billion adjustment loan requested by the Poles, it would in any case be a mistake to go beyond \$100 million of the \$490 million requested for the fourth quarter of the calendar year.

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NSC/S PROFILE

RECORD ID: 8907106
RECEIVED: 11 SEP 89 16

TO: PRESIDENT

FROM: SCOWCROFT

DOC DATE: 10 OCT 89
SOURCE REF:

KEYWORDS: ANSA

GERMANY F R



PERSONS: STOLTENBERG, GERHARD

SUBJECT: GERMAN DEFMIN REQUEST APPT W/ SCOWCROFT ON OCT 10

ACTION: NOTED BY PRES		DUE DATE: 13 OCT 89	STATUS: C
STAFF OFFICER: HUTCHINGS		LOGREF:	
FILES: PA	NSCIF:	CODES:	

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White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By Cup NARA, Date 3/18/09

COMMENTS: _____

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THE WHITE HOUSE

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WASHINGTON

7106 ADD-ON

October 10, 1989

DROP-BY MEETING WITH
WEST GERMAN DEFENSE MINISTER GERHARD STOLTENBERG

DATE: October 10, 1989

LOCATION: General Scowcroft's Office

TIME: 3:00 - 3:05 p.m.

FROM: BRENT SCOWCROFT *B*

I. PURPOSE

To lend visible support to the Bonn coalition as it confronts public pressures on "sovereignty" issues related to U.S. military activities in the Federal Republic.

II. BACKGROUND

Stoltenberg is in Washington at the invitation of Secretary Cheney and will also visit Norfolk and Shepherd AFB, as well as deliver a speech in Dallas on October 12. Your brief meeting will be an important demonstration of support for Stoltenberg and the coalition.

Although much of Stoltenberg's stay will be devoted to defense matters -- the CFE talks in Vienna, U.S. military activities in the FRG, manpower problems, and others -- his preoccupation as a German politician will be with the East German refugee situation. He would welcome your expression of sympathy and understanding for the immediate problems Bonn faces, as well as for heightened West German worries about the stability of the GDR.

III. PARTICIPANTS

A list of participants is a Tab C.

IV. PRESS PLAN

None.

V. SEQUENCE

Brief meeting in General Scowcroft's office

Attachments

Tab A Points to be Made
Tab B Biography
Tab C Participants List

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PER E.O. 12958,
AS AMENDED
2008-0697-MR
5/20/10 bch

cc: Vice President
Chief of Staff

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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7106 add-on 62

October 7, 1989

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: ROBERT D. BLACKWILL/ARNOLD KANTER *RB* *AK*

FROM: ROBERT L. HUTCHINGS *RLH*

SUBJECT: Your Meeting and the President's Drop-by with FRG
Defense Minister Gerhard Stoltenberg, October 10,
1989, 3:00 - 3:30 p.m.

At Tab I is the President's briefing package for his drop-by during your meeting with Stoltenberg. It includes a few brief points to be made, mainly relating to the refugee situation.

For your meeting, you might follow up on the President's remarks on the East German refugee situation and the larger question of rising instability in the GDR. West German politicians were unprepared for this rapid erosion of the authority of the East German regime, and it would be worth sounding Stoltenberg out on how Bonn and its allies should prepare themselves for an entirely new situation in the GDR.

A discussion of the GDR will lead naturally to Poland. It is important to impress on Stoltenberg the importance we attach the President's new initiatives toward Poland and the need for a strong West German contribution to the \$1 billion stabilization fund to support the Polish economic reform. Bonn has been leery of providing aid that is not tied to specific projects, and we will need to persuade the coalition that urgent stabilization assistance is needed if the Polish reforms are to succeed. You could also ask Stoltenberg for a readout of FRG-Polish talks in preparation for Chancellor Kohl's visit to Warsaw this fall.

On CFE, as you know, the Germans have been helpful in accelerating the pace of the Western Caucus's work. A word of praise would be in order, as would a reminder that we will need to push hard (and push our allies) to meet the timetable set at the NATO Summit. Stoltenberg is unlikely to raise SNF, and there is probably nothing to be said at this point beyond reaffirming our commitment to the NATO Summit decision.

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Sovereignty issues will be high on Stoltenberg's agenda. After consultations with Secretary Cheney, Stoltenberg announced on September 29 the new package on low-level military training flights. The measures were well received in the FRG but are not likely to satisfy public demands for further reductions. You might ask Stoltenberg how he sees the issue developing, and how we might help the Bonn coalition meet domestic needs without damaging military readiness.

Finally, you might ask Stoltenberg about the current status of the burden-sharing issue in the FRG in light of passage of the Nunn-Warner amendment.

RECOMMENDATION

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

Attachments

Tab I	Memorandum for the President
Tab A	Points to be Made
Tab B	Biography
Tab C	Participants List

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THE WHITE HOUSE

WASHINGTON

7106 ADD-ON

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DROP-BY MEETING WITH
WEST GERMAN DEFENSE MINISTER GERHARD STOLTENBERG

DATE: October 10, 1989

LOCATION: General Scowcroft's Office

TIME: 3:00 - 3:05 p.m.

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III. PARTICIPANTS

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Tab B Biography
Tab C Participants List

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cc: Vice President
Chief of Staff

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1 of 2

POINTS TO BE MADE FOR DROP-BY WITH
WEST GERMAN DEFENSE MINISTER STOLTENBERG

- I WANT TO TELL YOU HOW MOVED I HAVE BEEN BY THE FLIGHT OF SO MANY REFUGEES FROM THE GDR INTO THE FEDERAL REPUBLIC.
- AT LAST WEEK'S ROSE GARDEN CEREMONY MARKING GERMAN-AMERICAN DAY, I HAD THE OPPORTUNITY TO EXPRESS MY SYMPATHY AND ADMIRATION FOR THE WAY YOUR COUNTRY HAS OPENED ITS DOORS TO SO MANY SEEKING FREEDOM. I WOULD LIKE TO CONVEY THAT MESSAGE TO YOU PERSONALLY.
- WE ARE ALL CONCERNED BY THE VERY DELICATE SITUATION IN THE GDR. OUR GOVERNMENTS SHOULD STAY IN CLOSE TOUCH IN THE EVENT THAT REAL INSTABILITY DEVELOPS THERE.

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~~CONFIDENTIAL~~

2 of 2

- WHAT WE ALL WANT IS CONTINUED PEACEFUL MOVEMENT TOWARD DEMOCRACY IN EASTERN EUROPE, BEGINNING WITH POLAND AND HUNGARY.
- AS YOU KNOW, I HAVE ASKED OUR CONGRESS TO AUTHORIZE A \$200 MILLION STABILIZATION GRANT FOR POLAND, WHICH WOULD BE OUR SHARE OF THE \$1 BILLION THE POLISH GOVERNMENT HAS REQUESTED.
- I HOPE THE FEDERAL REPUBLIC WILL JOIN US IN PROVIDING THIS URGENTLY NEEDED SUPPORT. THE SUCCESS OF POLAND'S REFORMS IS KEY TO A POSITIVE EVOLUTION IN THE GDR AS WELL.

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AS AMENDED

2008-0697-MR
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POINTS TO BE MADE FOR DROP-BY WITH
WEST GERMAN DEFENSE MINISTER STOLTENBERG

- I want to tell you how moved I have been by the flight of so many refugees from the GDR into the Federal Republic.
- At last week's Rose Garden ceremony marking German-American Day, I had the opportunity to express my sympathy and admiration for the way your country has opened its doors to so many seeking freedom. I would like to convey that message to you personally.
- We are all concerned by the very delicate situation in the GDR. Our governments should stay in close touch in the event that real instability develops there.
- What we all want is continued peaceful movement toward democracy in Eastern Europe, beginning with Poland and Hungary.
- As you know, I have asked our Congress to authorize a \$200 million stabilization grant for Poland, which would be our share of the \$1 billion the Polish government has requested.
- I hope the Federal Republic will join us in providing this urgently needed support. The success of the Poland's reforms is key to a positive evolution in the GDR as well.

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Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Files
Series: USSR Chronological Files
Subseries: Soviet Power Collapse in Eastern Europe Files
WHORM Cat.:
File Location: Soviet Power Collapse in Eastern Europe (October 1989) [1]

Date Closed:	3/18/2009	OA/ID Number:	91124-008
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Re-review Case #:		Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
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P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]

PARTICIPANTS

U.S.

The President

Brent Scowcroft,

Assistant to the President for National Security Affairs

Robert M. Gates,

Assistant to the President and Deputy for National Security
Affairs

Robert D. Blackwill, Special Assistant to the President for
European and Soviet Affairs

FRG

Gerhard Stoltenberg, Defense Minister

Joerg Schoenbohm, Lt. General

Klaus Naumann, Major General

Juergen Ruhfus, Ambassador